WICS
WEIGHTED INTEGRITY CONTROL SYSTEMS

WHITE PAPER • REGULATORY & LEGAL ANALYSIS

The Market-Integrity Gap

Divided Courts, an Expanding CFTC Record, and the Missing Contract-Level Integrity Test

Event contracts and prediction markets, 2025–2026 | CFTC Core Principles 2, 3, 4, 5 and 12 | Federal-state litigation | A proposed quantitative response

LEGAL FRAMEWORK / LITIGATION / REGULATORY RECORD / MARKET INTEGRITY / PROPOSED RESPONSE

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Prepared for exchanges, clearing organizations, product-development and surveillance teams, regulators, sports organizations and commercial counterparties.

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Litigation is ongoing and fast-moving; status is described as of October 10, 2026. Court holdings described here are largely preliminary-injunction rulings. CFTC staff advisories express staff views; proposed rules are not final rules. WICS takes no position on federal preemption and is not represented as CFTC-approved, deployed, or independently validated. WICS methods are the subject of pending U.S. patent applications.



EXECUTIVE SUMMARY

Everyone is arguing about who regulates event contracts. Almost no one has a method for showing that a given contract is not readily susceptible to manipulation.

Event contracts on sports, politics, culture and corporate events have moved from a niche to a mass market in roughly two years. The CFTC reports that designated contract markets (DCMs) certified approximately 1,600 event contracts in 2025, compared with an average of about five per year from 2006 to 2020. [8] That growth has produced two simultaneous crises.

The first is jurisdictional. Federal courts of appeals are now divided on whether sports-related event contracts are "swaps" within the CFTC's exclusive jurisdiction or wagers that states may regulate as gambling. The Third Circuit sided with the exchange over a dissent; the Ninth and Sixth Circuits unanimously sided with the states; the Fourth Circuit and the Massachusetts Supreme Judicial Court have yet to rule. A petition for certiorari is pending in the Supreme Court, supported by 39 states, the District of Columbia and the National Football League. [21]–[29]

The second is integrity. The CFTC has brought its first manipulation and insider-trading cases arising from event contracts, Congress has opened an investigation into insider trading on prediction platforms, sports leagues have told the Supreme Court that some contracts can be "easily manipulated by one person," and CFTC staff have warned that certain contract designs may be presumed readily susceptible to manipulation. [7], [13]–[15], [26], [30]

These crises are connected. Whichever way the courts resolve jurisdiction, the legal duty to list only contracts that are not readily susceptible to manipulation, and to prevent manipulation and settlement disruption, remains. Yet exchange filings tend to assert integrity rather than demonstrate it, surveillance watches trading rather than the event, and settlement remains largely binary and after the fact. This paper sets out that problem in detail, then describes one proposed response: WICS, a contract-specific integrity layer designed to make susceptibility measurable before listing and integrity controls predetermined through settlement.

THE CORE PROBLEM

The law requires a contract-specific judgment about manipulation susceptibility. The market has scaled faster than any shared, measurable, examinable method for making that judgment, and the jurisdictional fight has left that gap unaddressed.

FOUR SEPARATE TESTS

Regulatory permission, statutory classification, product integrity and settlement quality are four separate questions. Passing one does not establish the others.

PART I

The Legal and Regulatory Problem

A legal duty that predates the prediction-market boom, a judiciary divided over who enforces it, and a regulatory record that keeps asking for evidence the market has not been built to provide.

