

The Prediction Market Act of 2026

Section-by-Section

Sec. 1. Short Title

This section cites the Act as the “Prediction Market Act of 2026.”

Sec. 2. Special Rules Relating to Event Contracts

This section amends section 5c(c)(5)(C) of the Commodity Exchange Act to move the existing public interest determination framework applicable to event contracts to a new subsection (d).

Subsection (d)(1). Definitions

This subsection defines key terms. *Event contract* means a contract, for sale of a commodity for future delivery, option on such a contract, or swap based on one or more excluded commodities based on an occurrence or contingency other than a commodity price change, listed by a designated contract market (DCM) or swap execution facility (SEF). *Contingency* means an event or circumstance that may happen but is not certain to occur, including the outcome of another event or circumstance. *Occurrence* means something that happens, such as an event, including the outcome of another event.

Subsection (d)(2). Review or Approval of Event Contracts

This subsection retains the authorization for the Commission to determine, on a case-by-case basis, that an event contract is contrary to the public interest if it involves unlawful activity, terrorism, assassination, war, *violence*, gaming, or other similar activity, and prohibits any such contract from being listed, cleared, or traded on any registered entity. *Violence* is a new addition.

The subsection requires the Commission to promulgate rules specifying criteria to determine the public interest, with a presumption that an event is contrary to the public interest if it encourages violence or similar unlawful activity.

The section also directs the Commission to prescribe standardized certification requirements for DCM and SEF submissions of new event contracts, with financial penalties and an appeals process for violations, and enhanced contract disclosures that prioritize retail customer readability.

Subsection (d)(3). Communications with the Public

This subsection prohibits a derivatives clearing organization (DCO), in connection with the offer of an event contract to a person that is not an eligible contract participant, which generally refers to retail and certain non-institutional investors, from using promotional material that is likely to deceive the public. These are the functional equivalent of National Futures Association (NFA) standards.

These standards prohibit contains material misstatements or omissions that mentions the possibility of profit without an equally prominent discussion of the risk of loss, that references actual past trading profits without disclosing that past results are not necessarily indicative of future results, that includes specific numerical or statistical past performance information unless permitted by Commission rule. Further, this includes a testimonial that is not representative of

comparable investors or failure to disclose if the testimonial is paid. The Commission shall promulgate rules consistent with applicable standards on futures commission merchants (FCMs).

Subsection (d)(4). Know Your Customer Application

This subsection requires a DCO, in connection with the offer of an event contract to a person that is not an eligible contract participant, to maintain an anti-money laundering compliance program. This includes internal policies, procedures, and controls reasonably designed to achieve compliance with the Bank Secrecy Act, independent testing, and risk-based customer due diligence procedures.

Subsection (d)(5). Funds

This subsection directs the Commission, in connection with the offer of an event contract to a person that is not an eligible contract participant accessing a DCO as a direct clearing member, to promulgate rules regarding the segregation of member funds from the DCO's own funds.

FCMs, DCMs, and SEF must also disclose to event contract customers the relevant risks of loss or potential delay in access to funds and assets.

For default management purposes, a DCO must treat funds held for members and customers solely trading fully collateralized contracts separately from funds held for members and customers trading leveraged contracts.

Subsection (d)(6). Advisory Council on Consumer Protection

This subsection requires the establishment of an Advisory Council on Consumer Protection, with a Chair and Vice-Chair appointed by the Chairman. Its membership includes 15 total representatives from the Office of Customer Education and Outreach, DOJ, state and local law enforcement and regulators, market operators, market participants, including at least three state attorneys general, the Retail Advocate, and subject-matter experts in behavioral science, financial risk, and consumer finance.

The Council's mission is to provide a forum for analysis of retail investor participation in derivatives markets, encourage discussion on consumer protection in event contract markets, and develop recommendations to promote customer protection, market integrity, and responsible participation. The Council will assess the viability of self-exclusion programs and voluntary deposit and trade limits, review retail customer profile considerations such as age, income, and behavioral vulnerabilities, study behavioral prompts and marketing features, and evaluate the design and use of mobile applications and personal electronic devices in event contract offerings.

The Council reports to Congress on a bi-annual basis with findings and legislative and regulatory recommendations, and the Commission must review those recommendations and publicly assess them.

