



May 14, 2026

Maura Leary  
Acting Chief, Ethics Law Branch  
U.S. Office of Government Ethics  
250 E Street, SW., Suite 750  
Washington, DC 20024

***RE: Petition for Rulemaking; Prohibition on Participation in Prediction Markets***

Dear Ms. Leary,

Pursuant to the Administrative Procedures Act, 5 U.S.C. § 553(e), Democracy Defenders Fund (DDF) respectfully petitions the U.S. Office of Government Ethics (OGE) to amend the Standards of Ethical Conduct for Employees of the Executive Branch, 5 C.F.R. part 2635, (Standards) to prohibit officers or employees of the executive branch from entering into, directly or indirectly, any event contract that is dependent or contingent upon the occurrence, nonoccurrence, or the extent of the occurrence of any official government action (“official event contracts”). Recent circumstances have shown that there is an unacceptable risk of abuse, market manipulation, and conflict of interest that can arise when executive branch officers and employees purchase or enter into official event contracts. To protect the integrity of government decision-making and to prevent the misuse of government information by executive branch officers and employees it is therefore necessary to amend the Standards to affirmatively prevent officers and employees from having any interest in an official event contract.<sup>1</sup>

**Statutory Authority for OGE to Act on this Petition**

The Ethics in Government Act (EIGA), directs the Director of OGE to provide “overall direction of executive branch policies related to preventing conflicts of interest on the part of officers and employees of any executive agency.”<sup>2</sup> The Director is required to, among other things “develop[], in consultation with the Attorney General and the Office of Personnel Management, rules and regulations to be promulgated by the President or the Director pertaining to the identification and resolution of conflicts of interest.”<sup>3</sup> OGE’s statutory responsibility to oversee executive branch ethics rules under the EIGA is reinforced by Executive Order 12674, as modified, which provides that OGE shall promulgate “regulations that establish a single, comprehensive, and clear set of executive-branch standards of conduct that shall be objective,

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<sup>1</sup> DDF, alongside Professor Richard Painter, recently provided comments on the March 2025 Advance Notice of Proposed Rulemaking issued by the Commodity Futures Trading Commission on prediction markets, asking them to outlaw official event contracts as against the public interest. Letter from Amb. Norman Eisen, et. al., *Comment on CFTC Advance Notice of Proposed Rulemaking; Prediction Markets; RIN 3038-AF65 (91 Fed. Reg. 12516)* (Apr. 30, 2026), [f9c23f\\_3face23584f6413784c55ed77ae2ffd7.pdf](https://www.federalregister.gov/public-comments/comment/2026/04/30/9c23f3face23584f6413784c55ed77ae2ffd7.pdf).

<sup>2</sup> 5 U.S.C. § 13122(a).

<sup>3</sup> *Id.* § 13122(b)(2).

reasonable, and enforceable.”<sup>4</sup> OGE’s Ethics Law Branch is the office within OGE that is “responsible for . . . developing, drafting, and issuing executive branch ethics regulations.”<sup>5</sup>

### **Background**

“An event contract, also known as a prediction or information contract, is a derivative contract whose payoff is based on a specified event, occurrence, or value such as the value of a macroeconomic indicator, corporate earnings, level of snowfall, or dollar value of damages caused by a hurricane.”<sup>6</sup> “These contracts are generally binary[;] the buyer may take a ‘yes’ position that the specified event will take place whereby the seller implicitly takes the ‘no’ position.”<sup>7</sup> Event contracts are generally traded through exchanges known as prediction markets.<sup>8</sup>

The market for event contracts has skyrocketed in recent years. According to an April 2026 report by the Anti-Corruption Data Collective, between January 2021 and March 2026 over \$54 billion was wagered on prediction market Polymarket.<sup>9</sup> Political events contracts, including contracts tied to specific government actions and policies such as military actions, made up a small percentage of the total contracts; yet the report identified that these contracts are particularly vulnerable to exploitation by government insiders.<sup>10</sup> In fact, nearly 52% of longshot bets on military and defense-related prediction contracts were placed on winning outcomes, suggesting the potential for widespread misuse of material non-public government information.<sup>11</sup>

These statistics are backed by real life examples. In early January 2026, the United States unilaterally invaded Venezuela and arrested Venezuelan President Nicolás Maduro and his wife Cilia Flores.<sup>12</sup> Shortly thereafter, it was reported that an anonymous trader had made more than \$400,000 by taking out event contracts predicting Maduro’s capture mere hours before the attack occurred.<sup>13</sup> On April 23, 2026, the Department of Justice unsealed an indictment alleging violations of the Commodities Exchange Act’s insider trading provisions against Gannon Ken

<sup>4</sup> Exec. Ord. 12674, § 201(a), 54 F.R. 15159 (Apr. 12, 1989), as amended by Ex. Ord. No. 12731, 55 F.R. 42547, 42548 (Oct. 17, 1990).