1 The duty that does not change

U.S. derivatives law imposes integrity duties on every DCM, regardless of the debate over event contracts. Core Principle 3 (CEA § 5(d)(3)) requires a DCM to list only contracts that are not readily susceptible to manipulation. Core Principle 4 (§ 5(d)(4)) requires the capacity and responsibility to prevent manipulation, price distortion and disruptions to delivery or cash settlement. Appendix C to Part 38 explains how cash-settled contracts should be evaluated, including the incentive to influence the settlement data itself. [1], [2]

Related duties complete the picture. Core Principle 2 requires a DCM to enforce its trading rules and the terms of the contracts it lists. Core Principle 5 calls for position limits or accountability to reduce manipulation and congestion risk. Core Principle 12 requires rules that protect markets and participants from abusive practices. Under Part 40, an exchange can list a new contract by self-certifying that it meets these requirements, and trading can begin one business day after filing, without prior CFTC approval. [1], [3]

Self-certification is the predominant path to listing

MEASURE	FIGURE	SOURCE
Affirmative Commission approvals of a sports-contract listing under Rule 40.3	None, as of Sep 30, 2025	Staff Letter 25-36 [19]
DCM event-contract products certified, Nov 15, 2024 – Nov 15, 2025 (one filing can cover many contracts)	1,653	Acting Chairman's response to Senate inquiry [20]
DCM products of any type submitted for Commission approval, 2022–2024	1, against 2,393 self-certified	Acting Chairman's response to Senate inquiry [20]

Filing statistics do not equal the number of individual markets. But because the vast majority of new products enter through self-certification, the exchange's own filing is usually the principal record of how a contract handles manipulation risk.

Three questions that are often conflated

QUESTION	WHAT IT TESTS	WHO DECIDES
Can the product be listed?	Whether the contract is readily susceptible to manipulation (Core Principle 3) and meets other eligibility rules.	The DCM in the first instance, through self-certification; the CFTC through review and enforcement.

QUESTION	WHAT IT TESTS	WHO DECIDES
Can the venue operate and settle it safely?	Surveillance, prevention of manipulation and settlement disruption (Core Principle 4), participant protection (Core Principle 12).	The DCM as front-line regulator, subject to CFTC oversight.
Is it contrary to the public interest?	The Special Rule, CEA § 5c(c)(5)(C), for contracts involving gaming and other enumerated activities.	The CFTC, under Regulation 40.11 and its June 2026 proposal. [9]
Is it lawful gambling under state law?	Whether federal law preempts state gaming statutes as applied to DCM-listed contracts.	The courts, now divided; potentially the Supreme Court. [21]–[25]

2 A divided judiciary: the circuit split

Since 2025, exchanges listing sports-related event contracts have sued state gaming regulators to block enforcement of state gambling laws, and states, tribes and attorneys general have sued exchanges. The cases turn on two linked questions: whether sports event contracts are "swaps" under the Commodity Exchange Act, placing them within the CFTC's exclusive jurisdiction; and, if so, whether that jurisdiction preempts state gaming law. Most rulings so far are at the preliminary-injunction stage, so they assess likelihood of success rather than final merits.

COURT AND CASE	DATE	OUTCOME	KEY REASONING OR SEPARATE OPINION
Third Circuit — KalshiEX v. Flaherty (New Jersey)	Apr 6, 2026	2–1 for the exchange; preliminary injunction affirmed.	Majority (Porter, J., joined by Chagares, C.J.): contracts likely are swaps; field and conflict preemption. Dissent (Roth, J.): contracts "virtually indistinguishable" from online sportsbook bets; presumption against preemption applies "with special force" to gambling. [21], [22]
Ninth Circuit — KalshiEX v. Assad and companion cases (Nevada)	Aug 28, 2026	3–0 for the state; Nevada rulings affirmed.	Sports contracts likely not swaps; state gaming authority not preempted. Concurrence (Lee, J.) noted tribes' historical role and was troubled by the statute's Special Rule for gaming. Rehearing petition pending. [23], [24]
Ninth Circuit — Blue Lake Rancheria v. Kalshi (tribes)	Sep 16, 2026	Tribes likely to succeed on IGRA claim; remanded.	Extends the conflict to tribal gaming compacts under the Indian Gaming Regulatory Act. [24]
Sixth Circuit — KalshiEX v. Schuler / Orgel (Ohio, Tennessee)	Sep 25, 2026	Unanimous for the states.	Opinion by Gibbons, J. (with Clay and Bloomekatz, JJ.): events "do not inherently have financial consequences"; alternatively, no preemption even if swaps. [25]
Fourth Circuit — KalshiEX v. Martin (Maryland)	Argued May 7, 2026	Pending.	District court ruled for the state in 2025. [24]
Massachusetts SJC — Commonwealth v. KalshiEX	Argued May 4, 2026	Pending.	Superior Court enjoined sports contracts in Jan 2026; stayed pending appeal. [27]

