

WRITTEN TESTIMONY OF

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Subcommittee on Commodity Markets, Digital Assets, and Rural Development

**“Examining Customer Protections and Market Integrity in Sports Event
Prediction Markets”**

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Chairman Johnson, Ranking Member Davis, Members of the Subcommittee: thank you for the invitation and opportunity to contribute to this important dialogue about the future of American commodity markets.

I. Introduction and Summary

My name is Asaf Meir and I am the Co-Founder and CEO of Solidus Labs. I came to the United States in 2010 for university, to study computer science and economics. Upon graduation, I joined Goldman Sachs as an engineer on the equities trading desk, where I got the best possible bootcamp for capital markets. Two years ago I was proud to be naturalized and become an American citizen. I am even prouder to be raising two American daughters, with a son on the way. In preparing this testimony I was thinking about them, and about the next generation of Americans. Like so many immigrants, I moved here following the American dream and the opportunity it provides to work hard and do well. I am a firm believer that much of that opportunity is

rooted in America's league-of-their-own capital markets. Strong capital markets, and commodity markets in particular, have played and still play an instrumental role in powering American innovation and growth across industry, agriculture, finance, commerce, and culture. That innovation has always rested on a uniquely American combination of freedom and guardrails. Freedom for entrepreneurs to innovate and for consumers to choose, and guardrails that are strong and sensible, that keep bad actors out and keep our markets fair.

Maintaining this combination is central to my firm's mission and the work we do. Solidus Labs is focused on keeping markets safe and fair, by providing a trade surveillance and market integrity platform designed to detect and prevent market manipulation and other forms of abuse in capital markets. Our solutions were originally designed for the digital assets space, one of the world's most complex and fragmented trading environments. It required us to think differently and find new ways to combat issues like insider trading, spoofing, and account takeovers. As markets evolve, malicious actors evolve with them and find new ways to manipulate. To maintain an effective combination of freedom and guardrails, regulators, compliance and financial crime professionals have to evolve as well, and answer new products with new methodologies and technology.

Solidus provides trade surveillance technology and services to many of America's and the world's largest financial service institutions, across every asset class, including exchanges, broker dealers, market makers, OTC desks, liquidity providers, banks, high-frequency trading firms, asset managers, as

well as state and federal market regulators and law enforcement agencies. We specialize in navigating frontier markets where the rules of the road are still being harmonized. Over the past two years, prediction markets have become one of our fastest-growing client segments, and we are proud to work with many of the leading platforms, including CFTC-regulated Designated Contract Markets and Futures Commission Merchants.

I want to be clear at the outset: I am an engineer, not a lawyer or a policymaker. My testimony is solely focused on the practice of ensuring market integrity and consumer protection in prediction markets.

My testimony makes three key points.

First, strong protections already exist within the Commodity Exchange Act and CFTC regulation, both on paper and in practice. I will draw on our day-to-day work, much of it spent alongside compliance and risk teams that are deeply committed to applying these protections effectively. This commitment ensures that users of CFTC-regulated prediction markets, whether they trade on sports, economic, or political outcomes, receive the same level of protections as investors in America's most established derivatives markets. We also believe the CFTC has been effective in providing specific guidance as part of its ongoing rulemaking effort.

Second, prediction markets, and sports contracts specifically, raise new challenges and pose unique risks to market integrity.

These venues list millions of contracts, more than any other kind of market. Each contract is short-lived, often lasting just two or three days. And because

these exchanges are so flexible, new types of contracts and markets get introduced constantly, often with no trading history or reference data to draw on.

That combination of high volume, short lifespans, and constant novelty creates a fundamentally different surveillance challenge than in other commodity markets. Four factors stand out:

- Outcomes are binary. A contract resolves yes or no, which changes how manipulation shows up in the data.
- Liquidity is uneven and often fragmented across markets and categories.
- Related contracts are deeply interconnected. A single piece of information can move dozens of related contracts and underlying markets at once, and surveillance has to trace those connections.
- The surface area for insider trading or misappropriation of information is much broader. Because these markets track real-world events, the range of people who could have early knowledge, and the range of events that can trigger it, is far broader than in traditional markets.

