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COMMODITY FUTURES TRADING COMMISSION
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CFTC Staff Advisory
Division of Market Oversight

To: **Designated Contract Markets**

Subject: **Self-Certification of an Event Contract Series**

As prediction markets continue to evolve, staff of the Division of Market Oversight ("**DMO**") of the Commodity Futures Trading Commission ("**CFTC**" or "**Commission**") have observed a practice by which designated contract markets ("**DCMs**")[1] self-certify broad, template event contracts that bundle together potential contract permutations with differing settlement sources and/or methodologies under a single certification ("**Broad Template Certification**").[2] This practice hampers DMO's ability to determine whether a DCM has supplied all information, explanation, and analysis required under Commission Regulation § 40.2 and has adequately evaluated the settlement methodology, data sources, and core-principles compliance of all permutations of the contract the DCM intends to list. Further, it prevents market participants from accessing and evaluating such information.

Commission staff is issuing this advisory to remind DCMs that Broad Template Certifications should not be submitted via § 40.2(a) and to provide guidance when a certified series or class of closely related event contracts may be appropriately filed under § 40.2(d) or § 40.3.

I. Background

In 2011, the Commission amended § 40.2 to add § 40.2(d), which was intended to "streamline the product certification process for a significant percentage of swap contracts by permitting DCMs and SEFs to certify, within a single submission, one or more swaps without submitting each swap and its supporting information to the Commission."[3] At the time, interest

[1] This advisory is addressed to DCMs, as no swap execution facilities ("**SEFs**") currently list event contracts. However, the analysis described herein is also applicable to event contracts that may be listed by SEFs, as the provisions in § 40.2 and § 40.3 apply to DCMs and SEFs.

[2] For example, DCMs have certified event contracts regarding whether unspecified economic events may occur. The terms associated with these contracts have included non-exhaustive, vague lists of potential underlyings, including unidentified economic metrics, recurrent data releases, international agreements, and central bank decisions.

[3] *Provisions Common to Registered Entities*, 76 FR 44776, 44780 (July 27, 2011).

rate swaps comprised approximately 77.5% of the total outstanding notional value of over-the-counter swaps,[4] and these swaps were generally structured in a manner that could benefit from class treatment because they relied on identical pricing sources and methodologies, allowing multiple contracts to be certified together without impairing the Commission's ability to review them. While the amendment was primarily intended to address certification burdens associated with interest rate swaps, the Commission specifically stated that the class certification process under § 40.2(d) could also be used for certain "swaps based upon the occurrence or non-occurrence of certain events or contingencies."[5]

In particular, § 40.2(d) provides that DCMs may self-certify a class of swaps that are based upon certain types of "excluded commodities," including an excluded commodity defined in Section 1a(19)(iv) of the Commodity Exchange Act ("**CEA**") as "an occurrence, extent of an occurrence, or contingency (other than a change in the price, rate, value, or level of a commodity not described in [Section 1a(19)(i)])."[6] The vast majority of event contracts are agreements, contracts, transactions, or swaps that are based upon the occurrence, extent of an occurrence, or contingency, and are therefore eligible for class self-certification under § 40.2(d), provided that each individual swap within the class meets certain conditions.

Specifically, a DCM may submit a class self-certification only if each individual swap within the certified class satisfies the four conditions outlined in § 40.2(d)(1)(i)–(iv)[7] that provide that:

i. Each swap within the certified class must be based on an excluded commodity specified in § 40.2(d)(1);

ii. Each swap within the certified class must be based upon an excluded commodity with an identical pricing source, formula, procedure, and methodology for calculating reference prices and payment obligations;

iii. The pricing source, formula, procedure, and methodology for calculating reference prices and payment obligations in each particular swap within the certified class of swaps is identical to a pricing source, formula, procedure, and methodology for calculating reference prices and payment obligations in a product previously submitted to the Commission and certified pursuant to § 40.2 or approved pursuant to § 40.3; and

iv. Each particular swap within the certified class of swaps is based upon an excluded commodity involving an identical currency or identical currencies.

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[4] *Id*. at note 14.

[5] *Id*. at 44780.