The dissent and concurrence that frame the debate

Judge Roth's Third Circuit dissent captures the states' core position: whatever their label, sports event contracts function like sportsbook wagers, gambling is an area of traditional state authority, and the CEA's savings clauses show Congress allowed complementary state regulation. She reasoned that state law and federal goals can coexist, noting that Congress, through the Dodd-Frank Special Rule, contemplated limits on gaming contracts on DCMs. [21], [22]

Judge Lee's Ninth Circuit concurrence points the other way on remedy but in the same direction on concern. By highlighting the Special Rule and tribes' historical role in regulating gaming, it underscores that the federal framework contains a public-interest backstop for gaming contracts that the CFTC had not, until 2026, put into operation. [23], [24]

Where the split now stands

New Jersey's petition for certiorari (Flaherty v. KalshiEX, No. 26-299) was filed September 2, 2026. Amicus briefs supporting review were filed by 39 states and the District of Columbia, led by Ohio; by the National Football League; by the American Gaming Association; by tribal interests; and by former CFTC Chairman Gary Gensler and former Senator Christopher Dodd. Robinhood Derivatives and Crypto.com's exchange have reportedly petitioned from the Ninth Circuit's Nevada rulings. The exchange's response to New Jersey's petition is due November 9, 2026. [26]–[29]

What the courts actually disagree about

Definition: the Third Circuit read "swap" broadly enough to reach sports event contracts; the Ninth and Sixth Circuits read statutory text and context to exclude them. Preemption: even assuming the contracts were swaps, the Sixth Circuit found no express or implied preemption, so clarifying the definition alone may not end the dispute. Federal exclusivity versus state police power: exchanges and the CFTC argue a national market needs uniform federal rules; states argue their gaming laws protect consumers, integrity and licensing systems and that Congress did not clearly displace them, against the backdrop of the Supreme Court's 2018 decision in Murphy v. NCAA returning sports-wagering policy to the states. [21]–[25], [41]

> **WHY THE SPLIT MATTERS FOR INTEGRITY**
>
> **If federal jurisdiction is exclusive, Core Principles 3 and 4 must carry the integrity load that state gaming regulators now carry for sportsbooks: prohibited-bettor rules, suspicious-activity reporting and league information sharing. If states prevail, DCMs face a patchwork of licensing regimes but remain bound by the same federal duties. Either way, someone must be able to show, contract by contract, why a product is not readily susceptible to manipulation.**

3 Escalating federal-state conflict

The CFTC has moved from observer to litigant. It has sued multiple states over their efforts to apply gaming laws to DCM-listed contracts, including Connecticut, Illinois and Arizona (April 2, 2026), New York (April 24) and Kentucky (June 23), and Wisconsin (April 28, after Wisconsin sued five prediction-market operators), and in July described itself as having sued nine states. It has also filed amicus briefs asserting exclusive

jurisdiction in the Ninth Circuit (February 17) and the Massachusetts Supreme Judicial Court (April 24). [17], [24], [37]–[39]

The Commission has also used emergency authority. On July 14, 2026, it stayed an exchange's emergency rule change after a Michigan state court ordered cancellation of executed trades, and ordered the trades fulfilled. On August 11, it acted again after New York's Attorney General sought to bar the exchange from offering event contracts nationwide and sought more than $36 billion in damages. [17], [18]

The definitional fight has moved into rulemaking. On June 18, 2026, the CFTC and SEC jointly requested comment on further defining "swap," including how to classify novel event contracts; 44 states told the CFTC in July that it lacks authority over sports-related prediction markets; and on October 9 the CFTC took two different actions on the same day: an interim final rule, effective on publication, excluding casino-style gambling, including sportsbook wagers and casino games, from the definition of "swap," and a proposed rule expressly including event contracts on sports, politics, culture and weather within it. Together they sharpen, rather than resolve, the line between a regulated event contract and a wager. [16], [31], [32], [35]

None of these actions resolves the integrity question. A jurisdictional win for either side settles who enforces the rules; it does not supply a method for determining whether a particular contract can be manipulated, by whom, and with what consequences at settlement.

