Securities Regulation Daily Wrap Up, CFTC NEWS AND SPEECHES—Senators pressure CFTC to do more to police insider trading in prediction markets, (Jan 14, 2026)

By Suzanne Cosgrove



Their demands follow an incident in which an anonymous Polymarket account profited by more than $400,000 on a wager that Venezuela President Nicolás Maduro would be ousted by month end.

A group of 12 U.S. Democratic senators Tuesday sent newly installed CFTC Chairman Michael Selig a letter demanding that he disclose his plan to combat insider trading, manipulation and fraud in CFTC-regulated prediction markets, which they charged are facilitating illegal gaming.

The senators' letter followed reports by the Wall Street Journal and other publications that trading volume for a prediction market on whether Venezuela President Nicolás Maduro would be out of power by the end of the month spiked about six and a half hours before Maduro's capture was announced.

"A newly created Polymarket account invested $30,000 on Friday in favor of Maduro's exit, netting more than $436,000 in profit after Maduro was taken into custody Saturday morning," wrote Senators Adam Schiff, Alex Padilla (D-Calif.), Senator Catherine Cortez Masto (D-Nev.) and nine other Senate colleagues. "Polymarket even began offering a contract around 3 a.m. Saturday -- an hour and a half before President Trump's official announcement -- on whether Maduro would be in U.S. custody by January 31. The trading volume for this contract reached $1.3 million," they noted.

Politics v. sports bets. In their letter, the senators pointed to a case in which federal charges were brought last fall against six individuals accused of participating in an illegal sports betting scheme using insider information. Legal sports books have a history of alerting regulators and law enforcement of betting irregularities, the senators said, and a key factor in uncovering the scheme was a suspicious $80,000 parlay placed at a legal sports book that paid out $1.1 million.

Sports bets made on prediction markets are highly controversial (as reported in depth by *Securities Regulation Daily*), in part because by claiming to be federally regulated by the CFTC, issuers of sports event contracts can avoid certain state gaming laws. But event contracts that facilitate wagers on military operations or other national security considerations can elevate them to a whole new level of risk, including exposing sensitive information to U.S. foreign adversaries like China or Russia, the senators said.

Prohibitions on insider information. "If prediction market contracts that implicate military operations or other national security considerations are manipulated by insider information, or even listed, it is possible for foreign adversaries to use this to their advantage," they wrote. " The law (17 CFR § 40.11) also expressly prohibits a registered entity from listing an agreement, contract, transaction or swap that involves, relates to, or references terrorism, assassination, war, gaming, or an activity that is unlawful under any state or federal law.

"The CFTC has a clear statutory mandate (7 U.S. Code § 9) to prohibit manipulation and false information in connection with any swap, or contract of sale of any commodity in interstate commerce, or for future delivery on or subject to the rules of any registered entity," they continued. "The CFTC must ensure appropriate enforcement actions are taken if there are any instances of manipulation or fraud in event contract trading.

"Furthermore, the CFTC is expressly prohibited from allowing event contracts that involve gaming. The CFTC itself

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has made this clear. In the CFTC's final rule promulgating Dodd-Frank Wall Street Reform and Consumer Protection Act's statutory language, the CFTC wrote that 'its prohibition of certain "gaming" contracts is consistent with Congress's intent to "prevent gambling through the futures markets" and to "protect the public interest from gaming."'"

Questions for the CFTC chairman. The senators provided Selig with a list of nine related questions and asked for his response by February 9. Included were the following queries:

- Have CFTC-regulated exchanges listed similar contracts to Polymarket relating to Maduro's capture?
- Are there other instances of suspicious trading of Maduro-related event contracts facilitated through U.S. registered DCMs?
- Polymarket US is not yet fully launched; when it is, how will the CFTC ensure its event contracts comply with all relevant rules and regulations?
- According to Polymarket US Rulebook, "no person shall take action or direct another to take action based on non-public Order information, however acquired." How will CFTC ensure Polymarket US complies with this provision?
- How does the CFTC monitor suspicious trading activity in event contracts? What is the process for identifying and remedying insider trading?
- Has the CFTC coordinated with state commodities regulators or other appropriate state agencies with oversight of gaming activities?

In addition to Schiff, Padilla and Masto, the letter to Selig was signed by Senators Richard Blumenthal (D-Conn.), Cory Booker (D-N.J.), John Hickenlooper (D-Colo.), Andy Kim (D-N.J.), Jeff Merkley (D-Ore.), Jacky Rosen (D-Nev.), Elissa Slotkin (D-Mich.), Chris Van Hollen (D-Md.) and Peter Welch (D-Vt.).

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