PTG Driving Efficient Markets

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July 27, 2026

Christopher J. Kirkpatrick
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Re: Prediction Markets; Public Interest Determinations: Notice of Proposed Rulemaking
RIN 3038–AF65

Dear Mr. Kirkpatrick:

I. Introduction and Statement of Interest

PTG[1] appreciates the opportunity to comment on the Commodity Futures Trading Commission's ("Commission" or "CFTC") notice of proposed rulemaking, Prediction Markets; Public Interest Determinations (the "Proposal").[2] PTG commented on the Commission's Advance Notice of Proposed Rulemaking ("ANPRM") on April 30, 2026,[3] and is pleased that the Proposal reflects several of the principles PTG advanced there: that review of event contracts must begin with manipulation-resistant contract design; that settlement should rest on objective, verifiable data; that fair access to event-relevant information is a precondition of market quality; that surveillance should be tailored to the distinct abuse patterns of event contracts; and that calibrated, targeted regulation serves the public interest better than broad prohibition.

As PTG explained in the ANPRM Letter, prediction markets can provide valuable mechanisms for information aggregation, price discovery, and risk transfer, but these benefits depend on several essential conditions: fair and equal access to event-relevant information; neutral and transparent exchange governance; clear and reliable settlement and dispute resolution

1 PTG, formerly known as the FIA Principal Traders Group ("FIA PTG"), is a leading trade association of principal trading firms advocating for fair, transparent, and robust markets. Members provide essential liquidity and facilitate price discovery, both critical to well-functioning markets. PTG engages with policymakers and regulators to safeguard market integrity by offering expert guidance on market structure while highlighting the positive contributions of liquidity providers.

2 Prediction Markets; Public Interest Determinations, 91 Fed. Reg. 35,806 (June 12, 2026) (the "Proposal" or "NPRM").

3 Letter from PTG to Christopher J. Kirkpatrick, Secretary of the Commission, RIN 3038–AF65 (Apr. 30, 2026) ("ANPRM Letter").

processes; and regulatory requirements calibrated to the actual risks these products present. Those conditions frame our comments on the Proposal. In summary:

- PTG supports the Proposal: its factor-based public interest framework, its conformed and time-limited review procedures, and its preliminary conclusion that aggregate-outcome event contracts with objective settlement are unlikely to be contrary to the public interest.
- PTG agrees that so-called "mention" markets (contracts that settle solely on whether a specific, identifiable individual utters a particular word or phrase) should not be approved. That conclusion follows from the Proposal's own discrete-action and manipulation-susceptibility analysis, and it is the position PTG urged in the ANPRM Letter with respect to contracts whose outcomes depend on the discretionary actions of a single individual.
- PTG renews its call for fair, transparent, and non-discriminatory dissemination of game-state data (the real-time, settlement-relevant state of the underlying event), now anchored in the Proposal's own settlement-data and dissemination discussion.
- PTG renews two structural requests from the ANPRM Letter that the Proposal leaves unaddressed: clarification that centrally traded and cleared event contracts do not count toward swap dealer de minimis thresholds, and strict limits on internal or affiliated market makers.

II. PTG Supports the Proposed Framework, Which Adopts the Design-First Approach PTG Urged

A. *Factor-based review grounded in manipulation resistance*

In the ANPRM Letter, PTG urged that the evaluation of event contracts "must begin with contract design," that not every proposition is suitable for listing on a regulated market, and that contracts are especially problematic where outcomes depend on the discretionary actions of a single individual or on conditions that can be strategically created, influenced, or timed by a small number of actors.[4] The Proposal operationalizes that design-first approach. Its manipulation-susceptibility prong asks whether settlement outcomes are unduly controllable by a narrow set of actors,[5] and its settlement-integrity prong asks whether contracts settle on clear, objective, and publicly verifiable criteria supported by resilient data feeds.[6] These tests map directly onto the

[4] ANPRM Letter V (contracts are "especially problematic where outcomes depend predominantly on the discretionary actions of a single individual, opaque internal determinations, unverifiable facts, or conditions that can be strategically created, influenced, or timed by a small number of actors").

[5] 91 Fed. Reg. at 35,849 (the manipulation susceptibility test asks "whether settlement outcomes are unduly controllable by a narrow set of actors (e.g., single-decision officiating, first-action triggers for a named participant) or whether event contract terms invite selective influence inconsistent with orderly markets").