4 The CFTC record, 2025–2026

The Commission's own record shows steadily increasing attention to contract structure, verifiability, insider access and filing quality. Staff advisories reflect staff views and proposals are not final rules; neither repeals the longstanding core principles. [5]

DATE	REGULATORY EVENT	SIGNIFICANCE FOR PRODUCT INTEGRITY
Feb 4, 2026	CFTC withdrew the June 2024 event-contracts proposal and Staff Letter 25-36.	Withdrawal did not repeal the core principles. [5]
Feb 25, 2026	Enforcement Division advisory on prediction-market cases.	Real examples of outcome influence and misuse of nonpublic information. [7]
Mar 12 / 16, 2026	Staff Letter 26-08 and prediction-markets ANPRM.	DCM as front-line regulator; asked how Core Principles 3 and 4 apply. [6], [8]
May 21, 2026	CFTC–NHL memorandum of understanding on hockey integrity.	Information sharing between the regulator and a league on event contracts. [36]
Jun 12, 2026	Proposed public-interest framework under Regulation 40.11.	Manipulation risk, settlement integrity and information leakage weigh against listing. [9]
Jun 18, 2026	Joint CFTC-SEC request for comment on product definitions.	Opens the classification of event contracts. [31]
Jul 24, 2026	Staff Letter 26-22 on event-contract series certification.	Generic template certifications obscure contract-specific evidence. [12]
Jul 31, 2026	Santos manipulation settlement.	Trader influenced an outcome he controlled. [13]
Aug 28, 2026	Perez insider-trading settlement.	Advance access to speech content used to trade mention markets. [15]

DATE	REGULATORY EVENT	SIGNIFICANCE FOR PRODUCT INTEGRITY
Sep 22, 2026	Staff Letter 26-27 on mention, attendance and interaction contracts.	Such designs may be presumed readily susceptible absent strong controls. [14]
Oct 9, 2026	Interim final rule excluding casino-style gambling from “swap”; proposal to include event contracts in “swap.”	Boundary-drawing on both sides; neither substitutes for integrity review. [16], [35]

5 What regulators are now asking for

Contract-specific evidence, not general assurances

Staff Letter 26-08 told DCMs that official event data must be examined for accuracy, reliability, objective calculation, premature-disclosure risk and manipulation resistance, and encouraged early dialogue on contracts involving a single actor, injuries, misconduct or officiating. Staff Letter 26-22 observed that some DCMs certified broad template classes despite differences in settlement sources and methods, obscuring the evidence needed to test Core Principle 3 compliance contract by contract. [6], [12]

Identifiable actors as a special risk

Staff Letter 26-27 distinguished broadly generated, verifiable outcomes from contracts that turn on one named person saying a word, attending an event or interacting with another person. It identified risk where an actor can cause the outcome cheaply, insiders know it first, or conduct is weakly observable, and stated that such designs could be presumed readily susceptible to manipulation unless particular facts and strong controls rebut that concern. [14]

A public-interest screen that names integrity directly

The June 2026 proposal under Regulation 40.11 would weigh susceptibility to manipulation, market disruption, unclear or contested settlement criteria, and risks of leaking or exploiting material nonpublic information against listing, while treating strong surveillance and compliance capacity as mitigating. For gaming contracts, it identifies real-time officiating difficulty, manipulation by participants or officials, and injury information as specific concerns. [9]

