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ONE HUNDRED NINETEENTH CONGRESS

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MEMORANDUM

TO: Committee on Oversight and Government Reform Majority Members

FROM: Committee Staff

DATE: November 13, 2026

RE: The Committee's Inquiry into Insider Trading Risks on Prediction Markets

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On May 22, 2026, the Committee on Oversight and Government Reform initiated an investigation into potential insider trading, especially by government personnel, on prediction market platforms like Kalshi and Polymarket.[1] On September 29, 2026, the Committee expanded its inquiry to include online prediction market platforms Hyperliquid Labs, Crypto.com, and PredictIt.[2]

Over the course of the inquiry, the Committee received nearly 1,700 pages of documents and communications from prediction markets to assist its oversight. Committee staff were also provided five bipartisan briefings with platform representatives, counsel, and employees working to detect and report suspicious activity associated with insider trading. The Committee appreciates efforts, especially from Polymarket and Kalshi, to assist the investigation with these document productions and briefings, in addition to providing numerous follow-up calls and supplemental responses.

Committee staff are providing this Memorandum to update Committee Majority Members on efforts by prediction market platforms and government regulators to enforce insider trading prohibitions and ensure sensitive or non-public government information is not used within these markets for financial gain or manipulation.

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[1] Letter from James Comer, Chairman, H. Comm. on Oversight and Gov't Reform, to Tarek Monsour, Chief Executive Officer, Kalshi, Inc. (May 22, 2026); and Letter from James Comer, Chairman, H. Comm. on Oversight and Gov't Reform, to Shayne Coplan, Chief Executive Officer, Polymarket (May 22, 2026).

[2] Letter from James Comer, Chairman, H. Comm. on Oversight and Gov't Reform, to Jeff Yan, Co-Founder, Hyperliquid Labs (Sept. 29, 2026); Letter from James Comer, Chairman, H. Comm. on Oversight and Gov't Reform, to Kris Marszalek, Chief Executive Officer, Crypto.com (Sept. 29, 2026); and Letter from James Comer, Chairman, H. Comm. on Oversight and Gov't Reform, to John Aristotle Phillips, Chief Executive Officer, Aristotle Exchange, Inc. (Sept. 29, 2026). Aristotle Exchange, Inc. is the parent company of PredictIt.

I. BACKGROUND

Prediction markets are exchanges where users can enter into contracts based on the outcome of a future event such as sports games, political, weather, or cultural events, or even whether a particular person will state a word in a public forum (so called "mention markets").[3] Prediction market event contracts are binary and framed as a yes or no outcome.[4]

The Committee requested information from prediction market platforms Kalshi and Polymarket after reports of event contract trades placed by political candidates related to their own political races and event contracts entered into by individuals suspiciously timed around classified information and confidential high-profile military actions.[5]

It is paramount that individuals with security clearances and other insider information about non-public or predecisional government activities cannot exploit prediction markets for personal gain. Yet prediction markets have discovered suspicious trading activity on their platforms indicative of such insider trading. For example, on April 24, 2026, a federal indictment of U.S. Army Master Sergeant Gannon Ken Van Dyke alleged that he used classified information concerning Operation Absolute Resolve, the U.S. military operation that resulted in the capture of Venezuelan President Nicolas Maduro, to place trades on event contracts resulting in more than $409,000 in personal financial gain on the Polymarket platform.[6]

Political candidates and those close to major policy decisions have also engaged in potential insider trading on prediction market platforms. In May 2025, gubernatorial candidate Kyle Langford placed a $200 event contract trade on Kalshi on his own political race and in 2026 three additional politicians placed trades on event contracts related to their own races.[7] On the Hyperliquid platform, media reports of a substantial leveraged short position within minutes of a presidential announcement concerning a U.S. tariff policy not publicly known at the time the position was established mirrored a pattern of insider trading activity.[8]

