July 27, 2026

VIA ELECTRONIC SUBMISSION

Christopher 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, RIN 3038-AF65, 91 Fed. Reg. 35,806 (June 12, 2026)

Dear Secretary Kirkpatrick,

Talos Trading LLC, ("Talos") appreciates the opportunity to submit this comment in response to the Commodity Futures Trading Commission's notice of proposed rulemaking regarding Prediction Markets; Public Interest Determinations, RIN 3038-AF65, 91 Fed. Reg. 35,806 (June 12, 2026) (the "Proposal").

Talos builds and supports institutional trading infrastructure for digital-asset markets. Our technology covers liquidity aggregation, order and execution management, portfolio and risk workflows, settlement workflows, and market data. It connects institutions to more than 100 digital-asset liquidity and service providers, including exchanges, over-the-counter dealers, custodians, and decentralized-finance protocols. Following Talos's acquisition of Coin Metrics in 2025, our capabilities also include digital-asset market and network data, reference rates, indexes, and related analytics.

Talos has also started developing tooling and infrastructure to support institutional access to prediction-market and event-contract venues. Talos submits this letter from the perspective of a technology and data services provider, not as a prediction market operator, sportsbook, retail-facing trading venue, principal trader, or market maker. Our perspective is operational: we build systems through which institutional firms access fragmented markets, apply controls, consume market information, manage risk, and reconstruct trading activity after the fact.

Talos is submitting this comment because we are seeing a significant increase in institutional interest in prediction-market and event-contract access across a broad range of client types. That interest is not limited to a single trading strategy or customer segment; it reflects broader institutional demand for markets that can support information discovery, risk assessment, and regulated market access. As a technology provider connected to a wide range of institutional clients and liquidity venues, Talos sees how quickly market-structure choices affect where activity forms. Those choices also determine whether clients can access markets through controlled institutional workflows, and whether regulated U.S. venues remain competitive with offshore or less transparent alternatives.

Talos does not attempt to answer every question raised by the Commission. We focus on the areas where our experience as a technology, data, and institutional-access provider is most relevant: contract design, settlement integrity, surveillance, controlled access, auditability, cost-effective implementation, and the practical consequences of public-interest determinations.

Our central point is simple: market structure determines whether market integrity can be achieved and demonstrated. The category of the referenced activity matters because Congress made it the gateway to CEA section 5c(c)(5)(C). Once that gateway is met, however, the public-interest analysis should turn on the event contract actually submitted: what determines settlement, what information is available, what incentives the contract creates, who may have determinative control or material nonpublic information, and whether the registered entity can administer and surveil the contract. The Commission should adopt a contract-specific, evidence-based framework for any future guidance or rulemaking in this area.

The Proposal's focus on whether a contract's settlement is determined by an occurrence, extent of an occurrence, or contingency in an enumerated activity is directionally sound. Talos supports an event-focused framework that avoids treating the mere act of trading an event contract as the relevant "gaming" or prohibited activity. At the same time, Talos recommends that any final rule preserve enough flexibility for the Commission to evaluate the actual contract design, settlement methodology, access model, and surveillance controls rather than relying on category labels alone.

I. Apply public-interest review to the contract actually submitted

The Commission should distinguish between the statutory threshold question - whether an event contract "involves" an enumerated activity - and the separate public-interest assessment of the contract actually submitted. An event category can identify the need for review, but it does not by itself establish whether a particular contract can be listed consistent with the public interest.

This distinction is important because event contracts that reference the same general activity can present very different market-integrity risks. A contract that settles on a final result, a season-long statistic, or another objectively published outcome may turn on many independent actions and settle against a transparent source. A contract that settles solely on a player injury, an officiating call, a personnel decision, or another discrete act controlled by one or a few people may concentrate determinative power or sensitive information in a small group. The regulatory difference lies in the settlement condition, the information environment, the incentives created by the contract, and the ability to detect abuse - not simply in the fact that both contracts reference the same broad activity.

The same point applies to contracts that may involve gaming or other listed activities. Talos does not take a position on the outer legal scope of "gaming" or on whether any specific sports, award, political, or other event contract should be permitted. We do recommend that, where the statutory gateway is met, the Commission evaluate the contract terms and the actual market-integrity risks presented by the settlement event. Relevant factors include whether the event is objectively verifiable, whether the event is subject to manipulation by a concentrated set of actors, whether material information is broadly available or held by insiders, whether participant protections are needed for the expected user base, and whether the registered entity has the operational capacity to administer and surveil the contract.

