ProphetX LLC
4 World Trade Center, 29th Floor
150 Greenwich Street
New York, NY 10007

July 9, 2026

Via Regulations.gov Comments Portal

Mr. Christopher Kirkpatrick
Secretary
U.S. Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street NW
Washington, DC 20581

Re: RIN 3038-ZA24 – Request for Information: Identifying Regulations to Facilitate Innovation and Competition to Financial Products and Services for Fintech Firms

Dear Mr. Kirkpatrick:

ProphetX LLC ("ProphetX") welcomes the opportunity to respond to the Commodity Futures Trading Commission's ("CFTC" or "Commission") Request for Information on Identifying Regulations To Facilitate Innovation and Competition to Financial Products and Services for Fintech Firms (the "RFI"), issued pursuant to Executive Order 14405.[1] As a recently registered Designated Contract Market ("DCM") and Derivatives Clearing Organization ("DCO"), ProphetX operates a participant-first, sports-native prediction market exchange and offers the perspective of a newly regulated market operator and clearinghouse subject to the Commission's regulatory framework.

ProphetX previously submitted a comment letter dated April 20, 2026 in response to the Commission's Advance Notice of Proposed Rulemaking on Prediction Markets, 91 Fed. Reg. 12516 (March 16, 2026) (the "ANPR Letter"),[2] urging the Commission to exercise its exemptive authority under Commodity Exchange Act ("CEA") Section 4(c) to (i) establish a conditional, class-based exemption for sports event contracts listed on a DCM and cleared through a DCO; and (ii) separately, and independently, exempt qualifying technology service vendors ("TSVs") from introducing broker ("IB") registration under CEA Section 4d(g) with respect to activities

[1] Request for Information: Identifying Regulations to Facilitate Innovation and Competition to Financial Products and Services for Fintech Firms, 91 Fed. Reg. 36774 (June 18, 2026).
[2] ANPR Comment Letter, available at https://cdn.prophetx.co/assets/Prediction_Markets_Advance_Notice_of_Proposed_Rulemaking.pdf.

facilitating access to those contracts. As discussed in the ANPR Letter, the proposed Section 4(c) exemptions for sports event contracts and for qualifying TSVs facilitating access to those contracts would promote responsible innovation because agreements, contracts, or transactions exempted under Section 4(c) are expressly preempted from state and local gaming laws under CEA Section 12(e)(2)(B), thereby providing the regulatory certainty necessary for prediction markets and their technology providers to invest confidently in market infrastructure.

This letter builds on those recommendations and, for purposes of illustrating how such relief could be structured, uses the following terms: (i) "Eligible Sports Event Contract" to mean a sports event contract listed on an "Eligible DCM" (a registered DCM in good standing) and cleared through an "Eligible DCO" (a registered DCO in good standing); and (ii) "Qualified TSV Activities" to mean the passive front-end software and connectivity activities of a TSV described further below.

This letter focuses specifically on TSVs as they relate to sports event contracts—the class of products at the center of the ANPR Letter. ProphetX believes the treatment of TSVs facilitating access to Eligible Sports Event Contracts provides a compelling illustration of a fintech-related gap in the Commission's current regulatory framework and that the Section 4(c) TSV exemption proposed in the ANPR Letter provides the Commission with a practical path for addressing the questions presented in this RFI.[3]

Question 1. *Which, if any, of the Commission's registration, designation, or authorization processes for CFTC Registrants and Registered Entities do Fintech Firms find to not be ''fit for purpose'' due to the technological means developed by such Fintech Firms to offer or support the offering of financial products or services to derivatives market participants? How, specifically, should such processes be adjusted or streamlined in order for Fintech Firms to more efficiently be registered/designated/authorized?*