Third, these novel challenges are very much addressable. Our team at Solidus built a multidimensional trade manipulation detection system to identify bad actors. Our software natively gathers disparate datasets that are otherwise overlooked in traditional derivatives markets and combines them in real time, providing exchanges and other operators with a comprehensive view of trading activity on their platform. Historically trade surveillance was focused

mostly on monitoring orderbook data and related market activity. Monitoring frontier markets like event contracts requires more signals. We – and many of the clients we support – are using not only order and trade data, but also information gleaned from open source intelligence, transactional data, account and KYC data, social sentiment analysis, as well as market events, news, and blockchain data when appropriate.

It is a true pleasure and honor to provide testimony to the Committee, and look forward to discussing nextgen technology that enables fair, safe and integrity-driven nextgen markets.

II. Protections That Already Exist: Compliance in Practice

I am here to testify how regulatory protections in prediction markets work in practice. In Solidus’ day-to-day work, we have the privilege of working with highly motivated, proactive, and thoughtful prediction market compliance teams that invest enormous efforts, resources and time in ensuring that their markets are well-policed and safe. As the CEO of a firm working closely with prediction markets that have prioritized achieving a high degree of compliance, I am well-positioned to describe what this effort looks like for a CFTC-regulated exchange.

A serious and compliant surveillance program operated by a regulated exchange is a complex operation that must perform nearly perfectly, every single day. The volumes rise and fall with the calendar, around an election, a major tournament, a scheduled announcement, but the work itself does not pause. It is continuous, staffed, and documented. This is not a compliance

manual on a shelf. It is a team monitoring the market in real-time to ensure its integrity, using highly sophisticated software.

The exchange surveillance system ingests every order and every trade on the exchange, in real time, across the full universe of live contracts. On a large prediction market this can amount to hundreds of thousands of simultaneously active markets. Human analysts work in shifts around the clock, 24 hours a day, seven days a week, because markets are open for trading at all times. These analysts are well-versed in both alerting systems and the algorithms used to detect insider trading or manipulative trading activity. They also have access to identification information about their users, since CFTC-regulated exchanges and FCMs are required to collect identification information during onboarding as part of the Know Your Customer (“KYC”) process.

Because these contracts are directly related to events external to the market, the surveillance program then collects a wide array of other data inputs – sports feeds, lists of athletes or other potential insiders, social media data (including in-app chats, if relevant), news-data, OSINT data, deposit and withdrawal data, and on-chain data if the platform operates on the blockchain – to name just a subset of the data points. These data points, combined with the user’s personal information, provided as part of the KYC processes required for regulated platforms, create a holistic picture for who is trading on regulated prediction markets, and how.

Using this data, the surveillance system runs algorithmic – and increasingly AI-assisted – detection models built for the specific abuse patterns these markets present. These patterns include, for example:

- **Insider positioning:** when someone trades ahead of a market-moving event using non-public information they obtained through a privileged position, rather than public information available to everyone else.
- **Spoofing:** when someone floods the market with non-bonafide orders that they never intend to have filled, in order to create false demand, move the price, and benefit by executing trades on the opposite side.
- **Wash trading:** when someone trades with themselves, or with a partner acting in coordination, to create the false appearance of market activity or interest without any real change in beneficial ownership.
- **Cross-market manipulation:** when someone manipulates price or activity in one market specifically to profit from a related position they hold in a different, related market.

The detection models generate alerts. Human analysts then triage and examine them. Most alerts resolve as ordinary trading, market-making, legitimate news-driven moves, natural volatility in thin markets or some other readily explainable cause. A smaller number are escalated for investigation by the exchange. If the investigation confirms credible manipulative or abusive behavior, then the exchange takes punitive action. Human surveillance analysts handle each and every alert that is generated, clearing or escalating it further. Data from one of our DCM clients demonstrates that in the second quarter of 2026, its analysts handled over 121,000 alerts that were generated

across more than twenty-thousand individual markets. These alerts are addressed in real-time, every day.