<sup>5</sup> U.S. Office of Government Ethics, *Organization* (last visited May 11, 2026), [https://www.oge.gov/web/oge.nsf/about\\_organization#procoun](https://www.oge.gov/web/oge.nsf/about_organization#procoun).

<sup>6</sup> Contracts & Products: Event Contracts, CFTC, <https://perma.cc/CG2B-3YWY>; see also Event Contracts, 89 Fed. Reg. 48968, 48969 (Jun. 10, 2024) (defining event contracts as “a type of derivative contract, typically with a binary payoff structure, based on the outcome of an underlying occurrence or event”) *withdrawn* 91 Fed. Reg. 5386 (Feb. 6, 2026).

<sup>7</sup> *KalshiEX LLC v. Martin*, 793 F. Supp. 3d 667, 671 (D. Md. 2025).

<sup>8</sup> Commodity Futures Trading Commission, Understanding Prediction Markets and Event Contracts (last visited May 10, 2026), <https://www.cftc.gov/LearnandProtect/PredictionMarkets>.

<sup>9</sup> ANTI-CORRUPTION DATA COLLECTIVE, INSIDER RISKS IN POLYMARKET POLITICAL MARKETS 3 (Apr. 2026), [https://acdatacollective.org/wp-content/uploads/2026/04/Insider\\_Risks\\_in\\_Polymarket\\_Political\\_Markets\\_ACDC.pdf](https://acdatacollective.org/wp-content/uploads/2026/04/Insider_Risks_in_Polymarket_Political_Markets_ACDC.pdf), (ACDC Report).

<sup>10</sup> *Id.* at 34.

<sup>11</sup> *Id.* at 15.

<sup>12</sup> Scott Anderson, et al., *Making sense of the U.S. military operation in Venezuela*, BROOKINGS (Jan. 5, 2026), <https://www.brookings.edu/articles/making-sense-of-the-us-military-operation-in-venezuela/>.

<sup>13</sup> Wyatt Grantham-Phillips, *A \$400,000 payout after Maduro’s capture put prediction markets in the spotlight. Here’s how they work*, PBS NEWS (Jan. 12, 2026),

<https://www.pbs.org/newshour/nation/a-400000-payout-after-maduros-capture-put-prediction-markets-in-the-spotlight-heres-how-they-work>.

Van Dyke, an active-duty U.S. Army official who helped execute the arrest of Maduro and his wife.<sup>14</sup> Van Dyke is alleged to have purchased thousands of dollars of tokenized event contracts over Polymarket related to the United States' deployment of forces to Venezuela and the ouster of Nicolás Maduro utilizing non-public government information.<sup>15</sup>

An even more striking pattern emerged during the United States' hostilities with Iran. In June 2025, the U.S. initiated strikes against Iran's nuclear facilities. Mere hours before those first strikes occurred, eight wallets placed longshot bets that the US would strike Iran resulting in a combined profit of \$1.8 million.<sup>16</sup> In February of this year a similar pattern emerged before the U.S. and Israel attacked Iran as part of Operation Epic Fury. Six wallets made \$1.2 million off of longshot wagers that the U.S. would strike Iran mere hours before the strikes occurred.<sup>17</sup> Similarly, hours before President Trump announced he had agreed to a ceasefire, over 50 Polymarket accounts—many of them first time traders—placed substantial bets that President Trump would announce a ceasefire.<sup>18</sup>

On April 30, 2026, the U.S. Senate unanimously agreed to S. Res. 708 that prohibits Senators and senatorial staff from purchasing any form of event contract.<sup>19</sup> Section 2 of S. Res. 708 provides the sense of the Senate that all three branches, including the executive branch should, “establish restrictions similar to those [applicable to the Senate] relating to participation in prediction markets.”<sup>20</sup>

### **Rationale for the Petitioned for Rulemaking**

Congress and the executive branch have promulgated several statutes and regulations that seek to prevent officers and employees from abusing their office or material nonpublic government information gained from public service for their own private interest. Amongst these are:

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<sup>14</sup> Indictment, *United States v. Van Dyke*, 26 Cr. 156 (S.D.N.Y., Apr. 23, 2026),

<https://www.justice.gov/opa/pr/us-soldier-charged-using-classified-information-profit-prediction-market-bets>.