[6] 91 Fed. Reg. at 35,849 (settlement-integrity prong evaluates whether contracts "settle on clear, objective, and publicly verifiable criteria, supported by resilient data feeds, transparent calculation procedures, and defined dispute-resolution protocols").

Core Principle 3 design analysis PTG recommended, and PTG supports their codification in proposed 40.11(a)(5) and 40.11(a)(6).

PTG also endorses the premise underlying the framework. As the Commission observes, prediction markets function as information aggregation vehicles,[7] and the resulting price series advance the purposes of the Commodity Exchange Act ("CEA"), including price discovery and the dissemination of pricing information.[8] That informational function, however, depends on liquidity: as PTG explained in the ANPRM Letter, in thinly traded event contracts even a modest order can sweep a shallow book and produce a misleading signal driven by liquidity scarcity rather than genuine consensus.[9] A predictable, factor-based framework is what allows independent liquidity providers and institutional traders to commit capital to these markets.

B. *Support for the aggregate-outcome analysis*

PTG agrees with the Commission's preliminary belief that event contracts settling on aggregate outcomes (final scores, point differentials, win-loss results, tournament advancement, individual or team statistical performance, and season-long performance metrics) are unlikely to be contrary to the public interest.[10] The Proposal's structural reasoning is sound: where settlement depends on the cumulative contributions of many participants, no single actor has determinative capacity, and attempted manipulation produces detectable anomalies.[11] These are also precisely the contract types capable of attracting deep, independent, and competitive liquidity. Consistent with the ANPRM Letter, PTG urges the Commission to continue to favor approaches that promote independent market making, open participation, and competitive quoting.[12]

III. PTG Has Concerns With the "Trading During Review" Concept

The Proposal recommends trading during review that could result in trades simply being cancelled. Under the proposed changes in the Proposal, a contract that involves an enumerated activity may be listed and may begin trading immediately, but may receive an adverse public interest determination at any time over the 90 days following its listing.[13] The Commission describes a resulting cancellation of open positions, the return of purchase prices and fees, and the loss of any unrealized gains.[14] The Proposal identifies this result as the cost of preserving market

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[7] 91 Fed. Reg. at 35,835 (prediction markets "function as information aggregation vehicles").

[8] CEA section 3(a), 7 U.S.C. 5; *see* 91 Fed. Reg. at 35,849 (event contract price series "provides the market with a better guide in economic decisions, consistent with CEA section 3(a)").

[9] ANPRM Letter II (in thin books, "even a modest order can sweep a shallow book and materially shift the implied probability, producing a misleading market signal driven by liquidity scarcity rather than genuine consensus about the underlying event").

[10] 91 Fed. Reg. at 35,835–36; proposed 40.11(a)(6)(iii)(A)(1)– (2).

[11] 91 Fed. Reg. at 35,835 (for aggregate-outcome contracts, "manipulation risk is bounded by the distribution of determinative capacity among participants and events in the underlying activity, and any residual manipulation risk produces observable patterns that the prediction market can detect through surveillance").

[12] ANPRM Letter II (urging the Commission to "favor approaches that promote independent market making, open participation, and competitive quoting").

[13] 91 Fed. Reg. 35,806 *et seq.*

[14] 91 Fed. Reg. 35,806 *et seq.*

access.[15] We will describe the market mechanics of this aspect of the Proposal as "trading during review."

The "trading during review" mechanism contemplated in the Proposal threatens prediction market integrity for a simple reason: a market is only as good as the certainty of its trades.[16] PTG members have decades of experience providing liquidity across the globe and have witnessed different exchanges learn this lesson the hard way. As various market centers have learned, across two decades and through episodes running into the hundreds of millions of dollars, trade cancellations must be rare, fast, objective and wherever possible avoided via "adjustment" rather than annulment.[17] As the London Metal Exchange learned, at the price of a sixty-percent volume collapse and its regulator's first ever fine, a single cancellation can decimate a franchise built over nearly a century.[18] As MIAX learned, a contract traded under a contestable authorization never gathered liquidity to matter.[19] The proposed "trading during review" mechanic ignores the options markets lesson, courts the LME result, and would institutionalize the MIAX SPIKES case as the regular course of business for these markets. Because trade and position certainty is the bedrock support for liquidity formation in any market, the Commission should abandon the "trading during review" mechanic in the Proposal and consider other solutions including a liquidation only grace period.[20]