6 Evidence of the problem

Enforcement and investigations

The CFTC’s February 2026 enforcement advisory described a political candidate trading on his own candidacy and a video editor with advance knowledge of content. The July 2026 Santos order found that a former congressman traded on whether he would attend the State of the Union while making public statements about his plans that moved prices in his favor. The August 2026 Perez order found that a White House teleprompter operator used advance access to presidential remarks to trade mention-market contracts. In May 2026 the CFTC filed an insider-trading complaint against a technology-company employee concerning search-related contracts; those allegations have not been adjudicated. [7], [10], [13], [15]

On May 22, 2026, the Chairman of the House Committee on Oversight and Government Reform opened an investigation into insider trading on prediction platforms, requesting information on identity verification,

geographic restrictions and monitoring of unusual trading, and stating that the evidence "indicates that Congressional action may be necessary." [30]

The broader sports-integrity backdrop

Integrity risk at the level of individual actions is not hypothetical in sports wagering. In November 2025, federal prosecutors in the Eastern District of New York charged two Major League Baseball pitchers with accepting bribes to throw specific pitches on which bettors wagered; prosecutors say bettors won at least $450,000. The pitchers deny the charges, and the case arose in the sportsbook market rather than on a DCM. But its reported timeline illustrates the structural problem. [33]

DATE	REPORTED EVENT
May 2023	Alleged scheme involving specific pitches begins.
May 2023 – Jun 2025	Bets on the affected pitches settle as ordinary wagers for roughly two years.
Jun 2025	Unusual betting on specific pitches is flagged by integrity monitoring.
Jul 2025	Both pitchers placed on paid leave during MLB's investigation.
Nov 2025	Federal indictment unsealed.

> **ACCURATE DATA, MANIPULATED EVENT**
>
> **The official pitch data accurately recorded the pitches. The alleged manipulation was in the event producing the data, and the reported alert arose from unusual betting after the wagers had been accepted and settled. Data validation alone would not have caught it.**

What the leagues are telling the Supreme Court

In its October 8, 2026 amicus brief, the NFL argued that state-regulated sportsbooks maintain safeguards on prohibited wagers, suspicious activity and information sharing that are not consistently applied to prediction-market sports contracts. It argued that contracts should be restricted where they are "easily manipulated by one person," and flagged contracts on injuries, officiating, misconduct and outcomes knowable in advance. [26]

Players, leagues and federal coordination

In a coordinated comment to the CFTC around April 30, 2026, the players' associations of the NFL, MLB, NBA, NHL and MLS described harassment and safety concerns for athletes and urged limits on certain contract types, including mention markets. A contract with a verifiable final outcome can still create incentives for pressure on players or staff, improper information requests and trades on inside information. Institutional responses diverge: the NFL seeks stronger or state-integrated controls, while the CFTC and the NHL signed a May 2026 memorandum of understanding to share information on hockey-related event contracts. [36], [40]

The scale of monitoring, and its timing

Integrity monitoring in sports betting is catching more each year: the International Betting Integrity Association reported 300 suspicious-betting alerts worldwide in 2025, up from 232 in 2024, and 54

matches proven corrupted from operator betting data. [34] But monitoring typically runs alongside settlement rather than inside it, so an alert often arrives after the money has moved.

7 Distinct risk pathways

"Manipulation" is often used loosely to describe several different failures. They are detected differently and call for different remedies. An authentic official result can accurately record an outcome that was deliberately induced; conversely, a trader can exploit nonpublic information about a legitimate event without altering the event itself. [2], [13]–[15]

RISK CHANNEL	ILLUSTRATION FROM THE RECORD	QUESTION LEFT FOR THE VENUE
Direct control of an outcome	Attendance, a spoken word or deliberate non-participation; the Santos order. [13], [14]	Who can cheaply cause or prevent the event, and what independent constraints apply?
Privileged pre-release knowledge	Speech scripts, line-ups or embargoed information; the Perez order. [14], [15]	Who knew first, when and on what basis? Can connected accounts be screened?
Corrupt reference value	A distorted underlying statistic or unreliable data feed; Appendix C. [2]	Who controls collection and corrections, and is the validation source truly independent?
Market-price influence	Unusual order flow or price moves intended to distort the market. [8]	Can surveillance distinguish informed trading from manipulation for this series?
Ambiguous resolution	Undefined terms, contested sources or after-the-fact changes. [8], [12]	Can parties compute the same outcome in advance, with stated fallback and dispute rules?
Cross-market exposure	Related contracts, proposition markets and off-platform signals. [8], [14]	Can the venue see correlated exposure and multi-venue conduct?
Operational discontinuity	Court orders, emergency actions and suspended settlement. [17], [18]	How do positions, clearing and participant notices survive a change in lawful access?