[6] 17 CFR 40.2(d); *see also* CEA section 5c(c)(1), 7 U.S.C. 7a-2(c)(1).

[7] 17 CFR 40.2(d)(1)(i)–(iv).

Further, § 40.2(d)(2) explicitly authorizes the Commission to require a DCM to withdraw a certification under § 40.2(d)(1) and "submit each individual swap or certain individual swaps within the submission" for review under § 40.2 or § 40.3.[8] This provision makes clear that even when a DCM utilizes § 40.2(d)(1) to certify multiple swaps in a single filing, the Commission may determine at any time that individual certification is necessary.

To date, many DCMs have self-certified event contracts using Broad Template Certifications pursuant to § 40.2(a), rather than individually certifying each potential permutation. In March 2026, DMO staff raised concerns with this approach and issued an advisory ("**CFTC Staff Letter No. 26-08**") emphasizing that "[o]verly broad or generalized contract specifications may [] impact a DCM's ability to provide a complete explanation and analysis of compliance in the DCM's product submission to the Commission."[9] DMO further advised registrants that "DMO staff would expect a product submission to include, among other things, a description of the settlement methodology that accounts for differing potential permutations of the contract, including identification of the specific data source(s) on which settlement will be based, and an assessment of the reliability, objectivity, and manipulation resistance of such sources."[10] Notwithstanding CFTC Staff Letter No. 26-08, many DCMs continue to self-certify event contracts pursuant to Broad Template Certifications under § 40.2(a) without supplying the terms and conditions of each proposed permutation and a concise explanation and analysis with respect to the product's terms and conditions, the underlying commodity, and the product's compliance with the CEA and Commission regulations as required by § 40.2(a).

II. Requirements for Certification of an Event Contract Series

Consistent with the requirements of § 40.2, DMO advises DCMs that an event contact series certification should be filed pursuant to § 40.2(d) or § 40.3.[11] To qualify for a § 40.2(d) class certification of swaps, an event contract series must reference a prior, specific contract certified pursuant to § 40.2(a) or approved pursuant to § 40.3 (*i.e.*, not a prior Broad Contract Template) that shares identical pricing sources, formulas, procedures, and methodologies for calculating reference prices and payment obligations.[12] For example, a DCM may consider self-certifying an event contract series pursuant to § 40.2(d) for all matches in the 2026 FIFA World Cup by referencing a prior § 40.2(a) certification for "*Will Mexico beat South Africa in the 2026*

[8] 17 CFR 40.2(d); *see also* CEA section 5c(c)(1), 7 U.S.C. 7a-2(c)(1).

[9] *Prediction Markets Advisory*, CFTC Staff Letter No. 26-08 (Mar. 12, 2026), *available at*: https://www.cftc.gov/csl/26-08/download, at 5.

[10] *Id*.

[11] DMO staff expects that an event contract series certification filed pursuant to § 40.3 would define the class for the event contract series pursuant to those parameters identified in § 40.2(d).

[12] *See* 17 CFR 40.2(d)(1)(iii). A DCM may only reference its own prior filings, and not those of other DCMs. A DCM's § 40.2(d) submission should reference the Official Product Name and the Official Receipt Date of the referenced contract that was previously certified or approved.

FIFA World Cup?," if they all rely on identical pricing sources, formulas, procedures, and methodologies for calculating reference prices and payment obligations. By contrast, a DCM should not self-certify an event contract series pursuant to § 40.2(d) for all matches in the 2026 MLS Leagues Cup by referencing the § 40.2(a) certification of "*Will Mexico beat South Africa in the 2026 FIFA World Cup?*," as MLS and FIFA have different rules and therefore lead to different contract pricing sources, formulas, procedures, and methodologies for calculating reference prices and payment obligations. For example, the 2026 FIFA World Cup permits draws during the first round of the tournament, whereas the 2026 MLS Leagues Cup does not.[13]

In addition to these examples, a DCM could potentially utilize § 40.2(d) to certify an event contract series involving:

- the outcome of games in a tournament or series whose outcomes are each determined by identical rules (*e.g.*, a women's singles tennis tournament);
- election outcomes arising from a single ballot;
- nominees in a single awards show chosen by the same process (*e.g.*, Oscars Best Picture, Oscars Best Director);
- daily rainfall totals in a city as reported by the same official weather station and measurement methodology.[14]