Subsection (d)(7). Office of the Retail Advocate

This subsection establishes within the Commission an Office of the Retail Advocate, led by a Retail Advocate appointed by the Chairman from individuals with experience advocating for retail participant interests.

The Retail Advocate is charged with assisting retail participants in resolving significant transaction-related problems, analyzing the potential impact of proposed Commission regulations on retail participants, proposing regulatory and order changes to promote retail participant interests, and conducting research on issues affecting retail participants. The Retail Advocate would also work with the Office of Customer Education and Outreach.

The Retail Advocate must submit an annual report to Congress describing the Office's objectives and activities for the following fiscal year. Each report must include statistical information and substantive analysis, steps taken to improve services, a summary of the most serious problems reported during the period, and administrative and legislative recommendations.

The Retail Advocate must also appoint an Ombudsman within 180 days of the first Retail Advocate's appointment, reporting directly to the Retail Advocate. The Ombudsman serves as a liaison between the Commission and retail participants, reviews policies and procedures encouraging persons to present compliance questions to the Retail Advocate, and establishes confidentiality safeguards.

Subsection (d)(7). Rule of Construction

This subsection clarifies that nothing in subsection (d) may be construed to affect the ability of a State to investigate and bring enforcement actions under the Commodity Exchange Act or the Commission's exclusive jurisdiction described in section 2(a)(1)(A).

Section 3. Insider Trading and Manipulation

Subsection 3(a) Prohibition on Members of Congress Trading Event Contracts

This subsection amends updates the STOCK Act to prohibit any Member of Congress, the President, the Vice President, or any officer or employee at Executive Schedule levels I through V from entering into an event contract. This section directs the Commission to promulgate such rules or regulations as the Commission determines to be appropriate to carry out this section.

Subsection 3(c). Review of Insider Trading

This subsection directs the Commission to determine whether its rules and regulations relating to insider trading should be revised or updated relating to event contracts, and to implement any relevant revisions or updates resulting from that determination.

Subsection 3(d). Financial Literacy

This section directs the Commission, through the Office of Customer Education and Outreach, to conduct financial literacy and customer education activities specific to retail investor activity related to event contracts.

Section 4. Innovation Advisory Committee

This section amends establishes within the Commission an Innovation Advisory Committee to facilitate discussion and communication among exchanges, firms, end-users, and regulators regarding innovation in derivatives and commodity markets and the regulation of those markets, and to advise the Commission on those matters.

The Commission shall appoint members representing a broad spectrum of interests, including market makers, derivative end-users, FCMs, and market operators. The Committee must hold public meetings at least twice per year and submit reports and recommendations to the Commission. Members serve three-year terms and may be removed for cause by Commission vote. Members are entitled to travel expenses and per diem at rates authorized for federal employees.

Section 5. Studies

Subsection 5(b). Study on Event Contracts

This section directs the Commission to conduct a study on event contracts addressing the size and structure of event contract markets; the growth of event contract listings by DCMs and SEFs, the characteristics of market structure and liquidity formation in several event contract categories. The Commission shall also study the types of trader or intermediary conduct unique to event contracts that should be closely monitored or given special consideration.

Further, the Commission shall study the provisions of the Commodity Exchange Act prohibiting fraud, manipulation, disruptive trading, or other similar conduct as applied to activities outside the United States related to event contracts. A report on findings must be submitted to Congress and published on the Commission's website not later than one year after enactment.

Subsection 5(c). Joint SEC and CFTC Study

This section directs the Securities and Exchange Commission (SEC) and the Commission to conduct a joint study on event contracts addressing the nature of event contracts that could be in SEC jurisdiction, harmonization efforts between the two Commissions relevant to event contracts, and the nature, size, role, and use of decentralized blockchain applications to offer event contracts.

Section 6. Authorization of Appropriations

This section authorizes \$30,000,000 to the Commission for each of fiscal years 2027 through 2031, to remain available until expended, for implementing the Act and developing event contract policies, rules, and guidance.

Authorized uses of funds include oversight, supervision, and enforcement of event contract markets; rulemakings, reviews, and determinations required under the new section, the studies and reports required under section 5, the establishment and operation of the Office of the Retail Advocate, and the development of the Commission's technological, surveillance, and data analysis capabilities.