Contract granularity compounds these risks. A championship result aggregates many independent decisions; a contract on a single free throw, a first play or a commentator's phrase may turn on one or two people. The relevant unit of control, information and observability must be identified contract by contract rather than inferred from a broad label such as "sports."

8 The problem defined: five gaps

Taken together, the litigation, the regulatory record and the enforcement evidence point to five specific gaps between what the law requires and what the market currently provides.

> **THE REGULATORY DESIGN GAP**
>
> **For contracts whose value can be changed by the actors being measured, accurate reporting alone does not show that the underlying conduct was not deliberately influenced. Resolving who regulates these contracts will not close this gap; only a contract-level method can.**

GAP	WHAT FILINGS AND PRACTICE TYPICALLY SHOW	WHAT IS MISSING
1. No shared test	Each DCM makes its own Core Principle 3 determination through self-certification.	A uniform, examinable, event-contract-specific method for measuring susceptibility.
2. Assertion, not demonstration	Objective data, position limits, KYC, surveillance, collateral and compliance review.	Who can influence the outcome, how, why the settlement source resists it, and how the design mitigates it.
3. Watching trading, not the event	Surveillance for wash trading, spoofing and front-running.	Controls on the event and settlement data, including results reported accurately but influenced.
4. Binary, after-the-fact settlement	Accept the outcome, investigate, substitute a reference value, or cancel.	Predetermined, disclosed responses applied before payment, proportionate where contract terms permit.
5. General rules, not product-specific protection	General prohibitions, investigations and disciplinary procedures.	Contract-level treatment of insider access, participant control, restricted persons and information advantage.

PART II

A Proposed Response

With the legal and regulatory problem set out, this part describes one proposed response. WICS takes no position on preemption; it is designed to supply the contract-level evidence the law requires under either outcome.

9 WICS: a contract-specific integrity layer

Weighted Integrity Control Systems (WICS) is a proposed quantitative framework that moves manipulation-susceptibility controls from after the fact to before the contract trades, and carries them through settlement. It operates in three stages.

STAGE	DECISION OR CONTROL	EVIDENCE PRODUCED
01 Score & screen	Measure influence concentration, actor discretion, incentives, information access, source independence, settlement clarity and surveillance capacity. Accept, redesign or reject.	Documented susceptibility assessment, alternative designs and sign-offs.
02 Monitor & trigger	Watch defined events, data agreement, unexplained price movement, insider alerts and material-information windows. A signal alone does not prove wrongdoing.	Named feeds, timestamps, exception logs and analyst review.
03 Weight & settle	Settle normally absent triggers; hold questionable inputs where rules allow; apply only disclosed release, adjustment or void pathways.	Signed cleared values, reconciliation, payoff calculations and an audit trail.

The listing score and the treatment of index inputs serve distinct purposes. The score supports decisions to accept, redesign or reject a contract. For continuous, departure-based indices, the same assessment can also inform each input's contribution under a prospectively committed, proprietary method. Binary contracts generally require hold, release or void procedures rather than graded adjustment.

10 How WICS addresses each gap

GAP	PROPOSED WICS RESPONSE	IMPORTANT LIMIT
No shared test	A consistent, documented susceptibility assessment applied contract by contract.	Not a CFTC-mandated formula; legal conclusions remain the DCM's.
Assertion, not demonstration	Contract- and source-specific evidence of who can influence the outcome and how the design responds, exportable for Part 40 support.	Supports, but does not replace, the DCM's certification.
Watching trading, not the event	Integrity gates on event and settlement data, contract by contract.	Flags require validation; a flag is not proof of manipulation.

