LINCOLN POLICY GROUP

July 10, 2025

Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Dear Acting Chair Pham and Commissioner Johnson:

Thank you very much for your dedication to public service. We appreciate all you do to ensure the integrity of the U.S. futures and derivatives markets. Federal oversight of futures and derivatives contracts provides clear, unified and consistent rules – a principle that underpins markets worth trillions of dollars that companies of all sizes depend on to run their businesses.

I know the importance of this regulatory system. As a former Chairwoman of the Senate Agriculture Committee, I was a primary author of the Commodity Exchange Act (CEA) provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank). As lawmakers, we realized we had to establish a robust regulatory framework that would restore confidence in derivatives markets that had been deeply diminished by the collapse of Wall Street and the Great Recession in 2008. Key tenets of that framework are that the same rules apply to everyone and only the U.S. Commodity and Futures Trading Commission gets to decide which futures contracts should be prohibited.

I have great concern this system is under threat by some recent states' efforts to block prediction markets – federally regulated futures contracts that traders use to predict the outcomes of closely watched events.

If these states succeed, imagine the potential fallout. It could establish a damaging precedent where states feel empowered to block all sorts of contracts, including contracts that have long established and unquestioned economic utility. Before long, investors, traders and businesses might conclude that CFTC authority is now completely undermined with huge destabilizing impacts on the $60 trillion derivatives market that the agency regulates. It is hard to overstate the importance of these markets to our economy because businesses rely on them to protect themselves from big swings in interest rates, commodity prices and currencies.

This is why it is crucial that the CFTC make clear that all prediction markets fall entirely under its domain with no interference by states. If a formal rule is necessary to achieve this goal, then the agency should not hesitate to act.

Digging more deeply into prediction markets, it's vital to keep something else in mind: a hallmark of the U.S. futures industry is that the markets determine what contracts have value and those that do not. It's long been accepted that markets should be making these decisions, and that the CFTC's role is to prevent fraud and abuse and ensure that trading is fair and orderly. This approach, which was strengthened by Dodd-Frank, has made America's futures markets the deepest and most resilient in the world because it's built on the philosophy that markets should be regulated but also allowed to grow and thrive.

Not surprisingly, the CFTC faces a lot of pressure right now to ban prediction markets, especially contracts tied to political elections or sporting events. This would be a grave mistake for a number of reasons, and it would fly in the face of the agency's long-standing policy of letting the markets decide.

Under Dodd-Frank, lawmakers gave the CFTC authority to prohibit contracts, but only if it determines that the contracts have no commercial utility. Elections have significant policy consequences that affect businesses of all sizes, so the commercial implications are clear. Sporting events like the Super Bowl also have strong commercial value because they have major impacts on advertising, apparel sales and the hospitality industry to name a few. Stepping back, these examples further speak to the CFTC's need to let the markets decide what's beneficial.

A final point I'll make is that prohibiting prediction markets would seriously harm U.S. consumers. Like all futures exchanges, prediction market trading platforms that are registered with the CFTC must adhere to nearly two dozen "core principles," including that they comply with agency rules, list contracts that aren't prone to manipulation and prevent conflicts of interest. If these regulated prediction markets were shuttered, U.S. traders would simply move their activity to offshore event contract markets that lack rules or oversight, causing great danger to consumers.

In conclusion, my experience tells me it is absolutely critical that U.S. futures markets remain the sole authority of the CFTC. We should not open up our regulatory structure to a chaotic system where states and other jurisdictions reject contracts at will. Such a regime would breed uncertainty, which is what companies and financial markets dread most and is most dangerous to our overall economic stability. I also want to share my view that prediction markets appear to be the latest iteration of a policy framework that is built on the following premise: we should encourage a broad range of financial products, as long as we ensure that they are appropriately regulated.

Sincerely,

Blanche L Lincoln

Blanche L. Lincoln

Founder, Lincoln Policy Group

U.S. Senator from Arkansas 1999-2010 (ret.)

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