coinbase

To:

Mr. Christopher Kirkpatrick
Secretary of the Commission
Commodity Futures Trading Commission
1155 21st St NW
Washington, DC 20581

November 18, 2026

Re: Notice of Proposed Rulemaking - RIN 3038–AF82 Further Definition of "Swap" — Inclusions

Coinbase Global, Inc. (together with its subsidiaries, "**Coinbase**") appreciates the opportunity to comment on the Commodity Futures Trading Commission's ("**CFTC**" or "**Commission**") proposal to further define "swap" to expressly include event contracts, including contracts based on sports-, politics-, cultural-, and weather-related events (the "**Proposal**").

Coinbase strongly supports the Proposal. The Proposal would confirm what the Commodity Exchange Act ("**CEA**") already makes clear: event contracts that satisfy the statute's definition of "swap" are swaps. That exercise of the CFTC's delegated authority is particularly valuable now, after state enforcement actions and conflicting judicial decisions have introduced avoidable uncertainty around products that have long been regulated within the federal derivatives framework.

We also support the Commission's decision to describe sports, politics, culture, and weather as non-exclusive examples of event contracts in the definition of "swap." The final rule should retain that structure and reinforce the non-exclusive nature of the list. A closed list would provide less certainty by inviting negative inferences about legitimate products that Congress's broad statutory language already reaches.

Coinbase appreciates the CFTC's attention and efforts in the prediction market regulatory arena and looks forward to working with the Commission going forward.

Yours sincerely,

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Coinbase

David Shafer
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Introduction

Coinbase[1] supports the Commission's proposal to construe the CEA's unambiguous statutory terms and to exercise its expressly delegated statutory authority to make explicit in its rules that event contracts are swaps.[2] The definition of swap is broad. A swap includes "any agreement, contract, or transaction" that provides for a payment dependent on the "occurrence, nonoccurrence, or the extent of the occurrence of an event or contingency associated with a potential financial, economic, or commercial consequence."[3] The definition also reaches options and transactions that are, or become, commonly known to the trade as swaps.[4]

Event contracts fit comfortably within that framework. They are tradeable financial instruments whose value and payment depend on future events. They can help market participants hedge real economic risks and can produce publicly useful information by aggregating market participants' expectations.[5] Coinbase has therefore consistently supported a federal framework that treats prediction markets as derivatives markets and pairs room for innovation with meaningful CFTC oversight.[6]

The Commission's action is especially timely. States have attempted to characterize federally regulated event contracts as gambling, and federal courts have reached different conclusions about the application of the swap definition to sports-related contracts.[7]

Those disputes do not change the best reading of the statute. But they do create real uncertainty for exchanges, intermediaries, customers, and courts. For example — in addition to imposing real costs for businesses operating in this space — the conflicting court rulings create regulatory uncertainty, reduce customer goodwill, fracture market depth and liquidity, and risk impeding the ability of traders who still have access to the

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[1] Coinbase owns Coinbase Derivatives, LLC, a CFTC-registered designated contract market ("DCM"), and Coinbase Financial Markets, Inc. ("CFM"), a CFTC-registered futures commission merchant ("FCM"). Through its FCM, Coinbase offers customers nationwide access to event contracts listed on a CFTC-registered exchange. Coinbase recently registered Coinbase Clearing LLC ("CBC") as a derivatives clearing organization ("DCO").

[2] We note that the Commission has previously recognized that "[p]rediction markets can also list event contracts for trading as futures contracts" and that "other event contracts referencing events associated with potential financial, economic or commercial consequences may be security-based swaps or other instruments subject to the jurisdiction of the [Securities and Exchange Commission]." *See* Prediction Markets, 91 Fed. Reg. 12517 (March 16, 2026).

[3] 7 U.S.C. § 1a(47)(A)(ii).

[4] *Id*.

[5] *See* letter from Faryar Shirzad, Chief Policy Officer Coinbase to Commission, Advance Notice of Proposed Rulemaking - Prediction Markets RIN 3038-AF65 (April 30, 2026).

[6] *Id*.

[7] The Proposal summarizes the current status of State actions in the Proposal. *See* Proposal at 66024-66025.

market to fulfill hedging objectives. The final rule can provide welcome "belt and suspenders" clarity without suggesting that event contracts were outside the CEA before the rule.