GAP	PROPOSED WICS RESPONSE	IMPORTANT LIMIT
Binary, after-the-fact settlement	Gate before payout: suspect values are held and resolved under published rules before any venue settles.	Adjustments must be express contract terms and lawful for the instrument.
General rules, not product-specific protection	Contract-level assessment of insider access, participant control and information advantage, disclosed before trading.	Complements, and does not replace, exchange surveillance and enforcement.

Because the same evidence serves a federal Core Principle 3 review, a Regulation 40.11 public-interest review or a state licensing inquiry, WICS is designed to remain useful however the jurisdictional question is resolved. Where a contract remains readily susceptible despite proposed controls, the framework's output is a recommendation to redesign or not list it. An adjusted payout cannot cure an inherently manipulable product.

11 Implementation and limits

Adoption can begin with a 90-day proof of concept: select several contrasting contract types and draft scorecards (days 1–30); back-test scoring and alerts against historical observations and known incidents (days 31–60); and run shadow settlement alongside existing methods to produce a DCM-ready evidence package (days 61–90). Governance requirements include a published product rulebook, independent model review, separation of duties, complete audit trails and a hard reject-or-redesign pathway.

WICS is not a CFTC-mandated formula, a benchmark certification, empirical proof of manipulation resistance or a legal safe harbor. Strong scoring may still miss strategic behavior, data sources may be correlated, and settlement adjustments can create new incentives or basis risk. Product-specific legal analysis and exchange surveillance remain necessary.

12 Conclusion

The prediction-market debate has focused on who regulates event contracts. The more durable question is how anyone, federal or state, determines that a specific contract is not readily susceptible to manipulation and enforces that determination through settlement. The courts are divided, the CFTC record is expanding, and enforcement shows the risks are real. What remains missing is a measurable, contract-level integrity method.

> **WICS POSITIONING STATEMENT**
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> **WICS turns market-integrity concerns into contract-specific decisions: measurable susceptibility before launch, documented monitoring during the event, and transparent integrity-cleared reference values for permitted settlement methods.**

Appendix Source register

Primary sources are prioritized; secondary sources are used for litigation status where noted. Litigation status is as of October 10, 2026. Bracketed numbers in the text refer to this register.

[1] CEA DCM Core Principles; 7 U.S.C. § 7(d); CFTC Parts 38 and 40. *[Existing law / rules]* https://www.cftc.gov/LawRegulation/CommodityExchangeAct/index.htm

[2] Part 38 Appendix C framework; CFTC 2024 final contract-listing guidance on cash-settlement manipulation factors. *[Existing Commission guidance]* https://www.cftc.gov/LawRegulation/FederalRegister/final-rules/2024-23105.html

[3] CFTC Listing Procedures — Part 40 self-certification and approval. *[Existing rules]* https://www.cftc.gov/IndustryOversight/ContractsProducts/ListingProcedures/index.htm

[4] CFTC Release 9154-25, event-contract swap data reporting no-action, Dec 11, 2025. *[Staff relief]* https://www.cftc.gov/PressRoom/PressReleases/9154-25

[5] CFTC Release 9179-26, withdrawal of 2024 event-contract proposal and Staff Letter 25-36, Feb 4, 2026. *[Commission withdrawal]* https://www.cftc.gov/PressRoom/PressReleases/9179-26

[6] CFTC Staff Letter 26-08, Prediction Markets Advisory, Mar 12, 2026. *[Staff advisory, not binding]* https://www.cftc.gov/csl/26-08/download

[7] CFTC Release 9185-26, enforcement advisory on prediction-market cases, Feb 25, 2026. *[Enforcement advisory]* https://www.cftc.gov/PressRoom/PressReleases/9185-26

[8] Prediction Markets, 91 FR 12516, Mar 16, 2026 (ANPRM), incl. n.9 on certification volumes. *[ANPRM; not final]* https://www.cftc.gov/LawRegulation/FederalRegister/proposedrules/2026-05105.html