IV. "Mention" Markets Should Not Be Approved: The Proposal and PTG's ANPRM Letter Converge on This Conclusion

PTG's support for prediction markets is support for markets that aggregate dispersed information. Contracts that settle solely on whether a specific individual says a particular word or phrase during a broadcast, press conference, interview, or other appearance (commonly called "mention" markets) do not aggregate information. They concentrate settlement control in a single person, invite selective influence and inappropriate contact, generate contested and subjective settlement determinations, and produce prices with no informational value. In the ANPRM Letter, PTG identified exactly this category of proposition as structurally unsuited to regulated markets: contracts whose outcomes "depend predominantly on the discretionary actions of a single

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[15] Id.at §II.G.1

[16] *See* CFTC July 14, 2026, Press Release Number 9267-26. (Chairman Selig - "Canceling trades that have already been executed is an unprecedented step that risks a cascading effect on the entire marketplace and undermines the certainty in contracting that is a necessary component of a functioning market.")

[17] *See* Cboe Exchange, Inc., Rule 6.5 (Obvious Errors); see Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of Proposed Rule Change Relating to Obvious and Catastrophic Errors, Exchange Act Release No. 34-74921, 80 Fed. Reg. 27,816 (May 14, 2015) (parallel filing in the industry-wide harmonization of options obvious-error rules across all U.S. options exchanges).

[18] *See* Fin Condcut Auth, Final Notice: The London Metal Exchange (Mar. 19, 2025) financial penalty of £9,245,900; first FCA enforcement action against a recognised investment exchange; 30% discount for early settlement); see Press Release, Fin. Conduct Auth., First FCA Enforcement Action and Fine Against a Recognised Investment Exchange (Mar. 19, 2025); *see generally* Office of Financial Research, Central Clearing and Trade Cancellation: The case of LME Nickel Contracts on March 8, 2022, OFR Working Paper No. 24-09 (Dec. 10, 2024);

[19] *See* ConvexityShares Trust, Annual Report (Form 10-K) for FY2022 (net assets of the ConvexityShares 1x SPIKES Futures ETF of $1,073,138 as of Dec. 31, 2022); Minneapolis Grain Exchange, SPIKES Volatility Index Futures Contract Delisted (Dec. 2023) (no open interest at delisting).

[20] *See* CFTC Rule 41.14 - Transition period for indexes that cease being narrow-based security indexes.

individual" or on "conditions that can be strategically created, influenced, or timed by a small number of actors."[21]

A. *Mention markets are the paradigm "discrete-action" contract the Proposal identifies*

The Proposal states that event contracts settling "solely by reference to a discrete action, event, or occurrence," including acts called for or executed by a specific participant, present public interest concerns,[22] and proposed 40.11(a)(6)(iii)(B)(4) codifies discrete-action settlement as a negative public interest factor.[23] A contract on whether a named individual utters a specified word is a discrete-action contract in its purest form: settlement turns on a single, momentary act of one identifiable person. As the Commission explains, market participants "can have little actual insight into specific in-game acts of identifiable participants;"[24] the same is true, a fortiori, of a specific utterance. PTG requests that the Commission confirm in the final rule's preamble (and, ideally, in the illustrative discussion in Appendix F) that the discrete-action analysis reaches utterance-based contracts wherever they arise.

B. *Mention markets fail the manipulation-susceptibility test*

The first prong of the Proposal's market-integrity factor asks whether settlement outcomes are "unduly controllable by a narrow set of actors," giving as examples "single-decision officiating" and "first-action triggers for a named participant," and whether contract terms "invite selective influence inconsistent with orderly markets."[25] A mention market is a clear case: settlement is controllable by exactly one actor, the speaker, who can singularly trigger or avoid settlement. The design also replicates the concern that led the Commission to identify officiating-outcome contracts as likely contrary to the public interest: settlement resolving on a small number of discrete human decisions made by identifiable individuals, with risks of inappropriate contact between market participants and the individual whose conduct determines settlement.[26]