Event contracts fall within the CEA's statutory definition of "swap"

Congress defined "swap" broadly. Section 1a(47)(A)(ii) reaches a contract whose payment depends on an event or contingency "associated with a potential financial, economic, or commercial consequence." The operative terms of that definition are deliberately broad. The consequence need only be *potential*, and the statute looks for whether the event is *associated with* that consequence. It does not require the consequence to be inherent in, or embedded within, the event itself. We agree with the Commission that "the salient point" is "that many sports-, politics-, cultural-, and weather-related events are associated with potential economic consequences, and thus event contracts that are predicated on those events are swaps subject to the Commission's exclusive jurisdiction."[8]

That plain text of the CEA readily encompasses event contracts. Political decisions can move markets and alter the economic prospects of businesses and households. Weather events affect energy demand, agriculture, insurance, travel, and many other sectors. Cultural events can drive ticketing, advertising, media, tourism, consumer demand, and other commercial activity. Sporting events likewise carry real economic exposure for teams, broadcasters, arenas, sponsors, local businesses, investors, and others. A contract tied to any of these events therefore depends on an event with a "concrete and articulable" association with a potential financial, economic, or commercial consequence.[9]

The statutory context points in the same direction. Congress did not limit "swaps" only to underliers with "embedded" or "inherently associated" financial consequences.[10] Congress itself expressly defined the term to include various swaps — like "weather swaps" and "emissions swaps" — whose underliers are decidedly not "inherently" economic.[11] The CEA's Special Rule, too, refutes that supposed limit. The Special Rule expressly empowers the CFTC to regulate contracts based on "terrorism," "assassination," or "gaming."[12] Those underliers do not have "embedded" economic consequences, yet the Special Rule is premised on their falling within the CFTC's purview.[13] The Special Rule would make little sense if contracts based on nonfinancial events were categorically outside the Commission's jurisdiction in the first place.

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[8] Proposal at 66029.
[9] *Coinbase Financial Markets, Inc. v. Raoul*, 2026 WL 2969682, at * (N.D. Ill. Oct. 2, 2026).
[10] *Contra KalshiEX LLC v. Schuler*, __F.4th __, 2026 WL 2884087 (6th Cir. Sept. 25, 2026)
[11] 7 U.S.C. § 1a(47)(A)(iii)(XVII), (XXI).
[12] 7 U.S.C. § 7a-2(c)(5)(C).
[13] 17 C.F.R. § 40.11(a)(1).

There is also no sound textual basis for distinguishing the occurrence of an event from its outcome. An outcome is itself something that happens. A contract asking whether a team wins a championship, a candidate wins an election, or a scientific milestone is achieved depends on an event or contingency just as surely as a contract asking whether a hurricane makes landfall. The swap definition should not turn on how an economically identical contingency happens to be worded.

Coinbase also supports the CFTC's independent conclusion that sports-, politics-, cultural-, and other event contracts are "known to the trade" as "swaps." As the Commission correctly reasons, it has long been commonly known to those in the trade that: (1) event contracts are swaps, and (2) there are no subject-matter carveouts to the definition of "swap." Nothing more is required to conclude that there is no sports (or other subject-matter) exception to the definition of "swap."

Sports, politics, culture, and weather are appropriate examples of event contracts that are swaps

Coinbase supports the Commission's express reference to sports-, politics-, cultural-, and weather-related event contracts. Each category illustrates why event contracts fit naturally within the CEA's derivatives framework.

- **Politics.** Political event contracts have long existed within the CFTC's regulatory orbit. Elections, legislation, regulatory decisions, tariffs, and other government actions can have significant financial and economic consequences, and political event markets can provide valuable real-time information about expected outcomes. Their inclusion is consistent with the statutory text, judicial decisions, and the Commission's longstanding treatment of event contracts.[14]

- **Weather.** Weather derivatives are a familiar part of the CFTC-regulated markets and have existed for years. The CEA itself expressly refers to "weather swap[s]."[15] Weather affects energy, agriculture, insurance, travel, retail, and many other sectors. The Commission's express inclusion of weather-related event contracts therefore reflects an established application of derivatives regulation, not an expansion into a new field.

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[14] The D.C. Circuit has confirmed the Commission's jurisdiction over political event contracts. In *KalshiEX LLC v. CFTC*, 119 F.4th 58 (D.C. Cir. 2024), the D.C. Circuit addressed election-related event contracts on the premise that they were swaps subject to the CEA and the Commission's event contract authority. That treatment reinforces the straightforward statutory point: political event contracts are not novel instruments outside the federal derivatives framework. They are event contracts within the CFTC's jurisdiction

[15] CEA 7 U.S.C. § 1a(47)(A)(iii)(XVII).

- **Sports.** Sports events can have substantial and measurable economic consequences. Outcomes affect ticketing, media rights, sponsorships, merchandise, team and franchise values, local hospitality businesses, and other commercial interests. Sports-related event contracts can also be used to offset economic exposure. Express regulatory text will remove avoidable uncertainty.

