



Fact Sheet: Legislation Can Stop Insider Trading on Prediction Markets

The Problem

The Commodity Exchange Act granted the Commodity Futures Trading Commission (CFTC) the discretionary authority to oversee prediction markets, online exchange platforms where people can anonymously trade contracts with binary outcomes.¹ Traders can bet on almost anything, from what the president would say during a meeting to how many views a YouTube video will have by a certain date. These platforms present traders with a “Yes” or “No” option, with the value of the contract reflecting the probability of an event occurring.

The popularity of these market platforms has generated more than two million monthly users on Kalshi and hundreds of thousands on Polymarket, making prediction markets a multibillion-dollar industry.² The proliferation of these market platforms has concerned lawmakers at all levels of government, for multiple reasons:

1. Certain states argue that prediction markets are illegal and offer unlicensed gambling to users in violation of state laws regulating betting, and that federal regulations should not preempt state laws governing betting.³
2. These platforms present an opportunity for government officials and employees to engage in insider trading on prediction markets and to seek personal gain from their positions instead of acting in the public interest.⁴

While litigation is pending on the state and federal levels, prediction markets currently pose insider trading and ethical issues in the federal government. Recently, a U.S. soldier was charged with allegedly using classified government information to trade on Polymarket, and campaign staffers confessed that they had used internal polling data to place bets on prediction markets regarding their candidates’ chances of winning.⁵

¹ Commodity Exchange Act, Chapter 369, 67th Cong., §2 (1936), <https://www.govinfo.gov/content/pkg/COMPS-10309/pdf/COMPS-10309.pdf>.

² David Futrelle, “How Prediction Markets Are Taking Control of Everything,” *Nation*, May 11, 2026, <https://www.thenation.com/article/society/prediction-markets-polymarket-kalshi-online-gambling/>; “Polymarket Active Traders, (Monthly),” *The Block*, last updated May 22, 2026, <https://www.theblock.co/data/decentralized-finance/prediction-markets/polymarket-active-traders-monthly>; Michael J. de la Merced, “Kalshi, the Prediction Market, Is Now Valued at \$22 Billion,” *New York Times*, May 7, 2026, <https://www.nytimes.com/2026/05/07/business/dealbook/kalshi-fundraise-22-billion.html>.

³ Commonwealth of Massachusetts v. KALSHIEX LLC, No. SJC-13906 (Mass. S.J.C. April 24, 2026), <https://ag.ny.gov/sites/default/files/amicus-curiae/massachusetts-v-kalshiex-llc-amicus-brief-2026.pdf>.

⁴ Congressman Chris Pappas, “Pappas Follows Successful Call for House to Investigate Prediction Markets with Call for DOJ to Prosecute Suspected Insider Trading,” Press Release, May 15, 2026, <https://pappas.house.gov/media/press-releases/pappas-follows-successful-call-for-house-to-investigate-prediction-markets-with-call-for-doj-to-prosecute-suspected-insider-trading>; Luke Garrett, “Campaign Staffers Tell NPR They Make ‘Thousands’ Betting on Their Own Candidates,” NPR, May 7, 2026, <https://www.npr.org/2026/05/07/nx-s1-5795891/prediction-markets-kalshi-polymarket-campaigns>.

⁵ U.S. Department of Justice, “U.S. Soldier Charged with Using Classified Information to Profit from Prediction Market Bets,” Press Release, April 23, 2026, <https://www.justice.gov/opa/pr/us-soldier-charged-using-classified-information>.

The regulatory structure for these markets starts with Congress, which enacted the Commodity Exchange Act, followed by the CFTC as the primary federal overseer, with prediction market platforms then required to self-regulate within that framework.⁶ However, platforms are not adequately complying with current regulations, and the volume of suspicious trades is outpacing the capacity for oversight and enforcement.

The Solution

Members of Congress from both sides of the aisle have introduced more than 10 bills, including at least four that are bipartisan, addressing different aspects of conflicts of interest and insider trading in prediction markets, yet none offer a comprehensive approach that sufficiently strengthens and expands existing law to meet the gravity of this issue.⁷ Congress should amend the Commodity Exchange Act or introduce new legislation that will do the following:

- Remove the CFTC’s review requirement for determining whether an event contract falls under the categories prohibited by Rule 40.11, and explicitly prohibit event contracts related to war, terrorism, assassination, and illegal activity.⁸ Congress should further expand these prohibitions to cover event contracts related to deaths, electoral outcomes, and government or military actions.
- Ban all members of Congress, the president, vice president, judicial officers, and other government officials and employees (“covered individuals”) from trading on prediction markets during their tenure in government.
- Ban dependents and spouses of covered individuals from trading on prediction markets for the duration that covered individuals are employed within the government.
- Implement meaningful civil and criminal penalties to deter insider trading, including but not limited to a disgorgement clause, significant fines, and removal from office.

Recently, the Senate unanimously voted to pass a resolution that prohibits senators and their staff from trading on these prediction markets.⁹ The House shortly followed suit, and Representative Ashley Hinson (R-IA) introduced a similar resolution that would prohibit representatives, congressional staff, and House officers from participating in prediction markets.¹⁰

While Congress is taking an important first step to curb insider trading, it is insufficient. Congressional resolutions do not extend to the executive and judicial branches. To effectively deter insider trading, no one in public office across all three branches of government should be allowed to participate in these prediction markets — and that requires permanent statutory reforms.

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[profit-prediction-market-bets](#); Garrett, “Campaign Staffers Tell NPR They Make ‘Thousands’ Betting on Their Own Candidates,” [see note 4].

⁶ Alexander H. Pepper and Karl E. Schneider, “Prediction Markets Legislation in the 119th Congress,” Congressional Research Service, IF13207 (April 21, 2026), <https://www.congress.gov/crs-product/IF13207>.

⁷ Pepper and Schneider, “Prediction Markets Legislation in the 119th Congress,” [see note 6].

⁸ 17 CFR § 40.11 (2026), <https://www.ecfr.gov/current/title-17/chapter-I/part-40>.

⁹ Mary Clare Jalonick, “Senate Bans Members and Staff from Betting in Prediction Markets,” *PBS News*, April 30, 2026, <https://www.pbs.org/newshour/politics/senate-bans-members-and-staff-from-betting-in-prediction-markets>.

¹⁰ Congresswoman Ashley Hinson, “Hinson Introduces House Rules Change to Ban Members from Participating in Prediction Markets,” Press Release, May 7, 2026, <https://hinson.house.gov/media/press-releases/hinson-introduces-house-rules-change-ban-members-participating-prediction>.