C. *Mention markets fail the informational-value and settlement-integrity tests*

Mention markets also yield no meaningful information. As with officiating calls, the underlying occurrence is a quick, discrete act, and "the prices of such event contracts would not provide meaningful information;"[27] to outside participants, whether a particular word will be spoken is effectively random, and contracts on outcomes devoid of informational content "would not advance any of the purposes of the CEA."[28] Settlement integrity is equally deficient. Whether

[21] ANPRM Letter V.
[22] 91 Fed. Reg. at 35,837.
[23] Proposed 40.11(a)(6)(iii)(B)(4) (whether contracts "settle solely by reference to a discrete action, event, or occurrence in a game").
[24] 91 Fed. Reg. at 35,837 ("market participants can have little actual insight into specific in-game acts of identifiable participants").
[25] 91 Fed. Reg. at 35,849; *see supra* note 5.
[26] 91 Fed. Reg. at 35,836–37; proposed 40.11(a)(6)(iii)(B)(3).
[27] 91 Fed. Reg. at 35,837 (officiating calls involve "quick, discrete judgments, and so the prices of such event contracts would not provide meaningful information").
[28] 91 Fed. Reg. at 35,835 (contracts on outcomes "dictated solely by luck" are "by definition, devoid of informational content" and "would not advance any of the purposes of the CEA").

a word was "said" routinely devolves into disputes over audio quality, pronunciation, partial words, transcription, and context, which is exactly the "subjective or non-verifiable adjudication, unclear resolution criteria, or contested data pipelines" the Proposal identifies as a principal risk domain,[29] in contrast to the "publicly reported, league-verified, or otherwise objectively determinable settlement data" the Proposal credits as a positive factor.[30] Notably, the Commission's cost-benefit analysis already groups "single-action" constructs with pure-chance designs as "non-informational designs" approaching the threshold of disapproval.[31]

D. *Recommendation*

PTG recommends that the Commission: (1) confirm in the final rule's preamble that contracts settling solely on the statements or utterances of a specific individual are discrete-action contracts likely to be found contrary to the public interest under the 40.11(a)(5) and (a)(6) factors; and (2) add "statements or utterances of a specific individual" as an illustrative example within the discrete-action negative factor. This recommendation is market-protective rather than restrictive. As PTG cautioned in the ANPRM Letter, if liquidity providers believe a market is exposed to repeated repricing driven by illicit or structural informational advantage, they will widen spreads, reduce size, or withdraw from quoting entirely, an outcome that harms all participants and degrades the informational quality of the market.[32] Screening out non-informational, single-actor-controllable designs preserves the credibility of the event contracts that do serve the CEA's purposes.

V. The Final Rule Should Secure Fair, Non-Discriminatory Dissemination of Game-State Data

Fair and equal access to event-relevant information was a core component of PTG's ANPRM Letter: when information is broadly and contemporaneously available, liquidity providers quote with greater confidence and participants transact at competitive prices; when certain participants receive material event information earlier, more comprehensively, or on preferential terms, adverse selection risk increases, spreads widen, and displayed liquidity deteriorates.[33] These concerns are particularly acute for event contracts tied to sports and other fast-moving real-world events. As PTG explained, leagues frequently enter into exclusive arrangements with designated data providers, which may then control the dissemination of key real-time game-state data (including whether such data is made available to certain parties at all and, when it is, on materially different commercial terms) and may even influence which exchanges can compete effectively in listing these products.[34] This fragmented and selectively

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[29] 91 Fed. Reg. at 35,849 (identifying "settlement-integrity deficits (e.g., subjective or non-verifiable adjudication, unclear resolution criteria, or contested data pipelines)" as a principal risk domain).
[30] Proposed 40.11(a)(6)(iii)(A)(3).
[31] 91 Fed. Reg. at 35,849 (identifying "event contracts approaching the threshold of non-informational designs, such as single-action or pure-chance event constructs").
[32] ANPRM Letter VII (if liquidity providers believe a market is exposed to repeated jumps driven by illicit informational advantage, "they will widen spreads, reduce size, or withdraw from quoting entirely").
[33] ANPRM Letter III.
[34] ANPRM Letter III (leagues "frequently enter into exclusive arrangements with designated data providers, which may then control the dissemination of key real-time game-state data, including whether such data is made available to certain parties at all and, when it is, on materially different commercial terms").

distributed data environment impairs price formation and market making precisely when accuracy matters most, with predictable effects: wider bid-ask spreads, reduced depth, higher trading costs for end users, reduced participation by professional liquidity providers, and impaired surveillance.