<sup>15</sup> *Id.* The Commodity Futures Trading Commission brought a parallel civil suit the same day DOJ's criminal indictment was unsealed. Complaint for Injunctive and other Equitable Relief, and for Civil Monetary Penalties Under the Commodity Exchange Act and Commission Regulations, *Commodity Futures Trading Commission v. Van Dyke*, No. 26-cv-3369 (S.D. N.Y., Apr. 23, 2026),

<https://www.cftc.gov/media/13761/EnfGannonKenVanDykeComplaint042326/download>.

<sup>16</sup> ACDC Report, *supra* n. 9 at 27; Mary Cunningham, *Prediction markets draw scrutiny over Iran bets: 'Insider trading in broad daylight,' senator says*, CBS NEWS (Mar. 2, 2026),

<https://www.cbsnews.com/news/iran-khamenei-prediction-markets-insider-trading/>.

<sup>17</sup> Boaz Sobrado, *Fresh Wallets Made \$1.2 Million Polymarket Hours Before Iran Airstrikes*, FORBES (Mar. 2, 2026), <https://www.forbes.com/sites/boazsobrado/2026/03/02/fresh-wallets-made-12m-on-polymarket-hours-before-iran-air-strikes/>.

<sup>18</sup> Ken Sweet & Christopher L. Keller, *Newly Created Polymarket accounts bet big on US-Iran ceasefire in hours before Trump's announcement*, AP NEWS (Apr. 8, 2026), <https://apnews.com/article/polymarket-iran-trump-ceasefire-prediction-markets-350d9fe5ffefa74080ff5dd973aef48>.

<sup>19</sup> S. Res. 708, 119th Cong., 172 Cong. Rec. S2175 (2026),

<https://www.congress.gov/119/crec/2026/04/30/172/76/CREC-2026-04-30-pt1-PgS2175.pdf>.

<sup>20</sup> *Id.*

- 5 C.F.R. § 2635.101(b)(3); 5 C.F.R. § 2635.703—preventing employees from engaging in financial transactions using nonpublic government information or allowing the improper use of such information to further a private interest
- 5 C.F.R. § 2635.101(b)(2)—preventing employees from having a financial interest that conflicts with the conscientious performance of duties
- 5 C.F.R. § 2635.101(b)(7); 5 C.F.R. § 2635.702—prohibiting employees from using their public office for private gain
- 18 U.S.C. § 208—prohibiting employees from taking action in any government matter in which they have a financial interest
- 7 U.S.C. § 6c—prohibiting employees from using or providing to a third-party for personal gain any material nonpublic information to enter into or offer to enter into commodities future, option, or swap.
- 17 C.F.R. §180.1—prohibiting fraud and manipulation, including insider trading, in connection with any swap<sup>21</sup>

The existing rules are necessary, but insufficient to address the heightened risk of public corruption posed by official event contracts. As Joseph Grundfest, former Commissioner at the Securities and Exchange Commission (SEC), recently noted, prediction markets are uniquely susceptible to insider trading and market manipulation because “they are related to highly specific outcomes that can be easily manipulated” and the markets offer “contracts on ‘micro-decisions’ that are more directly related to very specific forms of knowledge.”<sup>22</sup> Furthermore, employees wagering on official events may be incentivized to shape their government actions to protect their bets. “If, for example, a government official in the Department of War had been invested in the market predicting when President Maduro would be captured, or when the U.S. might strike Iran, they might have altered the timing of the operation in order to make a profit.”<sup>23</sup>

Addressing these risks through the traditional rules is unlikely to fully protect public trust for several reasons.

- First, prediction markets have become widespread in the past few years and the barriers to entry are low. Government employees seeking to abuse their office or insider government information can more easily do so than they can through other mechanisms.<sup>24</sup>

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<sup>21</sup> Several rules also prohibit gambling on government property. 5 C.F.R. § 735.201; 41 C.F.R. § 102-74.395. To date, neither the Office of Personnel Management nor the General Services Administration have provided guidance on whether and when event contracts constitute gambling for purposes of these rules.

<sup>22</sup> Melissa White, *President Markets are Surging - Here's What You Need to Know*, STANFORD L. SCH. BLOG (Apr. 30, 2026), <https://law.stanford.edu/2026/04/30/prediction-markets-are-surg-ing-heres-what-you-need-to-know/>.

