



April 29, 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; RIN 3038-AF65

Dear Mr. Kirkpatrick:

Solana Policy Institute appreciates the decision of the Commodity Futures Trading Commission (“CFTC” or “Commission”) to seek comment on blockchain-based prediction markets.¹ These comments are limited to Question 2.h in the Advance Notice of Proposed Rulemaking (“ANPRM”)² and address only how the Commission should consider the application of designated contract market (“DCM”) Core Principles to blockchain-based prediction markets that elect to operate within the existing DCM framework.³

The Commission should apply the DCM Core Principles to blockchain-based prediction markets in a technology-neutral, principles-based, and outcomes-focused manner. The Commission should not focus on whether a blockchain-based market replicates every feature of legacy intermediary-based architecture but, instead, on whether it achieves the regulatory objectives embedded in the Commodity Exchange Act (“CEA”) and Part 38 of the Commission’s regulations: robust contract design, protection against manipulation and abusive practices, financial integrity, operational resilience, transparency, and accountable governance.⁴

¹ Solana Policy Institute is a non-partisan, non-profit organization focused on educating policymakers on how decentralized public blockchain networks like Solana are the future of the digital economy—and why the people building on and using them need legal certainty to flourish.

² *Prediction Markets*, 91 Fed. Reg. 12,516, 12,520 (Mar. 16, 2026).

³ Nothing in this response should be read to prejudge whether other onchain derivatives market structures—or the status of non-custodial software, wallet, or interface providers outside the DCM context—may warrant separate exemptive, no-action, or other Commission action.

⁴ 7 U.S.C. § 7(d)(1)(B); 17 C.F.R. § 38.100(b); *Prediction Markets Advisory*, CFTC Letter No. 26-08, Division of Market Oversight, Commodity Futures Trading Commission (Mar. 12, 2026), <https://www.cftc.gov/csl/26-08/download>.

I. Blockchain-based prediction markets can advance the objectives of the DCM Core Principles.

Public, permissionless blockchain infrastructure can, in many respects, advance the objectives reflected in the DCM Core Principles when paired with appropriate market design.

A. Transparent records, auditability, and surveillance.

Public blockchains can produce time-stamped, tamper-evident, and publicly verifiable records of orders, transactions, collateral movements, transfers, and settlement activity. The Commission has recognized that public blockchain data can be transparent, traceable, and durable.⁵ For DCM purposes, that architecture can materially assist trade reconstruction, surveillance, audit-trail, and books-and-records functions.⁶ Notably, the Commission could access these types of blockchain transaction records directly, without external risk of record destruction or a third party's failure to maintain them. Publicly available smart contract code and publicly verifiable transaction data can allow regulators and market participants alike to independently confirm how a market is functioning in practice, including with respect to fee structures, collateral management, governance rights, and other protocol activity.

B. Financial integrity and reduced counterparty and settlement risk.

The Commission's recent experience with prediction markets demonstrates its competence in supervising non-intermediated DCM trading. Blockchain-based prediction markets may extend that model by improving operational consistency and reducing certain categories of counterparty and settlement risk. In particular, onchain markets enable transactions to be executed, margined, and settled automatically and near-instantaneously under transparent, established rules encoded in publicly available and auditable code. That structure can reduce counterparty and settlement risk in meaningful ways. Removing the reliance on clearinghouse-style intermediation also removes certain credit and settlement risk associated with traditional trading models.⁷

C. System safeguards and operational resilience.

Blockchain-based systems can advance system-safeguards objectives when supported by appropriate controls. Relevant safeguards may include a range of blockchain-native practices, including pre-deployment code audits and independent security reviews, change-management and upgrade controls, incident-response procedures, bug-bounty programs, key-management protocols, oracle redundancy and fallback procedures, business-continuity planning, and

⁵ See, e.g., CFTC Technology Advisory Committee, Transcript of Meeting at 37 (Mar. 22, 2023), https://www.cftc.gov/sites/default/files/2023/07/1688400024/tac_032223_transcript.pdf.

⁶ *Id.* at 38–39; 7 U.S.C. § 7(d)(4), (10), (18).

⁷ 7 U.S.C. § 7(d)(11); *Prediction Markets*, 91 Fed. Reg. at 12,519–20; *Tokenized Collateral Guidance*, CFTC Letter No. 25-39 (Dec. 8, 2025), Division of Clearing and Risk, Division of Market Oversight, and Market Participants Division, Commodity Futures Trading Commission, <https://www.cftc.gov/csl/25-39/download>.

transparent disclosure of material dependencies. The Commission should evaluate these systems based on design and actual risk controls.

D. Market integrity and the informational value of prediction markets.

The Commission has recognized that event contracts can help businesses and individuals hedge event-driven risks, manage portfolio exposure, and generate useful information about future events.⁸ That important public interest value should not excuse misconduct or poor design. It does, however, support a framework that preserves useful market-based signals while policing manipulation, insider misuse, and fraud. Effective automated controls and analytics that can advance compliance and anti-manipulation objectives are available today and are rapidly evolving.