[9] Prediction Markets; Public Interest Determinations, 91 FR 35806, Jun 12, 2026. *[NPRM; not final]* https://www.govinfo.gov/content/pkg/FR-2026-06-12/pdf/2026-11854.pdf

[10] CFTC Release 9237-26, employee insider-trading complaint, May 27, 2026. *[Complaint; allegations]* https://www.cftc.gov/PressRoom/PressReleases/9237-26

[11] CFTC Release 9261-26, reporting framework for certain event contracts, Jun 25, 2026. *[NPRM; not final]* https://www.cftc.gov/PressRoom/PressReleases/9261-26

[12] CFTC Staff Letter 26-22, Self-Certification of an Event Contract Series, Jul 24, 2026. *[Staff advisory, not binding]* https://www.cftc.gov/csl/26-22/download

[13] CFTC Release 9276-26, Santos event-contract manipulation settlement, Jul 31, 2026. *[Settlement order]* https://www.cftc.gov/PressRoom/PressReleases/9276-26

[14] CFTC Staff Letter 26-27, Individual Mention, Attendance and Interaction Contracts, Sep 22, 2026. *[Staff advisory, not binding]* https://www.cftc.gov/csl/26-27/download

[15] CFTC Release 9289-26, Perez mention-market insider-trading settlement, Aug 28, 2026. *[Settlement order]* https://www.cftc.gov/PressRoom/PressReleases/9289-26

[16] CFTC Release 9310-26, proposal to include event contracts in "swap," Oct 9, 2026. *[NPRM; not final]* https://www.cftc.gov/PressRoom/PressReleases/9310-26

[17] CFTC Release 9267-26, emergency action re: Michigan court-ordered trade cancellation, Jul 14, 2026. *[Emergency action]* https://www.cftc.gov/PressRoom/PressReleases/9267-26

[18] CFTC Release 9281-26, emergency action following New York Attorney General suit, Aug 11, 2026. *[Emergency action]* https://www.cftc.gov/PressRoom/PressReleases/9281-26

[19] CFTC Staff Letter 25-36, sports-related event contracts, Sep 30, 2025 (later withdrawn): Commission had not been requested to take, or taken, official action to approve the listings. *[Staff advisory; WITHDRAWN Feb 2026]* https://www.cftc.gov/csl/25-36/download

[20] Acting Chairman Caroline Pham, response to Sen. Catherine Cortez Masto, Nov 2025 (filing statistics). *[Agency correspondence]* Copy on file

[21] KalshiEX LLC v. Flaherty, No. 25-1922 (3d Cir. Apr. 6, 2026). *[Court of appeals opinion]* https://law.justia.com/cases/federal/appellate-courts/ca3/25-1922/25-1922-2026-04-06.html

[22] Holland & Knight and Paul Weiss analyses of Flaherty majority and Roth dissent, Apr 2026. *[Secondary analysis]* https://www.paulweiss.com/insights/client-memos/a-divided-third-circuit-holds-that-the-cftc-has-exclusive-jurisdiction-over-sports-related-event-contracts

[23] Ninth Circuit Nevada decisions (KalshiEX v. Assad et al.), Aug 28, 2026; Holland & Knight analysis. *[Court of appeals / analysis]* https://www.hklaw.com/en/insights/publications/2026/08/ninth-circuit-upholds-state-and-tribal-authority-over-sports-related

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[25] KalshiEX LLC v. Schuler, No. 26-3196 (6th Cir. Sep. 25, 2026). *[Court of appeals opinion]* https://law.justia.com/cases/federal/appellate-courts/ca6/26-3196/26-3196-2026-09-25.html

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WICS methods are the subject of pending U.S. patent applications.

This paper is for discussion and strategic product design. It is not legal, regulatory or investment advice, a formal legal opinion, a CFTC submission, or an assertion of granted or issued patent rights. Descriptions of pending litigation summarize public rulings and filings and do not predict outcomes. The proposed methods require legal, quantitative and operational validation before implementation.