

Securities Regulation Daily Wrap Up, EXCHANGES AND MARKET

REGULATION—CFTC seeks comments on proposed amendments governing event contracts about war, terrorism, gaming, (Jun 10, 2026)

By Rebecca E. Hoffman, J.D.

This notice of proposed rulemaking follows from March's more general advanced notice, covering one aspect therefrom.

The CFTC June 10 [announced](#) a [Notice of Proposed Rulemaking](#), seeking comment on a framework for assessing whether an event contract involves activities deemed to be against the public interest, such as terrorism, assassination, war, gaming, and the like, and for determining whether such contracts are, in fact, contrary to the public interest and should be eliminated from trading.



In March, an Advanced Notice of Proposed Rulemaking asked 40 questions regarding public interest, among other topics, and noted the significant increase in event contracts in recent years, which is echoed in the new NPRM.

Special Rule. Commodity Exchange Act Section 5c(c)(5)(C), referred to in the notice as the “Special Rule,” provides that where a contract or other transaction of excluded commodities “are based upon the occurrence, extent of an occurrence, or contingency ... the Commission may determine that such agreements, contracts, or transactions are contrary to the public interest if the[y] ... involve—(I) activity that is unlawful under any Federal or State law; (II) terrorism; (III) assassination; (IV) war; (V) gaming; or (VI) other similar activity determined by the Commission, by rule or regulation, to be contrary to the public interest,” and prohibit the listing of those contracts.

“Involving” a prohibited activity means that the settlement is determined by the occurrence or extent of same tied to that activity. Involvement would not apply to a nebulous connection. For example, “[a]n event contract that settles on whether a particular foreign head of state is killed during a specified period involves assassination” and “[a]n event contract that settles on whether Iran initiates armed conflict in the Strait of Hormuz” involves war, whereas a contract that looks to whether a shipment of oil can traverse the strait during a certain time does not involve war, even though the outcome depends on military conditions, the CFTC explained.

Case-by-case. To determine whether event contracts involving activities enumerated in Section 5c(c)(5)(C) are contrary to the public interest, the Commission proposes a multi-factor test, in order to “weigh different dimensions of potential harm or public benefit.” Considerations include price discovery, hedging utility, and risks to market integrity.

When adopting CFTC Regulation 40.11, which would be amended through this rulemaking, the Commission acknowledged that “gaming” had not been defined fully. In the NPRM, it notes that “gaming” should refer to the game or activity itself, recognizing that if gaming is just paying for a chance to win, then “every event contract would involve ‘gaming’ by definition.” The scope of “gaming” should be limited to outcomes based on chance, skill, or athletic events, the CFTC proposed. Excluded from gaming would be, for example, the Academy Awards—contracts based on who wins that contest would not be subject to the Special Rule under the current proposal.

“The Commission preliminarily believes that event contracts involving pure games of chance are likely to be contrary to the public interest due to the absence of informational utility,” the CFTC explained. “In contrast, contracts based on broad sports outcomes ... are generally considered not to be contrary to the public interest, if settlement relies on objective, verifiable data and robust integrity measures.” However, “[t]he Commission preliminarily believes that contracts referencing player injuries, officiating decisions, limited-controlled outcomes, altercations, or pre-collegiate

sports are likely contrary to the public interest as these types of event contracts present significant risks of manipulation, offer opportunities for insider access, and may create perverse incentives for harmful behavior.”

MainStory: TopStory CommodityFutures Derivatives ExchangesMarketRegulation FinancialIntermediaries GCNNews Swaps