The Proposal correctly ties the public interest analysis to objective, verifiable settlement data supported by resilient data feeds, transparent calculation procedures, and defined dispute-resolution protocols.[35] It further observes that where prediction markets adopt objective settlement feeds and real-time dissemination, markets absorb data more accurately and form prices that reflect aggregated beliefs,[36] and that prompt public dissemination (including "dissemination as soon as technologically practicable") facilitates monitoring and enforcement.[37] What the Proposal does not fully address is access: who receives relevant game-state data, how quickly, and on what terms.

PTG respectfully suggests that the Commission draw two distinctions in applying this factor. First, objective settlement and fair access are not the same thing. Objective, league-verified settlement data, which PTG supports for its manipulation-resistance benefits, addresses how a contract resolves. It does not address whether the real-time game-state data that feeds quoting and trading is available to all participants. The Commission should recognize and address both. Second, nominal availability and meaningful access are not the same thing. Pricing models that are technically uniform but prohibitively expensive for different liquidity providers function as a de facto access ban. True accessibility requires data made available on fair, reasonable, and nondiscriminatory terms, with pricing publicly disclosed or readily obtainable.

PTG's concern is narrow: reliance on these arrangements should not create discriminatory access to market-relevant information or confer a structural advantage on a subset of participants. Accordingly, PTG recommends that the Commission treat as a positive factor a contract's reliance on official, league, or other data sources where the materially relevant game-state and source data are available to market participants on fair, reasonable, and nondiscriminatory terms, in real time where appropriate to the product, and with pricing publicly disclosed or readily obtainable. Where a designated contract market ("DCM") itself receives material source data, that data should be made available to market participants, and in particular to market makers, on a pass-through basis, and exclusive arrangements that confer structural advantages on select participants should not be permitted. Recognizing fair access as a positive factor is consistent with the core principles governing designated contract markets, including the obligation to provide impartial access to markets and to guard against manipulation and abusive practices.

These concerns also bear on the Commission's antitrust analysis under Section 15(b) of the CEA.[38] The Commission has preliminarily identified no anticompetitive effects from the Proposal and has invited comment on that conclusion. PTG respectfully submits that the data-related positive factors, as drafted, do implicate competition concerns. Rewarding exclusive data arrangements without a fair access condition can allow data providers to control which venues

[35] 91 Fed. Reg. at 35,849; *see supra* note 6.
[36] 91 Fed. Reg. at 35,849 (where prediction markets adopt objective settlement feeds and real-time dissemination, "markets can absorb data more accurately and form prices that reflect aggregated beliefs").
[37] 91 Fed. Reg. at 35,850.
[38] 7 U.S.C. 19(b).

receive data, and which liquidity providers receive data and on what terms and can in effect choose winners and losers in markets the Commission oversees. Section 15(b) directs the Commission to endeavor to take the least anticompetitive means of achieving the purposes of the CEA. The least anticompetitive means of achieving the Commission's integrity objectives here is to pair any credit for league coordination and official data sourcing with the fair access, pass-through, and pricing-disclosure expectations described above.

The Commission's memorandum of understanding with Major League Baseball, and the resulting expansion of accessible sports data through related commercial arrangements, provides a useful template.[39] PTG encourages the Commission to facilitate similar memoranda of understanding and standardized protocols among leagues, data partners, and exchanges, and to treat equal access to reliable data as a central pillar of cross-exchange surveillance. Such frameworks can improve the integrity, availability, and standardization of event information at the same time.