<sup>23</sup> Matt Motta & Robert Ralston, *Prediction markets are a national security threat*, RESPONSIBLE STATECRAFT (Mar. 6, 2026), <https://responsiblestatecraft.org/prediction-markets-war/>.

<sup>24</sup> See White, *supra* n. 22 (quoting former SEC Commissioner Joseph Grundfest: ““Two years ago, if you were a government official or military officer with knowledge of the plan to ‘extract’ Maduro from Venezuela, or of the attack on Iran, there were simply no markets on which you could easily attempt to trade on that very specific form of information. Today, you can make hundreds of thousands of dollars by misappropriating that information by trading event contracts.””).

- Second, many prediction market exchanges permit trading through cryptocurrency or offer tokenized event contracts.<sup>25</sup> The nature of on-chain transactions makes them harder to trace, which can be compounded using cryptocurrency mixers and other devices.<sup>26</sup> Moreover, at least one of the two biggest prediction markets, Polymarket, does not appear to adhere to U.S.-compliant know-your-customer rules.<sup>27</sup>
- Third, the harm that occurs when government insiders utilize inside government information to shape the prediction markets is immediate. The government is privy to closely held national secrets, market-moving information, and regulatory decisions that could have widespread economic effect. Once that information is utilized, the damage is done.
- Fourth, once a government employee has wagered on an official event contract, they are incentivized to protect their wager. That conflict of interest poses a real risk that they may take actions that are disadvantageous to the public interest.
- Fifth and finally, the mere fact that government employees can purchase official event contracts is likely to raise the appearance of impropriety. It can often be hard to distinguish abusive practices from credible speculation. If the public is left to guess whether government employees are trading on government information, it not only results in a loss of public trust in the integrity of the government operations and its decision making processes, but it produces the very type of cynicism from which it may be difficult to recover.

The very nature of prediction markets calls for more specialized risk management and internal control procedures. Only a *per se* ban on investing in official event contracts will send the message to both employees and the public that government officials cannot use their public offices for private gain through the prediction markets.

### **Request for Action**

We urge OGE to initiate a rulemaking to amend the Standards as such:

- Define the term “official event contract” to include any agreement, contract, swap, or transaction that is dependent on the occurrence, nonoccurrence, or the extent of occurrence or nonoccurrence of any action undertaken by one or more employees of the federal government in their official capacity.

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<sup>25</sup> Liz Napolitano, *Kalshi makes move to court crypto traders with tokenized betting contracts*, CNBC (Dec. 1, 2025), <https://www.cnbc.com/2025/12/01/kalshi-makes-move-to-court-crypto-traders-with-tokenized-betting-contracts.html>; Polymarket, *Why Crypto?* (last visited May 10, 2026), <https://help.polymarket.com/en/articles/13364268-why-crypto>.

<sup>26</sup> Pascal Tippe & Christoph Deckers, *Unmixing the Mix: Patterns and Challenges in Bitcoin Mixer Investigations*, 52 FORENSIC SCIENCE INT. SUPP. 1 (Mar. 2025), [1-s2.0-S2666281725000150-main.pdf](https://doi.org/10.1016/j.fsint.2025.100001) (“Bitcoin mixers pose a significant challenge to [investigative] efforts by obscuring money flows and complicating the detection of criminal operations”).

<sup>27</sup> White, *supra* nt. 22 (“quoting former SEC Commissioner Joseph Grundfest “In particular, Polymarket is crypto-native, does not apply U.S.-style anti-money laundering or know-your-customer rules, and is technically closed to participation by U.S. persons. All that said, U.S. persons do use virtual private networks and other techniques to trade on Polymarket, and most of the troubling leaks related to national security events have appeared on Polymarket, not Kalshi, because of the relative ease of remaining anonymous”).

- Prohibit any officer or employee of the executive branch from directly or indirectly entering into or offering to enter into any official event contract, including through a spouse or minor child, or any business entity, financial arrangement, or trust.
- Ensure that the rule applies broadly to all official event contracts, whether or not they have been approved by the Commodity Futures Trading Commission or self-certified to be traded over a registered entity.

These changes are within OGE's statutory and regulatory responsibilities and are necessary to address the novel challenges posed by prediction markets. DDF respectfully requests that you initiate a proposed rulemaking as soon as possible.

Sincerely,

/s/

Ambassador Norman L. Eisen (ret.)  
Executive Chair and Co-founder  
Democracy Defenders Fund

/s/

Virginia Canter  
Chief Counsel and Director for Ethics and  
Anticorruption  
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