



Trading on Integrity: The Forthcoming Reckoning for Surveillance in Prediction Markets

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Prediction markets have gone mainstream. Retail-facing trading venues offering event contracts enable market participants to trade on elections, sports, economic releases, corporate events, cultural outcomes, and other real-world contingencies. This explosion in popularity has also drawn increased scrutiny. Each week, there are several articles about alleged insider trading and market manipulation. Needless to say, these markets and the potential for market manipulation in them have captured public attention. How these markets respond to this scrutiny and whether they can develop credible, durable solutions to address these concerns will be a defining moment for the industry.

Key Takeaways

- **Outcome agency presents a greater risk than price distortion.** Surveillance in traditional derivatives asks whether trading distorted a price. Prediction markets have to ask a harder question: did the trader just forecast the event, or did they know, control or influence the outcome?
- **CFTC Rule 180.1 may not reach every insider fact pattern in prediction markets.** The rule prohibits trading on MNPI in breach of a preexisting duty or trading on MNPI obtained through fraud or deception. Because liability turns on a duty, the rule leaves unsettled whether one exists when a trader profits from proximity to an outcome, from the ability to influence it, or from advance knowledge unconnected to any traditional duty of confidentiality. That uncertainty has led some exchanges to adopt rules that reach traders with advance access to MNPI, persons affiliated with a source agency, and anyone able to influence the outcome, without requiring the breach of a duty.
- **2026 has brought a lot of regulatory activity.** The CFTC issued an enforcement advisory after the first Kalshi insider cases. It also published a staff advisory and an ANPRM, and issued several proposed rulemakings in recent months. Congress has introduced competing bills that

would either strengthen CFTC oversight or move much of the market to a different regulatory regime.

- **Leading venues are building surveillance that looks beyond the order book.** Because prediction markets translate information directly into prices, strong programs also track how narratives spread on social media, and some exchanges have already set standards for paid creators and affiliates. Venues are likewise screening athletes, officials, politicians and others close to an event at onboarding and drawing on restricted lists and KYC records to keep those participants away from contracts they could affect.
- **Event-level surveillance is the next frontier for market integrity.** The authors identify four areas where venues can extend surveillance built for traditional markets. Venues that serve customers directly can unify onboarding, funding, trading and exit data. They can aggregate positions across related contracts tied to the same event and bring separate data sources together for joint analysis. Common contract identifiers would also support analysis across venues, and some technology vendors have begun building tools in this area. The authors conclude that platforms investing in event-level infrastructure will be well positioned to demonstrate the integrity of their markets as scrutiny grows.

[“Trading on Integrity: The Forthcoming Reckoning for Surveillance in Prediction Markets,”](#) *The Review of Securities & Commodities Regulation*, October 7, 2026

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