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July 15, 2026

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

Re: Prediction Markets; Public Interest Determinations" and RIN 3038-AF65

Dear Mr. Kirkpatrick:

Public Citizen offers these comments to encourage the Commodity Futures Trading Commission (CFTC) to recognize that gaming on the prediction markets about election outcomes and pending geopolitical events runs contrary to the public interest. The Commission has already recognized that certain event contracts pose significant dangers to the public, such as swaps based on terrorism, assassinations and wars, largely because such events (i) may easily be abused by government officials with inside information about the course of these events, and (ii) may cause persons to manipulate these events for self-enrichment purposes rather than for what is in the public interest. For precisely the same reasons, allowing gaming on election outcomes and geopolitical events waged by candidates and government officials are subject to the same self-enrichment purposes or manipulation in violation of the public interest.

While the CFTC is to be commended for taking on this rulemaking and proposing clarifications to its enforcement role over the Commodity Exchange Act (CEA) generally, and existing Rule 40.11 specifically, the clarifications provide little new in the regulatory framework and neglect to address the core problems the Prediction Markets industry so controversial today. The Commission has a long history letting the Prediction Markets operate largely unregulated. Unfortunately, most of the clarifications offered in the lengthy 131-page Notice of Proposed Rulemaking are designed to enshrine the CFTC's hands-off approach to the Prediction Markets. The proposed rulemaking does not expand the Enumerated Activity contrary to the public interest, such as including betting on election outcomes and geopolitical events. In fact, the proposed recommendation narrow the scope of Enumerated Activity. It draws a distinction between "event contracts" and "gambling" that would codify the practice of Prediction Markets allowing gaming on most sporting events and other competitions. It asserts the Commission's authority to supersede state laws that ban gambling despite the current rule that prohibits Prediction Market gaming that is "unlawful under any Federal or State law." [§40.11(a)(4)(i)] And it weakens the restrictions on Enumerated Activity by repeatedly declaring that any restricted activity is subject to a "discretionary review framework rather than a self-executing *per se* prohibition." (Sections I.C.5 and I.C.7)

The CFTC needs to recognize all the recent insider trading controversies and growing concerns with the Prediction Markets, and the explosion of the Prediction Markets from a niche concept to a multi-billion dollar financial industry. The industry is expected to grow to $1 trillion in value by the end of this decade.[1] Yet, it remains largely unmonitored and unregulated.

Highly suspicious trading activity on the Prediction Markets has thrust the industry into the spotlight. In a very unfortunate reversal of long-standing policy that previously had prohibited formal betting on elections and political outcomes, CFTC Chair Michael Selig and subsequent court decisions now permit prediction markets to bet on almost anything.[2] The CFTC appears to be plowing ahead on behalf of the prediction markets to deregulate the industry. Chair Selig comes from the industry and has published an op-ed opposing state government oversight.[3] Kalishi and Polymarket now even advertise that you can bet on almost anything, anywhere.

Bettors are cashing in. An anonymous account trading under the username "Magamyman" made more than $553,000 on a Polymarket bet that Khamenei would be removed from power just moments before an Israeli airstrike killed him.[4] On Polymarket alone, a half-a-billion dollars was traded over when exactly U.S. forces would drop bombs on Iran.[5]

While bets on the future of the Iranian regime had been sporadic and imprecise for months before the invasion, several very substantial bets were placed in the last-minute moments prior to the Feb. 28 attack. In addition to the Magamyman wager noted above, a crypto-analytics firm identified "six suspected insiders" who had turned a profit of $1.2 million on Polymarket wagering on the American-Israeli strike happening on Feb. 28, including the "removal" of Khamenei from power.[6]

These perfectly timed suspicious bets do not stand alone. A small handful of Prediction Market bettors cashed in on the invasion of Venezuela and the capture of Nicolas Maduro. On March 23, traders bet $580 million on the oil futures market just 15 minutes before Trump said on social media that the US was having "productive" talks with Iran. The bettors made a windfall.
The same thing happened again on April 7, when a small number of traders placed $950 million on bets that the price of oil would fall just hours before the ceasefire with Iran was announced.[7]

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[1] Contessa Brewer, "Prediction markets could hit a trillion dollars in trading volume by the end of this decade," CNBC (Dec. 17, 2025), available at: Prediction markets could hit a trillion dollars in trading volume: E&K report

[2] Julia Shapero, "New coalition calls for crackdown of prediction markets." The Hill (March 2, 2026), available at: https://thehill.com/policy/technology/5763650-new-coalition-calls-for-state-crackdowns-on-prediction-markets/

[3] Michael Selig, "States encroach on prediction markets," CFTC Public Statements and Remarks (Feb. 17, 2026), available at: https://www.cftc.gov/PressRoom/SpeechesTestimony/seligstatement021726

[4] Bobby Allen, "Prediction market trader 'Magamyman' made $553,000 on death of Iran's supreme leader," NPR (March 1, 2026), available at: https://www.npr.org/2026/03/01/nx-s1-5731568/polymarket-trade-iran-supreme leader-killing

[5] Id.

[6] Kevin Dugan and Krystal Hur, "Bets on fate of Iran's Khamenei spark uproar at leading prediction markets," Wall Street Journal (March 2, 2026), available at: https://www.wsj.com/world/middle-east/bets-on-fate-of-irans-khamenei-spark-uproar-at-leading-prediction-markets-045f093d?gaa_at=eafs&gaa_n=AWEtsqeIU4Efd7QKW3bGQM6yPvPWDYvAkG48VzgOs_H92YSHzutxatRdNK

[7] Lauren Aratani, "Traders placed $1b in perfectly timed bets on the war in Iran. What's going on?" The Guardian (April 18, 2026), available at: https://www.theguardian.com/world/2026/apr/18/iran-war-bets-ethics-concerns

The timing and accuracy of recent Prediction Market bets made by just a few people point straight to insider trading by someone in the know, probably an administration official or two. Or perhaps friends within the Mar-a-Lago network.

Public Citizen requested that the CFTC investigate these trades and find out who made them on March 5, 2026.[8] Better Markets, Public Citizen and 11 other groups later requested rulemaking by the CFTC to address the obvious problems with the Prediction Market industry.[9] That rulemaking is happening today. But the result may fail to address the problem.

The problem is that Prediction Markets have now expanded into elections and geopolitical events – gaming markets that are particularly susceptible to insider trading and manipulation by candidates and government officials who are calling the shots. Every time a few insiders win big, the rest of us lose.

The abuses are obvious.

So, too, are the solutions: prohibit event contracts in the Prediction Markets industry on elections and geopolitical events, and make whatever bets are being placed more transparent so that the potential for insider trading and market manipulation can more easily be identified.

Sincerely,

Robert Weissman
Co-President
Public Citizen
1600 20th Street NW
Washington DC 20009
(202) 588-1000

Lisa Gilbert
Co-President
Public Citizen
1600 20th Street NW
Washington DC 20009
(202) 588-1000

Craig Holman, Ph.D.
Government affairs lobbyist
Public Citizen
215 Pennsylvania Avenue SE
Washington, D.C. 20003
(202) 454-5182

[8] Craig Holman, "CFTC should investigate possible insider trading relating to Iran attack," Public Citizen (March 5, 2026), available at: https://www.citizen.org/article/cftc-should-investigate-potential-insider-trading-related-to-iran-attack/

[9] Better Markets, "Consumer protection groups urge action on event contracts," Press release (April 30, 2026) available at: https://bettermarkets.org/newsroom/consumer-protection-groups-urge-action-on-event-contracts/