One area where the current regulatory process is not well suited to facilitating fintech innovation is the reliance on individualized, staff-level no-action letters for TSVs seeking relief from IB registration. In March 2026, the Commission's Division of Market Oversight ("DMO") granted conditional no-action relief from IB registration to Phantom Technologies, Inc. (the "Phantom Letter"), a TSV providing front-end interface software enabling users to access Commission-regulated derivatives, including sports event contracts, listed on DCMs.[4] That relief was granted only on an individualized basis, binds only DMO, and applies only to Phantom Technologies.[5]

Although the Phantom Letter applies broadly to Qualified TSV Activities involving Commission-regulated derivatives, this response focuses on Eligible Sports Event Contracts because they represent an emerging segment of the derivatives markets in which consumer-facing technology

[3] CEA Section 4(c)(1) authorizes the Commission to exempt "any person or class of persons offering, entering into, rendering advice, or rendering services with respect to" an agreement, contract, or transaction, subject to such conditions as the Commission determines appropriate. 7 U.S.C. § 6(c)(1).
[4] CFTC Letter No. 26-09 (March 17, 2026).
[5] CFTC Regulation 140.99(a)(2), 17 CFR § 140.99(a)(2).

providers are facilitating the transition of participants from unregulated platforms to Commission-regulated markets. As that transition accelerates, reliance on individualized no-action letters creates unnecessary uncertainty for Eligible DCMs, Eligible DCOs, futures commission merchants ("FCMs"), and prospective technology partners seeking to develop compliant access technologies.

For markets in Eligible Sports Event Contracts that depend on front-end technology to reach retail users—whether through an Eligible DCM's own application or through third-party sports-content platforms, media applications, and data providers integrating access to Eligible Sports Event Contracts—the current process requires each new TSV to independently petition Commission staff for relief before engaging in Qualified TSV Activities. As discussed in the ANPR Letter, ProphetX therefore recommends that the Commission exercise its authority under CEA Section 4(c) to establish a conditional, class-based exemption from IB registration for Qualified TSV Activities relating to Eligible Sports Event Contracts, modeled on the conditional relief issued in the Phantom Letter. Doing so would establish objective, publicly available criteria under which similarly situated TSVs could operate without the uncertainty associated with having to seek individualized staff relief, while preserving appropriate conditions on the scope of the exempted activities.

Question 2. *Which, if any, CFTC Regulatory Item(s) unduly impede Fintech Firms from entering into partnerships with CFTC Registrants and Registered entities (or other market participants)? How do they do so? How, specifically, should such CFTC Regulatory Item(s) be changed?*

The potential application of the IB registration requirement in CEA Section 4d(g) to Qualified TSV Activities, absent durable Commission-level relief, unnecessarily impedes partnerships between fintech firms and Eligible DCMs, Eligible DCOs, FCMs and other registrants.

An Eligible DCM seeking to integrate a third-party TSV interface to expand customer access beyond its own application must determine whether the TSV has obtained individualized no-action relief, is prepared to seek it, or is prepared to operate under the resulting uncertainty regarding potential IB registration. This uncertainty discourages partnerships with newer technology providers and makes it more difficult for Eligible DCMs to scale compliant access technologies for Eligible Sports Event Contracts.

Further, this uncertainty for technology providers operating at the customer-access layer is particularly significant because sports event contracts have become the focus of state gaming enforcement efforts directed not only at market operators but also at platforms and intermediaries facilitating customer access. For example, the State of Nevada obtained a temporary restraining order prohibiting a platform from "offering or facilitating the offering of event contracts in Nevada."[6]

[6] See Ex Parte Temporary Restraining Order at 2, Nevada v. Coinbase Fin'l Markets, Inc., No. 26-OC-0030-1B (Nev. 1st Judic. Dist. Feb. 5, 2026).