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[3] *Prediction Market*, LEGAL INFO. INST., CORNELL LAW SCH. (updated Apr. 2026).
[4] *Id.*
[5] Kate Knibbs, *US Senate Candidate Caught Insider Trading on Kalshi Says He Did It on Purpose*, WIRED (Apr. 22, 2026); Steve Kopack, et al., *Kalshi Fines and Suspends Three Politicians for 'Insider Trading' on Their Own Races*, NBC NEWS (Apr. 22, 2026); Joe Pinsker, *The Soldier Accused of Maduro Bets: 'Army People Don't Get the Business Stuff,'* THE WALL ST. J. (Apr. 25, 2026); and Stuart A. Thompson & David Yaffe-Bellany, *Dozens of Polymarket Bets Show Signs of Insider Trading, The Times Finds*, THE N.Y. TIMES (May 13, 2026).
[6] Joe Pinsker, *The Soldier Accused of Maduro Bets: 'Army People Don't Get the Business Stuff,'* THE WALL ST. J. (Apr. 25, 2026); and Stuart A. Thompson & David Yaffe-Bellany, *Dozens of Polymarket Bets Show Signs of Insider Trading, The Times Finds*, THE N.Y. TIMES (May 13, 2026).
[7] Kate Knibbs, *US Senate Candidate Caught Insider Trading on Kalshi Says He Did It on Purpose*, WIRED (Apr. 22, 2026); and Steve Kopack, et al., *Kalshi Fines and Suspends Three Politicians for 'Insider Trading' on Their Own Races*, NBC NEWS (Apr. 22, 2026).
[8] *See* Charles-Henry Monchau, *The Crypto Crash and the Mystery of the $1 Billion Whale*, INVESTING.COM (Oct. 22, 2025), *available at* https://www.investing.com/analysis/the-crypto-crash-and-the-mystery-of-the-1-billion-whale-200668895 ("Buried in the data of Hyperliquid, a fully on-chain derivatives exchange where every trade is visible, investigators uncovered a position so perfectly timed it seemed impossible to be mere luck: a $1.1 billion levered short bet spread across Bitcoin and Ether perpetual contracts, opened 30 hours before Trump's post and closed almost immediately afterward for more than $150 million in profit.").

A. Regulatory Oversight of Prediction Markets

Under federal law, the Commodity Futures Trading Commission (CFTC) has exclusive jurisdiction over the regulation of derivatives.[9] Derivatives are financial instruments such as futures, options or swaps.[10] Event contracts on prediction market platforms fall within the statutory framework under the Commodity Exchange Act (CEA).[11] For a prediction market to operate in the U.S., the platform must register with the CFTC as a Designated Contract Market (DCM).[12]

Some platforms operate offshore as decentralized cryptocurrency exchanges which potentially place them outside the CFTC's jurisdiction.[13] For example, Polymarket operates two separate platforms. QCX LLC d/b/a Polymarket US is a CFTC-registered DCM headquartered in New York that serves U.S. based customers and must follow all applicable Know-Your-Customer and Anti-Money Laundering rules.[14] Polymarket.com, on the other hand, is a decentralized cryptocurrency exchange headquartered in Panama that operates on blockchain technology and is not a CFTC-registered DCM.[15] Polymarket.com is not intended to be accessible to U.S. persons and Polymarket.com takes efforts to prevent U.S. persons from trading on Polymarket.com; however the use of Virtual Private Network (VPN) technology and other obfuscating tactics may have allowed some U.S. persons to circumvent both Polymarket.com's Terms of Service and sophisticated internal controls intended to prevent such trades.[16]

B. Insider Trading Laws Apply to Contracts on Prediction Markets

Current federal insider trading laws and regulations apply to prediction markets just as they would securities and derivatives. In 2010, Congress amended the CEA to prohibit fraud and manipulation in derivatives markets.[17] In 2011, the CFTC finalized Rule 180.1, which prohibits fraud or deception in connection with derivatives markets including swaps, interstate commodity sales, and futures traded on or subject to the rules of CFTC registered entities.[18] The CFTC