Contract-specific review also reduces the risk of overbroad or underinclusive rules. A categorical prohibition may capture well-designed contracts whose risks can be mitigated, while a categorical permission may miss poorly designed contracts in a facially acceptable category. Guidance at the category level can be useful, especially where the Commission identifies concerns that are inherent and not curable through design or controls. But binding public-interest determinations should be grounded, whenever possible, in the actual contract, the actual settlement methodology, and the actual supervisory controls.

The Commission also should consider the practical consequences of regulatory uncertainty or an overly restrictive application of the public-interest standard. Talos has seen this dynamic firsthand in digital-asset markets. When U.S. regulation is unclear or materially less workable than regimes abroad, institutional activity does not disappear - it migrates offshore or into less transparent channels. This does not mean every event contract should be permitted, and it should not displace the statutory public-interest inquiry. It does, however, support a durable framework that gives regulated U.S. venues a practical path to list contracts with strong settlement integrity, surveillance, access controls, and recordkeeping. That approach better serves market integrity, customer protection, and responsible innovation than leaving demand to develop through venues or structures with less U.S. regulatory visibility.

II. Make settlement integrity operational

Every event contract ultimately becomes an operational question: What happened? When did it happen? Which source controls? How did the registered entity convert the source information into the settlement value? How can the decision be reconstructed later?

The Commission should treat the ability to answer those questions as central to public-interest review. Naming an "official source" is only the beginning. Official sources can publish late, correct an error, revise a statistic, conflict with another authoritative source, or fail to publish in the expected form. A strong contract should specify the controlling source, the version or time of the source that controls, the cutoff rules, the treatment of revisions and corrections, the fallback process if the ordinary source fails, the authority for any manual intervention, and the process for resolving disputes.

The registered entity should also be able to reconstruct the settlement decision from contemporaneous records. That reconstruction should show the relevant contract terms, the source information available at the time, the timing of any publication or receipt, the settlement decision made, any manual action taken, and the reason for any correction or override. These records are not merely back-office artifacts. They are evidence of whether the registered entity can establish, monitor, and enforce compliance with contract terms, whether the contract is not readily susceptible to manipulation, and whether the registered entity can monitor for and address market-disruption risks.

The Commission should express these expectations functionally and remain vendor-neutral. Weather observations, election results, government statistics, sports data, blockchain data, and exchange prices may require different source hierarchies and controls. More than one architecture can satisfy the same regulatory objective. The key is not the vendor, format, or technology stack. The key is whether the settlement path is objective, documented, resilient, and reconstructable.

Settlement integrity is also relevant to inside-information and manipulation risk. Contracts that settle on events controlled by a small group, or on information released through a nonpublic channel before public dissemination, raise different concerns from contracts that settle on widely observable public outcomes. In those cases, the Commission should consider whether the settlement event itself creates concentrated incentives to influence the outcome or misuse material nonpublic information, and whether contract terms or access restrictions can realistically mitigate that risk.

III. Treat informational utility as evidence, not assertion

The Commission should not revive the former economic-purpose test as a prerequisite to listing event contracts. Event-contract prices can have economic and informational value even when they do not serve as one-for-one hedges. Prices may inform forecasts, risk decisions, commercial planning, hedging judgments, and broader market expectations without mapping directly to a cash exposure. Talos supports the Proposal's recognition that event contracts may yield economically, financially, or commercially useful information even where they do not provide a direct hedge.

At the same time, informational utility should not be assumed merely because a contract trades. Prediction markets are unusually capable of being evaluated because their prices often express probability-like expectations and the underlying events eventually resolve. That creates an evidentiary basis for assessing whether a contract is producing useful information.

The Commission should consider both ex ante and ex post evidence. Ex ante evidence may include the clarity of the settlement design, the information available to market participants, the number and independence of sources of judgment, the expected use of the price, the existence of obvious insider or manipulation risks, and whether the contract is designed in a way that allows the market to aggregate information rather than merely amplify noise. Ex post evidence may include calibration of market-implied probabilities against realized outcomes, the speed and stability of price adjustment after public information, quoted spreads and executable depth, participant concentration, settlement disputes, operational incidents, and persistent biases such as systematic overpricing of low-probability outcomes.

Those measures should be evidence, not uniform thresholds. A new contract will not have a long performance history. A commercially useful but specialized contract may have less volume than a mass-market contract. A lower-liquidity contract may still disseminate useful information if the market is fair, transparent, and well administered. Conversely, high volume alone does not establish public-interest value if the contract is poorly designed, opaque, or prone to manipulation.