Accordingly, ProphetX recommends that the Commission exercise its authority under CEA Section 4(c) to establish a conditional, class-based exemption from IB registration for Qualified TSV Activities relating to Eligible Sports Event Contracts.[7]

Question 3. *Which, if any, of the CFTC Regulatory Items do Fintech Firms that are CFTC Registrants or Registered Entities (or are considering registering as such), consider to not be ''fit for purpose'' due to the technological means developed by the CFTC Registrant or Registered Entity (current or potential) to offer or support the offering of financial products or services to derivatives market participants? How, specifically, should such CFTC Regulatory Items be adjusted or streamlined in order for Fintech Firms to more efficiently offer or support the offering of financial products or services to derivatives market participants?*

As a recently registered DCM and DCO, ProphetX has found that the CFTC's current regulatory framework governing customer access to derivatives—developed around more traditional intermediary distribution models—is not well suited to an Eligible Sports Event Contract market whose customers may be reached predominantly through third-party technology providers, including sports-data applications, media platforms, and other TSVs that provide the passive front-end software through which retail users access contracts that are executed on an Eligible DCM and cleared through an Eligible DCO. Requiring each such technology provider to seek individualized no-action relief, or to operate under the uncertainty regarding potential IB registration, rather than under a single, Commission-level, class-based standard governing Qualified TSV Activities, does not scale to the number and variety of access channels through which customers are likely to access these markets.

ProphetX therefore recommends that the Commission exercise the authority Congress granted it in CEA Section 4(c) to issue a conditional, class-based exemption from IB registration for Qualified TSV Activities relating to Eligible Sports Event Contracts. Doing so would enable Eligible DCMs and Eligible DCOs to evaluate prospective technology partners against a single, published set of objective conditions rather than a patchwork of individualized staff no-action letters, providing the regulatory certainty necessary to expand compliant customer access while preserving the customer-protection conditions described below, including passive software functionality, no discretion over order routing, no individualized trading advice, and appropriately tailored joint-and-several liability with the associated registered entity.

Question 4. *Do Fintech Firms find the CFTC Registrant or Registered Entity registration/designation/authorization categories to be inadequate to capture the activity in*

[7] As discussed in the ANPR Letter, a Section 4(c) exemption for Eligible Sports Event Contracts would provide the basis for the express federal preemption set forth in CEA Section 12(e)(2)(B), while a corresponding exemption from IB registration for Qualified TSV Activities would provide regulatory certainty for the technology providers facilitating customer access to those markets. Together, these complementary exemptions would reduce barriers to partnerships between regulated market participants and fintech firms while promoting responsible innovation within the Commission's regulatory framework.

which the Fintech Firm engages or intends to engage? If so, please explain what the gaps are. For example, do existing categories sufficiently allow for the registration/designation/authorization of decentralized finance protocols or applications? Please also identify any statutory authority that would support the Commission's ability to fill such gaps.

As applied to Eligible Sports Event Contracts, the principal gap is not the absence of a registration category, but the absence of a Commission-level framework recognizing Qualified TSV Activities as a distinct class of technology services that may appropriately be exempted from IB registration. TSVs providing passive front-end software and connectivity enabling customers to access Eligible Sports Event Contracts do not solicit orders, exercise trading discretion, accept customer funds, or perform the traditional intermediary functions for which the IB registration category was designed. Instead, they provide the technology layer through which customers access markets operated by an Eligible DCM and cleared through an Eligible DCO. Today, those firms have no path to compliance other than seeking individualized, revocable staff no-action relief.

This gap will become increasingly significant as Eligible Sports Event Contracts are distributed through mobile applications, sports-content platforms, media integrations, and other embedded technology channels rather than exclusively through traditional intermediary platforms. ProphetX therefore recommends that, rather than creating a new registration category, the Commission should exercise its authority under CEA Section 4(c) to establish a conditional, class-based exemption for Qualified TSV Activities relating to Eligible Sports Event Contracts, with objective eligibility criteria and appropriate conditions. Doing so would provide a durable, Commission-level compliance framework for technology providers while preserving the customer protections provided by regulated market infrastructure.

