Securities Regulation Daily Wrap Up, EXCHANGES AND MARKET REGULATION—Key Dem lawmakers call on CFTC to act on prediction markets insider trading, (Mar 31, 2026)

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The lawmakers believe the CFTC needs to act due to "rising evidence suggesting possible governmental insider trading in prediction markets and potential confusion surrounding existing law in this area."

Citing well-timed prediction market trades on U.S. attacks on Venezuela and Iran, ranking Democrats in the House and Senate urged the CFTC and U.S. Office of Government Ethics to issue guidance explaining that federal employees must refrain from insider trading in prediction markets. In a letter, the top Democrats on the House and Senate Agriculture, Senate Banking, and House Financial Services committees also requested a briefing and information about CFTC efforts to crack down on insider trading by federal employees with market-moving information.

The lawmakers pointed to reports of a Polymarket trader making $400,000 on bets on the capture of Venezuela's former leader, Nicolás Maduro, as well as 'suspicious' trades relating to the invasion of Iran, the death of Ayatollah Khamenei, and the possible firing of former DHS Secretary Kristi Noem.

"Recent reports of last-minute bets being placed to reap large payoffs on obscure events seem to indicate that nonpublic government information has been used by those with insider information," the lawmakers wrote.

The letter was led by House Agriculture Committee Ranking Member Angie Craig (D-Minn), Senate Banking Committee Ranking Member Elizabeth Warren (D-Mass), Senate Agriculture Committee Ranking Member Amy Klobuchar (D-Minn), and House Financial Services Committee Ranking Member Maxine Waters (D-Calif). The letter was joined by 14 House representatives and 10 senators.

Need for guidance. The lawmakers asked the CFTC and OGE to circulate executive branch–wide guidance to "prophylactically remind federal personnel of their obligations in this arena."

"[T]he CFTC maintains that event contracts are a type of swap subject to its jurisdiction, and, therefore, it should ensure that federal employees understand existing restrictions on prediction market insider trading," they wrote.

The lawmakers explained that the Commodity Exchange Act prohibits federal employees and agents from trading futures contracts, options, and swaps based on nonpublic information acquired through government employment that may affect the price of a commodity or swap.

They noted that the CFTC is currently seeking public feedback on how the government insider trading provision should inform its regulation of prediction markets.

They further observed that the CFTC has highlighted internal enforcement by Kalshi related to prediction market insider trading by government officials.

Questions. The lawmakers requested a staff-level briefing and answers to the following questions by Monday, April 13:

1. Has the CFTC, OGE, or another agency distributed guidance instructing federal employees that they must refrain from insider trading in prediction markets?

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2. Has the CFTC investigated, received reports of, or otherwise become aware of instances of federal employees engaging in insider trading in prediction markets?
3. What steps, if any, is the CFTC taking to detect and prevent insider trading by federal employees on unregulated or overseas prediction markets?
4. What steps, if any, will the CFTC take to increase federal employees' understanding of restrictions on insider trading in prediction markets?
5. What steps, if any, is the CFTC taking to work with the designated contract markets it regulates to detect and prevent insider trading by federal employees?

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