A practical framework would therefore ask whether the contract is designed to produce a price that can be understood, tested, and placed in context. That approach promotes responsible innovation while giving the Commission a concrete basis to distinguish markets that aggregate information from markets that create integrity, customer-protection, or settlement risks without comparable public-interest benefits.

IV. Match surveillance and controls to event-contract microstructure

Generic surveillance policies are not enough. Event contracts create relationships and timing patterns that surveillance systems must represent explicitly.

One real-world event can support a ladder of thresholds, mutually exclusive outcomes, yes/no contracts, and similar contracts on other venues. A registered entity should be able to monitor economically related exposures on its own market rather than reviewing each contract in isolation. It should also focus surveillance on event windows where misconduct is most likely: before a scheduled information release, during the period when an event is unfolding, near a settlement cutoff, after a correction or revision, or around a public announcement that changes the probability of the outcome.

For contracts with elevated insider or control risks, surveillance should be designed around the specific risk. Examples include unusual activity by accounts connected to a team, issuer, campaign, agency, event organizer, data source, or other person with nonpublic information or influence over the outcome; activity that appears coordinated across related accounts; concentrated positions in thin markets; trading shortly before a public release; and trading patterns that may be designed to influence another market or the underlying event itself.

The Commission should evaluate whether the registered entity has the information needed to investigate those risks within its access model. That includes records sufficient to link activity to the responsible customer or account controller as required by applicable law and rules, to understand pre-trade controls and limits, to reconstruct order routing and execution, to identify rejected and cancelled orders, and to review administrative changes that affected access or permissions. A surveillance policy that cannot be operationalized against these records should not carry significant weight.

Cross-venue surveillance requires a realistic allocation of responsibility. A registered entity can monitor its own contracts and use information-sharing arrangements where available. It may not be able to see trader-level activity on every competing venue, especially where activity occurs offshore or outside the CFTC-regulated market. The Commission is better positioned to combine information across registered venues and to evaluate broader market-wide patterns. Future guidance should reflect that division rather than imposing obligations that no single venue or service provider can reasonably satisfy.

V. Recognize the value, and limits, of controlled institutional access

Institutional participation is not inherently protective, and the word "institutional" should not be treated as a proxy for integrity. Institutions may have material nonpublic information, substantial positions, or incentives to influence an event or a related market. The relevant question is whether access is identified, permissioned, controlled, and reconstructable.

Subject to appropriate obligations, controlled institutional access can support the public-interest factors the Commission is considering. Institutional participants can add liquidity, competing views, and risk-transfer capacity. They often access markets through order and execution management infrastructure that records permissions, approvals, pre-trade limits, order details, routes, rejects, cancels, fills, allocations, and administrative changes. Those records can help registered entities and regulators reconstruct activity and test whether controls operated as intended.

This is where Talos's experience is most relevant. In fragmented digital-asset markets, institutions need infrastructure that can connect to multiple liquidity venues while preserving controls, audit trails, risk checks, and post-trade workflows. Prediction markets and event-contract venues present different legal and policy issues, but the operational problem is familiar: a market is easier to supervise when access is controlled, trading records are complete, and activity can be reconstructed across the actual workflow used by the participant.

The Commission should therefore recognize controlled institutional access as a potential integrity benefit without treating it as a substitute for regulation. Customer identification, beneficial ownership, recordkeeping, supervision, surveillance, and compliance obligations remain with the appropriate registered entities and intermediaries. The benefit of institutional access is not status; it is traceability, control, and auditability.

The Commission should also account for differences between DCM and SEF trading. SEF participation is limited to eligible contract participants, while DCM markets may include broader retail participation. Disclosure, surveillance, market-quality, and access-control expectations may need to reflect that difference. Even then, the same baseline principle should apply: the Commission should evaluate the actual controls and records in the access model, not rely on labels.

VI. Use the 90-day process to create usable precedent and reduce transition risk

CEA section 5c(c)(5)(C) requires the Commission to make any final public-interest determination within 90 days after commencing review, unless the registered entity agrees to, or requests, an extension. That timeline should drive a process that is specific, transparent, and focused on issues that can be resolved within the review period.

The Commission should ordinarily make binding public-interest determinations based on a concrete contract submission or a sufficiently developed proposal. Guidance, examples, and staff engagement before submission can be useful, but a public-interest determination made too early may lack the contract terms, settlement methodology, access model, and operational controls needed for a reliable analysis.