A. *Recommendations*

Carrying forward the ANPRM Letter's recommendations and connecting them to the Proposal's rule text, PTG recommends that the final rule and its accompanying guidance:

- **Adopt an equal-access principle.** As detailed in the positive-factor recommendation above, the factor analysis should disfavor arrangements that grant preferential low-latency access to affiliated or select participants, or that condition access on commercially prohibitive terms; and where a DCM relies on official or third-party game-state data, it should confirm the mechanics by which that data reaches all market participants, including market makers, in real time where appropriate to the product.[40]
- **Require source and methodology disclosure.** Where a contract relies on an official or authoritative source, the exchange should clearly disclose the primary source, any fallback sources, applicable timing conventions, correction policies, and any known limitations that could affect dissemination, interpretation, or settlement, supporting the "auditability of inputs and triggers" the Proposal contemplates and enabling liquidity providers to price residual asymmetry.[41]
- **Treat prompt public dissemination as a positive public interest factor.** The Commission should clarify, in Appendix F or the preamble, that prompt, non-discriminatory public dissemination of settlement-relevant game-state data weighs

[39] Press Release, Commodity Futures Trading Commission, CFTC and MLB Sign Groundbreaking MOU (Mar. 19, 2026), https://www.cftc.gov/PressRoom/PressReleases/9199-26.
[40] ANPRM Letter III (materially relevant source data should be "made broadly available to market participants on fair, transparent, and nondiscriminatory terms, including in real time where appropriate given the nature of the product").
[41] 91 Fed. Reg. at 35,849 (settlement frameworks that "minimize subjectivity and establish auditability of inputs and triggers weigh against a contrary-to-public-interest finding").

against a contrary-to-public-interest finding, complementing proposed 40.11(a)(6)(iii)(A)(3)'s objective-settlement-data factor.[42]

- **Build data-access commitments into information-sharing arrangements.** The league-coordination framework the Proposal describes (reporting suspicious trading, cooperating in integrity investigations, and consulting on contract design) should be extended to encompass commitments regarding the timely, non-discriminatory availability of official game-state and settlement data.[43]

- **Continue to pursue memoranda of understanding with relevant data sources.** The Commission's memorandum of understanding with Major League Baseball, and the resulting expansion of accessible sports data through related commercial arrangements, provides a useful template that should be extended across other categories of event contracts, and now serves as natural implementation infrastructure for the information-sharing factor in proposed 40.11(a)(6)(iii)(A)(5).[44]

To be clear, and as PTG stated in the ANPRM Letter, PTG does not suggest that exchanges should be prohibited from using official or authoritative data sources. Such sources can improve contract clarity, reduce settlement disputes, and strengthen market integrity. But reliance on these arrangements should not create discriminatory access to market-relevant information or confer a structural advantage on a subset of participants.[45]

VI. PTG Renews Two Structural Requests the Proposal Leaves Unaddressed

A. *Clarify that cleared event contracts do not count toward swap dealer de minimis thresholds*

PTG has long advocated that centrally traded and cleared swaps present materially different considerations and risks than the over-the-counter ("OTC") swaps that Dodd Frank Title VII was designed to address.[46] The swap dealer framework and its requirements were crafted primarily to mitigate risks associated with bilateral OTC derivative dealing, including large counterparty exposures, limited transparency, and uncleared, bespoke transactions.[47] Those concerns do not translate neatly to standardized event contracts and other cleared products traded on transparent, regulated venues, where counterparty risk is mutualized and mitigated through central clearing.

Counting activity in such products toward swap dealer de minimis thresholds is therefore disproportionate to the risks presented and carries adverse market structure consequences. In

[42] Proposed 40.11(a)(6)(iii)(A)(3); *see supra* note 22.
[43] 91 Fed. Reg. at 35,836; proposed 40.11(a)(6)(iii)(A)(5).
[44] Press Release, Commodity Futures Trading Commission, CFTC and MLB Sign Groundbreaking MOU (Mar. 19, 2026), https://www.cftc.gov/PressRoom/PressReleases/9199-26; *see* ANPRM Letter III.
[45] ANPRM Letter III.
[46] ANPRM Letter I; *see also* Letter from Mary Ann Burns to Christopher J. Kirkpatrick, Secretary (Jan. 27, 2016), and Letter from Allison Lurton to Christopher J. Kirkpatrick, Secretary (Aug. 13, 2018).
[47] "Financial Regulatory Reform, A New Foundation: Rebuilding Financial Supervision and Regulation," October 8, 2009, US Department of Treasury https://fraser.stlouisfed.org/files/docs/historical/fct/treasury_finregreform_20090617.pdf?utm_source=direct_download

practice, this treatment may discourage U.S. firms from providing liquidity on regulated venues, widen spreads, reduce displayed depth, and ultimately shift activity toward foreign or less constrained platforms—preventing U.S. markets from achieving their full liquidity potential.