  At the same time, recognizing exchange-traded event contracts as swaps does not collapse the distinction between prediction markets and traditional casino-style gambling. Event contract exchanges operate as neutral marketplaces that match buyers and sellers at market-clearing prices. Traditional sportsbooks and casinos generally stand on the other side of a customer's wager. As indicated in separate comments filed today, Coinbase supports the Commission's separate confirmation that casino-style gambling products are not swaps. Together, the two rules draw a workable line: derivatives markets remain subject to federal derivatives regulation, while traditional casino-style gambling remains outside the swap definition.[16]

- **Culture.** Cultural events can likewise have genuine commercial significance. Film, music, awards, entertainment, and other cultural developments can affect advertising, licensing, distribution, tourism, consumer demand, and the economics of related industries. The fact that an event is cultural does not strip an otherwise qualifying financial instrument of its status as a swap.

The importance of flexibility for innovative categories of event contracts

Coinbase supports the Proposal because the listed categories are expressly non-exhaustive. We recommend preserving that structure, rather than attempting to catalogue every type of event contract that may develop. This approach is consistent with CEA Section 1a(47)(A)(iv), which defines "swap" to include an "agreement, contract, or transaction that is, *or in the future* becomes, commonly known to the trade as a swap".[17] The promise of prediction markets lies in their ability to respond to new developments in the economy and society. A rigid list could quickly become outdated and could create an unintended negative implication for contracts that are not named, as evidenced by the careful legislative drafting to consider contracts listed today "or in the future." This is also consistent with the CFTC's longstanding principles-based approach to regulation, and we believe this approach should continue to guide the CFTC's regulatory framework.

The CEA's flexibility, generally, and the Commission's approach to prediction market regulation, specifically, matter to innovative areas with clear potential financial, economic,

[16] *See* letter from David Shafer and Julia Hueckel to Commission, Interim Final Rule - "Further Definition of `Swap' to Exclude Casino-Style Gambling Products" RIN 3038-AF81 (November 18, 2026).
[17] *Id*.

or commercial consequences. Event contracts may address economic and business developments, digital-asset and blockchain events, or technology and scientific milestones. Those subjects can have direct consequences for businesses, investors, consumers, and markets. Crypto-related event contracts, for example, are representative of the type of financial event contract where price discovery, hedging, and informational value are sought by many active investors.

Accordingly, if the Commission retains examples in the regulatory text, it should keep the "including" formulation and make clear in the preamble that the examples do not create a closed set or a presumption against other event contract categories. That approach provides the certainty the market needs today while preserving the CEA's ability to accommodate future innovation.

The Proposal reinforces the existing statutory framework

The principal policy benefit of the Proposal is regulatory clarity. We believe the Commission intends, and should affirm in any subsequent adopting release, that the Proposal confirms the application of the statutory definition of "swap" rather than suggesting that sports, political, cultural, or weather event contracts become swaps only when the rule takes effect.

The Commission also should make clear, though, that it is *both* adopting the best reading of the statutory text *and* exercising its expressly delegated discretion to "further define" "swap." In exercising that discretion, the CFTC should explain how its definition of "swap" advances the CEA's core purposes. Among other things, it will create regulatory certainty and help preserve a coherent national framework for derivatives markets. Registered exchanges and intermediaries need clear rules when investing in products and infrastructure. Market participants need confidence that the same federally regulated instrument will not be treated as a derivative in one jurisdiction and something else in another. Courts and other regulators, and Congress, likewise benefit from a clear statement of the Commission's understanding of the statute it administers.

The CFTC rightly explores many of these benefits in the Proposal's cost-benefit analysis. That analysis proceeds on the assumption that the status quo — the baseline for the analysis — is consistent with the Commission's understanding of the CEA. But the CFTC may also wish to explain that the benefits of its definition of "swap" outweigh the costs even under a contrary assumption: in light of the regulatory certainty and other benefits provided by the Proposal, its benefits would outweigh the costs even if a court concluded that the relevant baseline involved States exercising regulatory authority over sports-related and other event contracts.

Conclusion

Coinbase strongly supports the Proposal and encourages its swift adoption.

Event contracts, including contracts based on sports, politics, culture, and weather, fit within the CEA's broad definition of "swap." Making that treatment explicit will provide important certainty in an area where state actions and conflicting judicial decisions have created unnecessary confusion. The Commission should finalize the rule while preserving its non-exhaustive structure so that legitimate event contracts tied to digital assets, economic and business developments, technology, science, and other future subjects can be evaluated under the same durable statutory framework.

Coinbase appreciates the Commission's continued work to provide clear, workable rules for prediction markets and would welcome the opportunity to engage further.