When the Commission identifies concerns, it should state them with enough specificity for the registered entity to respond. The statement should distinguish between concerns that are inherent in the settlement event and concerns that may be mitigated through contract modifications, access restrictions, surveillance enhancements, dispute-resolution procedures, or other controls. That distinction matters operationally. Some problems can be fixed; others cannot.

Final determinations should build usable precedent. A written determination should identify why the contract falls within the statutory gateway, which settlement terms or market features created the concern, which facts related to the registered entity's capacity to administer the contract, what mitigating controls were considered, why those controls were or were not sufficient, and how the result compares with prior determinations involving similar contracts. Specific determinations will help venues design better contracts and help infrastructure and data providers build tools that match the Commission's expectations.

The Commission should also address transition risk early where a contract may trade during review and later be prohibited or modified. Closeout, customer communication, operational cutoffs, cancellation logic, and systems changes can create customer and market risk if addressed late. Early specificity about remediable concerns can reduce avoidable disruption without constraining the Commission's ultimate judgment.

VII. Use a vendor-neutral, cost-sensitive, and competitively neutral approach

Any future guidance or rulemaking should specify regulatory objectives rather than prescribe a single vendor, source, or technical architecture. A functional approach can require objective settlement terms, resilient source procedures, reconstructable records, effective access controls, and surveillance tailored to event-contract risks while allowing registered entities and service providers to implement those objectives in different ways.

That approach is also more cost-effective. Registered entities and service providers already maintain order, trade, market data, permissioning, risk, compliance, and settlement records for business and regulatory purposes. Where those records satisfy the Commission's objectives, firms should be able to reuse them rather than build duplicative systems solely for public-interest review. This would reduce implementation costs while preserving the Commission's ability to test settlement integrity, market quality, and surveillance capacity.

Vendor neutrality also supports competition. Rules that effectively require a particular data source, technology vendor, or settlement architecture could raise costs, entrench incumbents, and reduce innovation without improving market integrity. The Commission can avoid that result by defining what must be demonstrable - objective settlement, timely source handling, access controls, auditability, and surveillance coverage - while allowing the market to compete on how those objectives are achieved.

The same point applies to competitive effects among venues. Where a contract can be administered consistent with the CEA and the public interest, listing on a regulated U.S. venue may improve transparency, identification, and regulatory visibility. Where a contract cannot be administered consistent with those standards, prohibition or modification may be appropriate. The Commission should endeavor to take the least anticompetitive means of achieving the CEA's objectives by focusing on demonstrable market-integrity risks and functional safeguards rather than broad or technology-specific restrictions.

Summary of recommendations

Talos recommends that the Commission:

- Apply proposed §§ 40.11(a)(5) and 40.11(a)(6) through a contract-specific, evidence-based approach to public-interest determinations under CEA section 5c(c)(5)(C).
- Distinguish the threshold question of whether a contract involves an enumerated activity from the separate public-interest analysis of the contract actually submitted.

- Evaluate settlement integrity through objective contract terms, clear source procedures, fallback rules, dispute processes, and reconstructable settlement decisions.
- Treat informational utility as an evidentiary question using both ex ante design considerations and ex post market-quality evidence, without reinstating the former economic-purpose test.
- Evaluate surveillance and controls against event-contract microstructure, including related exposures, event windows, insider or control risks, and the actual records available under the access model.
- Recognize controlled institutional access as a potential benefit when it improves liquidity, traceability, controls, and auditability, while making clear that institutional status is not a substitute for regulatory obligations.
- Use the 90-day review process to identify remediable concerns early, reduce transition risk, and produce written determinations that create usable precedent.
- Use vendor-neutral, cost-sensitive, and competitively neutral standards that specify functional objectives without mandating a single data source, vendor, or technical architecture.

Prediction markets are developing quickly, and the Commission is right to examine how existing CEA principles apply to event contracts. The most durable framework will be one that directs registered entities and the Commission to evidence that can be tested: contract terms, settlement procedures, information-release timing, access controls, surveillance coverage, market quality, and the ability to reconstruct what happened.

Talos supports future Commission guidance or rulemaking that grounds public-interest determinations in those operational realities. The regulatory choices made here will help determine whether growing institutional demand for these markets develops through transparent, supervised U.S. infrastructure or migrates to venues and structures with less regulatory visibility.

We would welcome the opportunity to discuss the market-structure, settlement, surveillance, and institutional-access points addressed in this letter with Commission staff.

Respectfully submitted,

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Talos Trading LLC

cc: The Honorable Michael S. Selig, Chairman