

## *Risk.net* Features Carl Kennedy on the Fight Against Prediction Market Abuse

April 16, 2026

In an article examining the challenges facing the Commodity Futures Trading Commission (CFTC) as it seeks to regulate the rapidly growing prediction markets industry, *Risk.net* spoke with Partner and Co-Chair of Financial Markets and Regulation Carl Kennedy about the agency's recent efforts to curb market manipulation. He emphasized the significance of a recent CFTC staff advisory notice directing prediction market exchanges not to list contracts without safeguards against manipulation.

One flashpoint Carl highlighted is CFTC Regulation 40.11, a Dodd-Frank era provision known as the Special Rule, which contains a drafting error. The Special Rule created a process for the CFTC to determine whether event contracts within certain designated categories are against public policy. Carl explained that the regulation includes a drafting inconsistency with the statutory language in the Commodity Exchange Act added by Dodd-Frank. That inconsistency largely went unnoticed for years until the popularity of prediction markets brought it under scrutiny. "Hindsight is 20/20. Here we are, 15 years later, and it is the hottest topic. It's this rulemaking that had an error in the way that it was crafted, not [being] consistent with the statute and what Congress defined, and it's created all this confusion."

["Don't mention the rules: the fight against prediction market abuse,"](#) *Risk.net* April 16, 2026

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