When the surveillance system surfaces something credible, it does not end with an internal note. It becomes a referral. The team assembles the evidence: the order and trade records, the accounts involved and the connections between them, the timing relative to the underlying event, and, on blockchain-based venues, the on-chain funding trail. That package of evidence is then referred to those best-positioned – or legally required – to act on it. Depending on what the activity touches, the referral may be shared with the exchange's own market-regulation and enforcement function, a sports league or its integrity unit, the CFTC, or federal or state law enforcement. During Q2 2026, one of our clients opened more than 400 investigations into suspicious trade activity and referred more than two dozen of these matters to law enforcement for formal investigation.

With respect to sports event contracts, the information-sharing arrangements between leagues and governing bodies are an essential element of that process. Data and information from the leagues and governing bodies are fed into the exchange's surveillance program to help triage insider activity and block trades if needed and where possible. Referrals are made from the exchanges to the leagues when illicit activity is detected, in order to help take action against an individual threatening the integrity of the sport. The CFTC's proposed rule treats these agreements as a critical factor in determining if a sports-related event contract is able to be offered to the public precisely because they are so essential to this level of trade monitoring.

None of this is free, easy or cheap, and that is part of the point. A credible program is a standing investment and a living and evolving effort, not a one-time filing. Before a system can reliably distinguish a manipulated market from one that is merely volatile, an exchange must hire dedicated surveillance and compliance staff, train these staff on precise policies and procedures, and of course, invest in institutional-grade detection technology. Firms do not commit at that level for a formality. They do it because the alternative, a market that cannot be trusted, is fatal to the business.

It is worth noting that many of our clients developed and invested in these programs long before the elevated scrutiny these markets are currently experiencing. In a market that lives or dies on trust, integrity infrastructure is not a cost center of the business. It is the business. A venue that cannot demonstrate trustworthy markets will not attract institutional counterparties, will not withstand regulatory scrutiny, and will not keep the confidence of the customers it depends on.

The takeaway is straightforward. On regulated venues, and especially on the platforms that treat these obligations seriously, the safeguards created by federal regulation are not a theory. To argue that a CFTC-regulated prediction market inherently offers no protection is akin to arguing that the largest CFTC-regulated exchanges – which settle trillions of dollars of transactions each year – inherently don't offer sufficient protections to customers. It is a working system tried and tested over decades, subject to oversight by the CFTC and required under federal law.

III. Novel Risks Introduced by Prediction Markets

Strong protections, though, are not self-executing, and developing approaches for new markets and products is never a simple task. For prediction markets, meeting the federal obligations requires confronting risks that are genuinely new.

Traditional market surveillance rests on assumptions that mostly hold for corn, treasury futures, and crude oil. Prices move continuously following trading during open exchange hours. Instruments have long price histories. Participants are identified. Each contract can be watched on its own. In prediction markets, most of these assumptions break at once.

In event contract markets, we see novel surveillance challenges arising from a set of factors:

- **Combinatorially expanding risk surface.** A single event does not produce a single contract. It produces a web of related ones. One World Cup match spawns markets on the winner, the exact score, whether a given player scores, the number of goals, whether the match goes to penalties, each moving against the others. The same question then repeats across thresholds and dates ("over 2.5 goals," "over 3.5 goals"), and beyond those sit loosely correlated markets, driven by the same information or the same insiders. The number of relationships grows combinatorially as contracts are added, and that web is the surface an abuser exploits. A trader with an edge can split a position across a dozen related markets, stay under every per-contract threshold, and still

build a large, coordinated position a legacy surveillance system may not see. Detecting it means grouping contracts by the event that drives them and evaluating the whole cluster at once. In this environment, knowing your customers is essential – it is the only way to aggregate their activity across a single platform.

