Congress of the United States

Washington, DC 20515

July 22, 2026

The Honorable Paul Atkins
Chairman
U.S. Securities and Exchange Commission
100 F Street NE
Washington, D.C. 20549

Dear Chair Atkins:

We write to request that the Securities and Exchange Commission (SEC) issue formal guidance to clarify whether event contracts that reference securities or related financial metrics are subject to SEC oversight.

Event contracts, commonly referred to as prediction markets, are structured as binary options that settle based on whether the underlying event occurs. Some prediction market platforms allow users to trade event contracts based directly on securities indexes such as the S&P 500,[1] Nasdaq-100,[2] or the Russell 2000,[3] or the share prices of large publicly traded companies like Apple,[4] Amazon,[5] and Nvidia.[6]

Certain exchanges also list event contracts tied to metrics disclosed in quarterly or annual SEC filings that may inform a company's market value. This includes contracts that predict Google's quarterly earnings,[7] Coinbase's total trading volume,[8] how many restaurants Cava will open,[9] or how many car deliveries Tesla will make.[10]

We appreciate the SEC's efforts to provide clarity on the regulatory treatment of innovative, new financial products. Notably, in its January 28, 2026 statement on tokenized securities, the SEC stated that "any put, call, straddle, option, or privilege on any security, certificate of deposit, or group or index of securities, including any interest therein or based on the value thereof" is excluded from the definition of a "swap" and subject to the SEC's exclusive jurisdiction.[11] We further appreciate that the SEC and the Commodity Futures Trading Commission (CFTC) reference this exclusion in the June 18, 2026 joint request for comment on the definition of swaps and security-based swaps.[12] This suggests that event contracts based on the price of a public company's stock or directly on a stock index fit within existing securities frameworks.

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[1] "S&P close price end of 2026?"; https://kalshi.com/markets/kxinxy/sp-500-yearly-range/kxinxy-26dec31h1600.
[2] "Nasdaq-100 close price end of 2026?"; https://kalshi.com/markets/kxnasdaq100y/nasdaq-yearly-range/kxnasdaq100y-26dec31h1600.
[3] "Russell 2000 (RUT) Up or Down on July 22?"; https://polymarket.com/event/rut-up-or-down-on-july-22-2026/rut-up-or-down-on-july-22-2026.
[4] "What will Apple (AAPL) hit in July 2026?"; https://polymarket.com/event/what-price-will-aapl-hit-in-july-2026.
[5] "What will Amazon.com, Inc. (AMZN) hit in July 2026?"; https://polymarket.com/event/what-price-will-amzn-hit-in-july-2026.
[6] "What will NVIDIA (NVDA) hit in July 2026?"; https://polymarket.com/event/what-price-will-nvda-hit-in-july-2026.
[7] "Will Alphabet (GOOGL) beat quarterly earnings?"; https://polymarket.com/event/googl-quarterly-earnings-gaap-eps-07-22-2026-2pt89.
[8] "Coinbase total trading volume in Q2"; https://kalshi.com/markets/kxcoinbase/coinbase-kpi/kxcoinbase-26julvol.
[9] "CAVA restaurants in Q1"; https://kalshi.com/markets/kxcava/cava-kpi/kxcava-26mayrest.
[10] "Tesla total deliveries in Q3"; https://kalshi.com/markets/kxtsla/tesla-kpi/kxtsla-26octdeliv.
[11] "Statement on Tokenized Securities," 28 Jan. 2026, https://www.sec.gov/newsroom/speeches-statements/corp-fin-statement-tokenized-securities-012826-statement-tokenized-securities.
[12] "SEC, CFTC Seek Public Comment to Further Clarify and Harmonize Derivatives Product Definitions", 18 Jun. 2026, https://www.sec.gov/newsroom/press-releases/2026-57-sec-cftc-seek-public-comment-further-clarify-harmonize-derivatives-product-definitions.

Legal experts have also indicated that contracts that are tied to specific outcomes for publicly traded companies, such as earnings announcements, could be considered securities subject to the SEC's jurisdiction.[13] It would be prudent for the SEC to conduct the appropriate legal analysis and determine whether these contracts should be regulated as securities products.

We recognize that event contracts tied to the performance of U.S. financial markets may present opportunities for investors and businesses to hedge their risks, protect their portfolios, and offset potential losses. However, without appropriate safeguards, these contracts can be highly susceptible to manipulation and insider trading.

Under the existing regulatory framework for derivative securities, the SEC ensures that these products are offered by regulated broker-dealers, traded on SEC-registered exchanges, and cleared through a regulated clearinghouse. These rules appropriately balance investor protections, market oversight, and innovation.

You have previously indicated that prediction markets may involve "overlapping jurisdiction" and that the SEC "ha[s] enough authority" to regulate this space.[14] Therefore, we urge the SEC to issue guidance regarding the regulatory treatment of event contracts that reference individual securities, securities indexes, or other related metrics, which will help provide much-needed clarity to investors, market participants, and the public.

Sincerely,

Sean Casten
Member of Congress

Vicente Gonzalez
Member of Congress

Brad Sherman
Member of Congress
Ranking Member, Subcommittee on Capital Markets

Bill Foster
Member of Congress

Jim Himes
Member of Congress

[13] "Why Prediction Market Regulation Is At Major Inflection Point," 16 Mar. 2026, https://www.lw.com/admin/upload/SiteAttachments/Why-Prediction-Market-Regulation-Is-At-Major-Inflection-Point.pdf.

[14] "SEC Chair Atkins calls prediction markets a 'huge issue' amid growing legal spotlight," 12 Feb. 2026, http://theblock.co/post/389714/sec-chair-atkins-calls-prediction-markets-a-huge-issue-amid-growing-legal-spotlight.

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