Question 5. *Do Fintech Firms find any CFTC Registrant or Registered Entity registration/designation/authorization category to be too broad in that the category appears to capture the activity in which a Fintech Firm engages (or intends to engage) but that the Fintech Firm believes should not require registration/designation/authorization? Please explain in detail why the Fintech Firm believes that the technological means by which the Fintech Firm carries out the activity (or intends to carry out the activity) should qualify the Fintech Firm for an exemption or exception from registration/designation/authorization.*

As applied to Qualified TSV Activities relating to Eligible Sports Event Contracts, the potential application of the IB registration requirement under CEA Section 4d(g) is overinclusive. IB registration is intended to ensure that intermediaries that solicit specific orders, exercise discretion over customer trading activity, or otherwise perform traditional intermediary functions are subject to fitness review, ongoing supervision, and direct accountability to the Commission. By contrast, a TSV engaged solely in Qualified TSV Activities provides passive front-end software and connectivity enabling customers to access markets operated by an Eligible DCM and cleared through an Eligible DCO. It does not solicit customers to take particular positions, exercise trading discretion, accept or hold customer funds, or provide individualized trading advice. Those customer-protection responsibilities remain with the regulated entities—the Eligible DCM, Eligible DCO, and FCM—whose regulatory obligations are unaffected by the TSV's role.

It is precisely the technological means by which a qualifying TSV operates that distinguishes it from the intermediary activity Section 4d(g) was designed to address. A TSV providing only passive software that displays market information and transmits customer instructions to the execution and account systems of regulated entities, without exercising discretion over order routing or execution, does not present the same regulatory concerns as a traditional intermediary.

ProphetX therefore recommends that the Commission, pursuant to its authority under CEA Section 4(c), establish a conditional, class-based exemption from IB registration for Qualified TSV Activities relating to Eligible Sports Event Contracts, subject to safeguards substantially similar to those contained in the Phantom Letter. Those conditions could include, among others, prohibitions on handling customer funds, exercising discretion over order routing or execution, and providing individualized trading advice; disqualification for persons subject to the statutory disqualifications in CEA Sections 8a(2)–8a(4); written policies and procedures consistent with applicable Commission and National Futures Association communications standards; a joint-and-several liability undertaking with an Eligible DCM or FCM and consent to Commission jurisdiction; books and records maintained in accordance with Commission Regulation 1.31; and prompt notice to the Commission of material operational disruptions. These safeguards would preserve the customer-protection objectives underlying Section 4d(g) while providing a durable, Commission-level framework for a narrowly defined category of technology providers whose activities do not implicate the traditional concerns addressed by IB registration.

Conclusion

ProphetX appreciates the Commission's initiative in soliciting this input pursuant to Executive Order 14405. As discussed above, Commission staff has already recognized in the Phantom Letter that certain TSV activities may be appropriately distinguished from traditional IB functions. Building on that foundation through a Commission-level Section 4(c) framework—a conditional, class-based exemption for Qualified TSV Activities relating to Eligible Sports Event Contracts—would provide a practical and durable approach to addressing the process, partnership, and regulatory certainty concerns identified in this letter. Especially if coupled with the complementary Section 4(c) exemption for Eligible Sports Event Contracts proposed in our ANPR Letter, such a framework would also provide the regulatory certainty associated with the express federal preemption set forth in CEA Section 12(e)(2)(B), thus encouraging investment in access technologies subject to appropriate safeguards and supporting responsible innovation within the Commission's regulatory framework. ProphetX stands ready to work with the Commission and its staff to develop the specific contours of such an exemptive order or rule.

If there are any questions or if we can provide additional information relating to the foregoing comments, please do not hesitate to contact me at dean.sisun@prophetexchange.com or Bruce Fekrat, Chief Legal Officer, at bruce.fekrat@prophetexchange.com.

Respectfully submitted,

Dean Sisun
Chief Executive Officer
ProphetX LLC