This value also reinforces the need for clear disclosures regarding governance and upgrade rights, fees, collateral and liquidation mechanics, market resolution procedures, material conflicts, and the circumstances in which interfaces or administrators can pause or modify functionality. Customers should receive those disclosures in a timely and transparent manner, whether delivered through code repositories, onchain data, or offchain notices, as appropriate to the relevant function and audience.⁹

II. Existing regulations are workable, but blockchain-based prediction markets would benefit from targeted guidance and narrow conforming amendments and/or relief.

The Commission need not replace the existing DCM Core Principles with a technology-specific rulebook. Existing law already supplies the relevant regulatory objectives. The more useful next step would be targeted guidance, acceptable practices, or narrow conforming amendments or relief explaining how those objectives can be satisfied in blockchain-based environments.¹⁰

A. Recognition of blockchain-native methods of compliance and functional equivalence.

The Commission should clarify that DCM obligations may be satisfied through blockchain-native controls—including onchain monitoring, public-ledger records, smart-contract-based collateral management, automated settlement logic, and publicly available code—where those controls produce protections equal to or greater than traditional processes.

⁸ CFTC, *Understanding Prediction Markets and Event Contracts*, <https://www.cftc.gov/LearnandProtect/PredictionMarkets> (last visited Apr. 22, 2026); CFTC Press Release No. 9183-26, *CFTC Reaffirms Exclusive Jurisdiction over Prediction Markets in U.S. Circuit Court Filing* (Feb. 17, 2026), <https://www.cftc.gov/PressRoom/PressReleases/9183-26>.

⁹ *Understanding Prediction Markets and Event Contracts*, *supra* note 8 (customers are entitled to timely, transparent information about contract terms and settlement determinations).

¹⁰ *Prediction Markets Advisory*, *supra* note 4, at 1–5.

Functional equivalence, rather than structural identity with legacy market architecture, should be the governing concept. The Commission has already recognized in adjacent contexts that its regulations do not require any particular technology or operational infrastructure so long as applicable legal and risk-management standards are met.¹¹

B. Guidance for direct access and self-custodial market access.

Guidance would be particularly useful on how impartial access, fitness, financial integrity and customer protection expectations apply in direct access models where market access occurs through self-custodial wallets or non-custodial interfaces rather than traditional account structures. The Commission already has experience with non-intermediated DCM models and recently has taken adjacent steps to accommodate self-custodial wallet software in regulated markets.¹²

C. Surveillance, abusive practices, and oracle-related risks.

The Commission should provide concrete guidance on how DCM surveillance and anti-manipulation obligations apply in blockchain-based settings, including with respect to wash trading, self-dealing, multi-wallet control, oracle manipulation, concentrated governance rights, and misuse of nonpublic information related to market resolution. Public blockchain infrastructure and data materially assist in real-time surveillance, but the Commission should provide guidance regarding what supplemental controls it expects a DCM to maintain for these purposes.

D. System safeguards acceptable practices.

A principles-based standard could be paired with nonexclusive acceptable practices covering code review, testing, change management, emergency powers, incident response, business continuity, key rotation, oracle fallback procedures, and public notice of material system changes. Part 38 Appendix-style guidance of that kind would give market participants a practical standard against which compliant systems can be built.¹³

E. Disclosure and recordkeeping guidance.

Guidance would also be useful on how disclosure and recordkeeping obligations may be satisfied through a combination of code, onchain data, and offchain notices. The Commission should make clear that machine-readable onchain data can satisfy many transparency and audit-trail objectives, but that DCMs must retain and be able to furnish the offchain records

¹¹ See *Tokenized Collateral Guidance*, *supra* note 7, at 3.

¹² See CFTC No-Action Letter, No. 26-09 (Mar. 17, 2026), <https://www.cftc.gov/csl/26-09/download>.

¹³ See 7 U.S.C. § 7a-2(a); 17 C.F.R. pt. 38 app. C.

necessary to explain governance decisions, settlement determinations, risk controls, and material incidents.¹⁴

F. Treatment of non-intermediary actors.

The Commission should continue to analyze actors based on the functions they actually perform. Where a person does not custody or control customer assets, does not intermediate trades, and does not exercise discretionary control over execution or clearing, that person should not be treated as an intermediary solely because it develops software or provides non-custodial access tools. Guidance on this point would help responsible firms build compliant infrastructure without forcing software developers to recreate roles they do not perform.¹⁵

G. Conforming revisions to legacy assumptions.

Finally, where existing rules or guidance implicitly assume centralized books and records, conventional custody chains, or legacy settlement timelines, the Commission should consider narrow conforming revisions or interpretive guidance. The objective should be to preserve the substance of the DCM Core Principles while making clear that different technological implementations can satisfy the same regulatory objectives.

* * *

The Commission already supervises prediction markets with direct access models and has recently taken steps in adjacent contexts to accommodate self-custodial software and distributed ledger infrastructure within the regulated perimeter. A technology-neutral, principles-based, and outcomes-focused approach (supplemented by targeted guidance where legacy assumptions create uncertainty) would better protect market participants, keep innovation activity within the CFTC's oversight, and avoid pushing onchain activity offshore into a fragmented patchwork outside of the CFTC's jurisdiction.

Respectfully submitted,

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¹⁴ 7 U.S.C. § 7(d)(7), (10), (18); CFTC, *Understanding Prediction Markets and Event Contracts*, *supra* note 8.

¹⁵ See CFTC No-Action Letter, *supra* note 12.