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[9] 7 U.S.C. § 2(a)(1)(A).
[10] Rena S. Miller, CONG. RESEARCH SERV., R48451, INTRODUCTION TO DERIVATIVES AND THE COMMODITY FUTURES TRADING COMMISSION, 1 (Mar. 2025).
[11] 7 U.S.C. § 1 *et seq*.
[12] *See* 7 U.S.C. § 7b-3(a) ("No person may operate a facility for the trading or processing of swaps unless the facility is registered as a swap execution facility or designated as a contract market."); and 17 C.F.R. § 37.3.
[13] *See* Eric Huffman, *Centralized vs. decentralized exchanges: What's the difference?*, YAHOO FIN. (Aug. 17, 2026).
[14] *Market Integrity*, POLYMARKET US (last visited Nov. 5, 2026); and Briefing from Polymarket to H. Comm. on Oversight & Gov't Reform Staff (July 27, 2026).
[15] *What is Polymarket US?*, POLYMARKET US (last visited Nov. 5, 2026).
[16] Joe Pinsker, *The Soldier Accused of Maduro Bets: 'Army People Don't Get the Business Stuff*,' THE WALL ST. J. (Apr. 25, 2026); Briefing from Polymarket to H. Comm. on Oversight & Gov't Reform Staff (June 23, 2026).
[17] Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, § 753, 124 Stat. 1750, 1754 (2010) (codified at 7 U.S.C. § 9); *see also* Jay B. Sykes, Cong. Research Serv., LSB11406, Prediction Markets and Insider Trading Law (updated Apr. 2026) (Congress passed the Dodd-Frank Act to prohibit fraud and manipulation "in connection with any swap, or a contract of sale of any commodity in interstate commerce, or for future delivery on or subject to the rules of any registered entity" in contravention of rules adopted by the CFTC).
[18] CFTC Rule 180.1 - Prohibition on the employment, or attempted employment, of manipulative and deceptive devices (2011) (codified at 17 CFR § 180.1).

explained that Rule 180.1 was "modeled on" SEC Rule 10b-5 which prohibits trading on material nonpublic information in breach of a fiduciary duty.[19]

The CEA also contains separate insider-trading provisions directed at federal government officials and employees. Section 4c(a)(3) of the CEA, as amended by the Stop Trading on Congressional Knowledge (STOCK) Act, prohibits federal agency employees, Members of Congress, congressional employees, and judicial officers and employees from using nonpublic information derived from their positions to trade commodity futures, options, or swaps.[20] Section 4c(a)(4) of the statute also prohibits a covered individual from providing insider information to non-covered third parties who assist or enter into such trades.[21]

II. PREDICTION MARKETS PLAY A KEY ROLE IN DETECTING AND PREVENTING SUSPICIOUS TRADES AND ENSURING MARKET INTEGRITY

Four of the five platforms provided substantial documentation and/or briefed the Committee on internal control structures and sophisticated proprietary technologies designed to detect and prevent insider trading through suspicious trade patterns. Indeed, most of the reported incidents of insider trading within prediction markets were initially detected and reported to regulators and law enforcement by the markets themselves.[22] Only Hyperliquid indicated to the Committee that it did not "possess the types of records and information" that the Committee requested about the platform's identity verification and Know-Your-Customer policies and procedures.[23]

Polymarket, for example, has continually made robust improvements to its insider trading surveillance detection protocols. Examples include:

- The company recently hired a former law enforcement expert to oversee a team of employees to manage insider trading prevention detection efforts and implemented a sophisticated surveillance software protocol known as "PolyGraph," in partnership with the analytics company Chainalysis.[24]

- The PolyGraph surveillance software gathers data from various sources, such as social media, law enforcement tips, open-source investigations, user flags and reports, internal AI tooling, internal custom detections, blockchain analytics, internal data, and watchlist

[19] *Prohibition on the Employment, or Attempted Employment, of Manipulative and Deceptive Devices and Prohibition on Price Manipulation*, 76 Fed. Reg. 41398 (July 14, 2011); and *see also* Jay B. Sykes, CONG. RESEARCH SERV., LSB11406, PREDICTION MARKETS AND INSIDER TRADING LAW, 3 (updated Apr. 2026).
[20] 7 U.S.C. § 6c(a)(4); and Stop Trading on Congressional Knowledge (STOCK) Act of 2012, Pub. L. No. 112-105, § 5, 126 Stat. 293 (2012).
[21] *Id*.
[22] Document Production #1 from Polymarket (Blockratize-House-Oversight001) (June 19, 2026) (on file with the Committee); Document Production #1 from Kalshi, Inc. (KAL-119HCOGR-001) (July 31, 2026) (on file with the Committee); Document Production #1 from Crypto.com (Oct. 13, 2026) (on file with the Committee); and Document Production #1 from PredictIt (Oct. 20, 2026) (on file with the Committee).
[23] Letter from Vanessa Le, Partner, Latham & Watkins LLP to James Comer, Chairman, H. Comm. on Oversight & Gov't Reform (Oct. 13, 2026) (on file with the Committee).
[24] Briefing from Polymarket to H. Comm. on Oversight & Gov't Reform Staff (Sept. 30, 2026).