- **Prices are bounded between zero and one dollar.** Unintuitively, the bounded nature of pricing in event contracts can also create surveillance challenges. Surveillance logic built on market moves described in percentage thresholds triggers constantly on noise and stays silent on the moves that matter. For example, a move from three cents to four cents is a 33 percent jump but an economically trivial one. A move from 80 cents to 90 cents is a small percentage change but, on a large position, a large amount of money.
- **Millions of non-fungible contract symbols with no corresponding market data.** Symbology, or the nomenclature used to describe a tradeable asset (in this case, an event contract), is complex and does not have a standard identifier or CUSIP like a stock that any system can reference. Prediction market contracts have new data structures: unique market tickers, outcome symbols, market→event hierarchies, and resolution criteria. It takes industry expertise and flexible architecture for a surveillance tool to map consistently to ephemeral identifiers with no downstream reference data.
- **Contracts are correlated in ways traditional instruments are not.** The outcomes of a single event sum to one dollar. Watching each contract

in isolation misreads the structure, and it opens a manipulation pattern with no traditional analogue.

- **On non-regulated blockchain-based platforms, participants can be pseudonymous.** A single actor can control many wallets, each appearing as an independent trader. Monitoring single wallets in isolation may miss an actor's entire footprint completely.
- **In some cases, those same platforms operate across the exchange and the blockchain at once.** Funds move on-chain, orders match off-chain, and profits consolidate back on-chain, often across several different blockchains. Surveillance that sees only one layer cannot follow the money.

The result is that conventional surveillance approaches produce two failures at the same time. They generate false alarms that bury compliance teams, and they miss real abuse. Both are dangerous. The second is the one that reaches consumers and the integrity of the underlying event. This is why detecting abuse in these markets is not an obvious extension of surveillance built for other derivatives markets. The Commodity Exchange Act incorporates flexible principles which should be interpreted for the market and activity at hand. It requires exchanges to continually iterate purpose-built trade surveillance and market integrity systems, and exchanges serious about compliance have to build or procure exactly that.

IV. The Heightened Risk in Sports Contracts

Nowhere is this sharper than in the contracts this hearing is about. The CFTC's own staff has identified the sharpest version of the risk, and we endorse their analysis provided in both its March Staff Advisory and the June notice of proposed rulemaking (NPRM) on prediction markets (RIN 3038-AF65).

As the NPRM notes, not all sports contracts are alike. A contract on which a team wins a match aggregates the judgment and effort of dozens of people, and no single participant can reliably deliver the outcome. A contract on whether a specific referee issues a red card in the first half, or whether a specific player leaves the game with an injury, is different. Its outcome is controlled by one or a very small number of identifiable people. Those individuals can do something a corporate insider trading on an earnings report cannot: They can not only know the outcome in advance, they can control it.

The ability for individuals to influence or control the outcome of a derivative market is not new. It is the same structural feature that imbues discrete-action sports contracts with a heightened potential for manipulation. Manipulative activity can be concentrated in a handful of actors who have direct control over settlement. In March 2026, the Commission's Division of Market Oversight flagged these concerns around contracts settling on injuries, officiating, and physical altercations, as carrying heightened potential for manipulation.

This concern is not novel or specific to prediction markets. Manipulation of outcomes or results in sporting events has a well documented history in global sports. The outcomes that organized match-fixing has targeted for decades are not high profile outcomes like league championships. Instead, bad actors

are focused on discrete, controllable events: a specific card or foul, a specific spot-fixed moment, a goal inside a specific window, a spread. Europol, Interpol, and FIFA's own integrity units have chronicled the pattern across thousands of matches. The Department of Justice and FBI have brought criminal cases as recently as this year for this type of misconduct successfully taking place on sportsbooks. The concern the Commission has raised is the concern other bodies have lived with for a generation.

The soccer World Cup that concluded this week concentrated this risk in a way no prior event has. The insider universe around a World Cup match is not a defined list of corporate executives. It is players, coaches, medical staff, referees, officials, agents, and their networks, some of whom can move an outcome. For the first time, that universe was in contact at scale with markets that settle in cash, trade around the clock, and, on some platforms, allow pseudonymous participation.

