Carl Kennedy and Dan Davis Discuss Retail Expansion, Super Apps and the Next Phase of Prediction Markets

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Partners and Financial Markets and Regulation Co-Chairs Carl Kennedy and Dan Davis spoke with Eventus Global Head of Regulatory Affairs Joe Schifano in a wide-ranging Q&A exploring the rapid growth of prediction markets, the evolving regulatory landscape and the practical challenges facing market participants as these platforms scale toward mainstream retail adoption.

Prediction markets have experienced an explosion of interest, with contracts tied to sports, politics and other real-world events drawing unprecedented retail participation. That growth is raising complex questions about contract design, consumer protection, market integrity and how existing regulatory frameworks will adapt. Recent signals from the Commodity Futures Trading Commission (CFTC) suggest the agency is supportive of innovation in these markets but expects exchanges to demonstrate serious diligence around contract construction, surveillance and investor protection.

Carl noted that the CFTC's recent staff advisory on prediction markets was a particularly impactful signal, calling it "a fairly declarative statement that exchanges should be more disciplined around particular categories of contracts, especially where there are meaningful manipulation concerns." He emphasized that the agency's message is not that certain contracts are categorically prohibited, but that "exchanges need to do more homework and show, in the contract design and supporting controls, how they have analyzed and mitigated the risk."

Dan highlighted the importance of how market participants apply the CFTC's longstanding "readily susceptible to manipulation" standard to new prediction market products. "Each one of those words matters," Dan said. "The standard is not whether a contract is susceptible to manipulation in some abstract or hypothetical sense. The standard is whether it is readily susceptible to manipulation." He observed that the narrower the event and the fewer people involved in determining its outcome, the more likely the CFTC will push exchanges to justify why a product belongs on a regulated market.

The conversation also addressed the emerging "super app" concept — the convergence of prediction markets, crypto, sports-related activity and other financial products into a single consumer-facing

platform. Carl called the potential "very real," noting that entities are already offering multiple forms of access through a single front end. "The more products you place in one environment, the more important it becomes to think about integrity across that environment," Carl said.

Dan underscored that the CFTC has always had to consider how conduct in one market affects the pricing or integrity of another and that this dynamic will carry forward into prediction markets. He added that the growing discussion around disintermediation, exchanges going more directly to retail rather than relying on the traditional intermediary framework, will require that any new access model keep consumer protection front and center.

Looking ahead, Carl expressed optimism that the industry can develop best practices in alignment with regulatory signals. "That is one of the strengths of a principles-based regime," Carl said. "Core principles can remain stable while the practical controls and technologies evolve." He noted that traditional markets offer a good precedent and that he could see prediction markets moving in a similar direction, "with exchanges, vendors and other stakeholders converging around what good supervision looks like."

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CONTACTS

For more information, contact your Katten attorney or any of the following attorneys.

Carl E. Kennedy
+1.212.940.8544
carl.kennedy@katten.com

Daniel J. Davis
+1.202.625.3644
daniel.davis@katten.com

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