monitoring, collects evidence, traces currency flows, evaluates transactions, searches historical trading activity, and recommends transactions for further manual human review.[25]

- PolyGraph provides Polymarket's surveillance detection team real time analysis and alerts, a daily digest of activity, and investigative leads on suspected insider trading activity.[26]

Markets have increased communication and reporting of insider trading activity to the CFTC, which has been able to initiate enforcement activity on the basis of their cooperation:

- On May 27, 2026, the CFTC filed a complaint in federal court alleging that Michele Spagnuolo, a Google software engineer based in Switzerland illegally profited $1.2 million using Google's non-public search data to place event contracts on Polymarket.com for the most searched terms of the year.[27] Polymarket's CEO Shayne Coplan confirmed that Polymarket detected this suspicious activity and reported the allegations to the CFTC.[28]

- On July 31, 2026, the CFTC ordered former Congressman George Santos to pay $35,000 for manipulative activity on an event contract on Kalshi that speculated the former Congressman's attendance at the State of the Union Address.[29] Kalshi detected Santos' suspicious trades, froze his account, and reported the allegations to the CFTC.[30]

- On August 28, 2026, the CFTC ordered Gabriel Perez, the White House teleprompter operator, alleged to have been entering event contracts on Kalshi based on non-public information he gained through his work, to pay $172,000 for suspected insider trading on mention contracts about the President.[31] Kalshi detected Perez's suspicious trades and reported the allegations to the CFTC.[32]

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[25] *Id.*
[26] *Id.*
[27] Press Release, Commodity Futures Trading Commission, CFTC Charges Google Employee with Insider Trading in Search Result-Related Event Contracts (May 27, 2026).
[28] Shayne Coplan (@shayne_coplan), X, (Apr. 24, 2026, 12:22 PM), *available at* https://x.com/shayne_coplan/status/2047712706342326496.
[29] Press Release, Commodity Futures Trading Commission, CFTC Orders George Santos to Pay $35,000 for Manipulative Trading of State-of-the-Union Event Contract (July 31, 2026).
[30] Bobby Allyn, *DOJ is investigating former congressman George Santos for insider trading on Kalshi*, NPR (June 2, 2026).
[31] Press Release, Commodity Futures Trading Commission, CFTC Orders Gabriel Perez to Pay $172,000 for Insider Trading of Mention Market Event Contracts (Aug. 28, 2026).
[32] Michael Sinkewicz, *Trump teleprompter operator ordered to pay nearly $173k over Kalshi bets on speeches*, FOX BUS. (Aug. 29, 2026).

III. FURTHER STATUTORY RESTRICTIONS ON FEDERAL GOVERNMENT PERSONNEL ARE NECESSARY

Congress should consider legislation that further restricts the types of event contract markets that federal government personnel, Members of Congress, and congressional staff can participate in regardless of whether they are trading on insider information. For example, government personnel should be restricted, at a minimum, from trading on contracts related to government actions or political outcomes.

Some ad-hoc efforts within Congress and the Executive Branch have already been made in this vein. For example, as a result of increased scrutiny of insider trading activity on prediction market platforms, the U.S. Department of War recently issued a memo reiterating service members' legal obligations and further prohibiting them and civilian agency personnel from using material non-public information or prediction market platforms for personal financial gain.[33] The United States Senate passed a resolution in April 2026 prohibiting Senators and staff from even participating in prediction markets.[34]

Whether it's an outright prohibition on trading on prediction markets or restrictions on some subset of contracts like government-related contracts, applying these restrictions to officials in all branches of government would strengthen ethical expectations that government personnel should not personally and financially benefit from access to non-public information associated with their work as government servants, and would eliminate even the appearance that government personnel are exploiting non-public information received in an official capacity for financial gain.

Congress should also consider ensuring that prediction market platforms and regulatory agencies share information necessary to enforce such restrictions, enabling the markets to continue to detect and prevent insider trading.

[33] Alex Horton, *Hegseth bans defense personnel from insider trading with military secrets*, THE WASH. POST (Oct. 22, 2026).
[34] A resolution amending rule XXXVII of the Standing Rules of the Senate to prohibit Senators from trading on prediction markets, S. Res. 708, 119th Cong. 2 (Apr. 30, 2026).