

The Prediction Market Act of 2026

Introduced by Senators Kirsten Gillibrand (D-NY) and Dave McCormick (R-PA)

Prediction markets have grown into a fast-evolving financial product class that blends derivatives, forecasting tools, and speculative trading tied to real-world outcomes such as economic indicators, weather, elections, and cultural events. While these markets offer potential informational value and hedging utility, they also raise heightened risks of insider trading, manipulation, and retail investor harm due to informational asymmetries and trading dynamics. This legislation responds by establishing regulatory clarity under the Commodity Futures Trading Commission (CFTC), strict integrity rules and robust consumer safeguards.

The *Prediction Market Act of 2026* establishes a comprehensive federal regulatory framework for event contracts under the CFTC with a primary focus on retail investor protection, insider trading prevention, and market integrity. The bill treats prediction markets as financial instruments requiring strong ethics safeguards, customer fund protections, and enhanced oversight of retail-facing platforms.

The *Prediction Market Act of 2026* would:

- **Ban trading by government officials:** Prohibits Members of Congress, the President, the Vice President, and senior executive branch officials from participating in event contracts to prevent conflicts of interest.
- **Establish insider trading prohibitions for event contracts:** Requires CFTC rules banning trading on material nonpublic information and defining insider trading standards specific to prediction markets.
- **Restrict “public interest” event contracts:** Allows the CFTC to block contracts involving illegal activity, violence, terrorism, war, or other activities deemed contrary to the public interest.
- **Strengthen anti-fraud and marketing rules:** Prohibits misleading advertising and requires balanced risk disclosures.
- **Require clear retail risk disclosures:** Mandates standardized disclosures on loss risk, liquidity limits, and potential delays in accessing funds for customers.
- **Create retail behavioral safeguards:** Requires self-exclusion tools and age verification for retail participants.
- **Mandate customer fund protections:** Requires full segregation of customer assets, bans commingling, and establishes a separate default fund for leveraged contracts.
- **Impose AML/KYC compliance requirements:** Requires *Bank Secrecy Act*-level controls, including customer due diligence and suspicious activity reporting.
- **Establish an Office of the Retail Advocate at the CFTC:** Creates a dedicated office to represent retail users, handle disputes, and report to Congress on consumer harms and market issues.
- **Create an Advisory Council on Consumer Protection:** A new Advisory Council within the CFTC brings together regulators, law enforcement, consumer advocates, and market participants to strengthen oversight of retail activity in prediction markets.
- **Preserve state and federal oversight authority:** Maintains state consumer protection and securities enforcement authority and preserves CFTC jurisdiction over event contracts.