By requiring that each contract in a class share the same pricing sources and methodologies for calculating payment obligations, § 40.2(d) helps ensure that DCMs separately evaluate the manipulation risks posed by each settlement source and methodology, as required by Core Principle 3.[15] Given that cash-settled derivatives, including event contracts, may create an incentive to manipulate or artificially influence the data from which the product's price is derived, DCMs are expected to give careful consideration to the potential for manipulation or distortion of the cash settlement price, as well as the reliability of that price as an indicator for cash market values.[16] DCMs are also expected to thoroughly consider the commercial acceptability, public availability, and timeliness of the price series that is used to calculate cash settlement prices.[17] Because this analysis cannot be adequately performed unless the settlement sources are identified

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[13] Leagues Cup 2026: Competition dates, format & teams*, available at:* https://www.mlssoccer.com/news/leagues-cup-2026-competition-dates-format-teams*;* Regulations for the FIFA World Cup 26, *available at*: https://digitalhub.fifa.com/m/636f5c9c6f29771f/original/FWC2026_regulations_EN.pdf.

[14] DMO is providing this non-exhaustive list of the types of contracts that may qualify for certification under § 40.2(d) if they share an identical pricing source, formula, procedure, and methodology for calculating reference prices and payment obligations. In all cases, the § 40.2(d) certification must reference a prior, specific contract that is certified pursuant to § 40.2(a) or approved pursuant to § 40.3.

[15] *See* DCM Core Principle 3, CEA section 5c(d)(3), 7 U.S.C. 7(d)(3); 17 CFR 38.200, 38.201; *see also* SEF Core Principle 3, CEA section 5h(f)(3), 7 U.S.C. 7b-3(f)(3); 17 CFR 37.300, 37.301.

[16] 17 CFR Part 38, Appendix C.

[17] *Id*.

prior to listing, DMO staff expects a DCM to specifically identify in its certification any settlement sources upon which a contract or class of contracts relies. This approach ensures that each contract is subject to a complete evaluation of its compliance with core principles.

Where DMO determines that the self-certification of a contract or series of contracts is inadequate, DMO may recommend that the Commission stay the listing of the contract under § 40.2(c) or require the DCM to withdraw the certification and resubmit each individual contract, or certain individual contracts, for review under § 40.2 or § 40.3, as provided in § 40.2(d)(2). DCMs should not assume that certifying multiple contracts in a single filing insulates any one contract from individual review.

In the event that the design of an event contract or series of event contracts raises unique or novel questions about whether certification under § 40.2(d) is appropriate, DCMs are encouraged to engage with DMO staff to discuss the appropriate submission approach prior to filing the contracts with the Commission.

III. Consolidated Submission Functionality

For the avoidance of doubt, nothing in this guidance prevents a DCM from utilizing the Commission's consolidated submission functionality to submit a single set of product certification documents that are applicable to separate but related contract self-certifications.[18] Where a DCM lists a group of closely related contracts that share common supporting documents or exhibits, such as a common rulebook, settlement source analysis, or common terms and conditions, the DCM may submit the associated contract certifications in a consolidated filing, incorporating the shared materials by reference. Because the shared exhibits need only be submitted once, this process reduces duplicative filings and facilitates Commission review. DCMs are encouraged to use consolidated submissions where appropriate, provided each contract is certified individually under § 40.2(a) or as a class under § 40.2(d), as discussed above, and the submission includes all of the documents and information required by § 40.2.

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This advisory is not intended to, does not, and may not be relied upon to create any rights, substantive or procedural, enforceable by law by any party in any matter. This advisory does not provide any no-action position with respect to a recommendation by any division that the Commission initiate an enforcement action for failure to comply with the CEA or Commission regulations. Further, this advisory is not intended to, does not, and may not be relied upon to create any new binding rules or regulations, or to amend existing rules or regulations. This advisory represents only the views of DMO and does not necessarily represent the views of the Commission or of any other division or office of the Commission.

[18] *See* Release No. 9244-26.

Questions concerning this advisory may be directed to DMOletters@cftc.gov.

Sincerely,

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