V. Documented Prediction Market Manipulation

These risks are not theoretical. The examples below come from our own client work as well as broad analysis of real market data, published as research. They include examples from both regulated exchanges and offshore platforms. It is worth noting that these behaviors are much more common and consistent in offshore platforms, which enable pseudonymity, and are not subject to CFTC-regulation or comparable oversight. These offshore platforms are lightly regulated and the lack of registration or other steps to identify participants is often seen as a feature, not a bug.

Across our research, we have seen demonstrable incidents of wash trading, front-running, and insider trading at levels significant enough to cause real harm to market participants. These activities can be exacerbated by the lack of actor-level identification on these platforms, which can enable a single person or group to create multiple accounts in an attempt to evade detection. Robust market surveillance can catch this illicit activity, but only if it is fit-for-purpose and effectively implemented and utilized. When combined with comprehensive actor-level identification, these systems can provide the analytics necessary to understand individual trades, see coordinated attacks, and track the health of the entire exchange ecosystem.

Consider one sports-related example from Solidus' monitoring of an offshore, on-chain platform. The market asked whether Max Holloway would win his UFC fight against Conor McGregor by knockout. Roughly half an hour before the opening bell, a single trader took about a fifty-thousand-dollar position that the answer would be yes. That one position accounted for close to half of all the trading in that market over the surrounding window. Minutes later, the fight began. It was over in about two minutes: Holloway won by technical knockout as Conor McGregor injured his knee after an early jump-kick. The contract resolved to YES, and the trader collected roughly fifty thousand dollars.

On its own, a well-timed bet is not proof of anything, and I want to be careful not to allege more than we can show. But the pattern is exactly the one this section describes. A contract whose outcome sits in the hands of a single athlete. A large position, concentrated in one account, taken in the final minutes before the outcome was locked in. This is the signature that

surveillance is built to flag, and it is precisely the kind of activity that becomes far harder to see, and impossible for any regulator to act on, when it happens on a venue where no one is required to look.

As additional examples, consider highly transparent and demonstrable scenarios provided by one of our CFTC-regulated exchange clients. The data was sanitized so as not to jeopardize any ongoing investigations.

In one case, a recent alert generated in an entertainment market, Solidus' systems flagged a trader making small but highly accurate trades in various markets for a single event. Because of how quickly the Solidus alerts led the exchange investigators to the trader, they were able to freeze the individual's account before they could remove funds from the platform. Upon investigating, the compliance team determined this individual was employed by the company running the event for the market.

A second case is an example of coordinated trading activity taking place on a political mention market. Solidus alerts led the exchange's investigators to a series of trades by different individuals that followed highly similar patterns. The investigators believed the alerts pointed to trading activity that suggested these individuals were coordinating their trades, possibly on the basis of material non-public information. After investigating, using both customer identification and device information that the exchange collects from users, the compliance team determined that the individuals were in fact connected and confirmed they had been coordinating trading activity. The exchange referred this group of individuals to law enforcement for further investigation.

VI. Conclusion

I want to finish by reiterating that market integrity and customer protection in sports-related event contract markets is a solvable – and in some ways an already solved – problem. The abuse in these markets is real, and will continually evolve. But – as many of our clients have shown in actual practice – this type of market abuse and insider activity can not only be sniffed out but also prevented. DCMs that have a strong legal and regulatory tone from the top, with properly staffed and trained compliance and trade surveillance professionals, and who follow structured procedures and leverage fit-for-purpose detection technologies, can truly curb the type of market abuse and insider activity that exists on these markets.

I began by describing the combination of freedom and guardrails that make America’s markets the most innovative and powerful in the world. Solidus is deeply proud to work with regulators and compliance teams as they navigate these frontier asset classes and policy questions to achieve fair and integrity-driven markets. We stand ready to share additional data, case studies, further evidence or provide the Committee and its members anything else that could be helpful to its work.

Thank you. I look forward to answering any questions.