In the context of prediction markets, such an outcome would undermine, rather than advance, the Commission's objectives of promoting transparent, cleared, and well supervised U.S. markets. It would also risk ceding market leadership in these emerging products to foreign jurisdictions prepared to offer a more appropriately calibrated regulatory approach.

PTG therefore urges the Commission to clarify—through rulemaking, interpretation, or exemptive relief—that activity in centrally traded and cleared swaps, including prediction market event contracts, does not count toward swap dealer de minimis thresholds. Addressing this issue as a threshold matter would foster a more competitive domestic environment, improve liquidity conditions on regulated U.S. venues, and provide a sound foundation for any subsequent rulemaking addressing broader prediction market issues.

B. *Limit, disclose, and closely control internal market makers*

PTG likewise renews its recommendation that internal or affiliated market making be strongly disfavored and permitted, if at all, only under narrow, exceptional circumstances subject to rigorous controls. Should the Commission permit affiliated market making in any form, PTG encourages it to consider a menu of quantitative and transparency-based guardrails, including participation limits (position limits, volume limitations, and time limitations that confine any affiliate activity to a defined bootstrapping period), economic constraints (profit caps and loss caps that remove the incentive and capacity to trade for the affiliate's own advantage while protecting the financial stability of the exchange), and disclosure obligations (prominent disclosure that an affiliated market maker is active, together with periodic disclosure of its positions, volumes, and trading results, including losses). Taken together, these measures would cabin the scale and duration of any affiliate activity, blunt its economic advantage, and give independent participants and the Commission the visibility needed to assess independently the affiliate's impact on competition and price formation.

An exchange's use of a conflicted affiliated market maker (with privileged visibility into order flow, superior systems integration, and influence over listing and settlement processes) should weigh in the public interest analysis of whether that exchange can administer the affected contracts impartially. This is especially true in thin or newly listed contracts, where even modest structural advantages can crowd out the independent liquidity providers whose presence the Proposal's price discovery rationale presupposes.

C. *Tailored surveillance and rules on improperly obtained nonpublic information*

PTG supports the Proposal's surveillance factor and its information-leakage prong as responsive to the recommendations in the ANPRM Letter.[48] PTG renews, however, its request for guidance on two subjects: first, what constitutes a robust anti-abuse and surveillance framework

[48] Proposed 40.11(a)(6)(iii)(A)(6); 91 Fed. Reg. at 35,850 (information-leakage prong).

specifically for event contract venues (calibrated to unusual trading ahead of key event developments, activity around known information release windows, affiliate or insider trading, and attempts to influence event outcomes) rather than a simple extension of traditional futures surveillance; and second, exchange rules expressly addressing trading based on improperly obtained nonpublic information, including breaches of ticket terms or event attendance restrictions, unauthorized rebroadcasting, hacking, or theft or misuse of proprietary communications, with the Commission permitting tools such as geofencing and access controls where appropriate to mitigate identifiable contract-specific information risks.[49]

VII. Conclusion

PTG appreciates the Commission's thoughtful work on this Proposal, and it supports both the Commission's role in overseeing event contracts and the framework the Commission has established. It offers a durable, judicially defensible framework that distinguishes event contracts serving the CEA's purposes from those that do not, and it does so along the lines PTG urged at the ANPRM stage. PTG supports its adoption. In finalizing the rule, PTG asks the Commission to: (1) confirm that mention-style, discrete-utterance contracts are likely contrary to the public interest under the proposed factors; (2) amend the "trading during review" process; (3) secure fair, transparent, and non-discriminatory dissemination of game-state data within the factor analysis, including through continued memoranda of understanding with relevant data sources; and (4) act on the renewed structural requests regarding swap dealer de minimis treatment of cleared event contracts and internal market maker controls. Each of these refinements follows from the Proposal's own reasoning and from positions PTG has consistently advanced, and each will strengthen the integrity, liquidity, and informational value of the markets the rule is designed to govern.

If you have any questions or need more information, please contact Joanna Mallers (jmallers@ptgmarkets.org).

Sincerely,

PTG

Joanna Mallers

Joanna Mallers
Secretary

cc: Michael S. Selig, Chairman

[49] ANPRM Letter VI–VII.