



April 30, 2026

Mr. Christopher Kirkpatrick, Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

RE: *The IIA's Public Comment on Advance Notice of Proposed Rulemaking Prediction Markets, 91 FR 12516, RIN 3038-AF65 (Document No. 2026-05105)*

Dear Mr. Kirkpatrick:

On behalf of The Institute of Internal Auditors (The IIA), the international professional association representing more than 265,000 internal auditors, I am writing in response to the Commodity Futures Trading Commission's (Commission) Advance Notice of Proposed Rulemaking on prediction markets.

The IIA commends the Commission for its thoughtful and timely engagement concerning the governance challenges presented by the rapid growth of event contract trading. Recent patterns of trading activity on prediction market platforms, including matters that have already drawn enforcement attention from the Commission, have raised serious concerns about the potential misuse of material nonpublic information, the integrity of outcome determinations, and the adequacy of self-regulatory surveillance at registered exchanges. These concerns are well-founded, and the Commission is right to consider whether its existing regulatory framework requires adjustment.

Protecting the public interest requires more than rules alone. An effective regulatory framework for prediction markets must embed proper internal controls, governance frameworks, and independent assurance mechanisms into these organizations. These processes are essential to ensure that rules are not only established but followed, and that violations are detected, investigated, and remediated. Without a properly structured internal audit function operating within Designated Contract Markets (DCMs), even well-designed rules will fall short in protecting the public.

The IIA respectfully recommends that the Commission's forthcoming rulemaking require DCMs operating prediction markets to maintain an independent, properly structured internal audit function.

Internal audit is the independent, objective assurance function within an organization charged with evaluating whether governance, risk management, and internal controls are designed adequately and operating effectively. Internal audit professionals work continuously inside the organization, are familiar with its risks, and are positioned to detect control failures in real time. Unlike compliance functions, which are part of management and accountable to it, internal audit reports directly to the board and its audit committee, with no management intermediary. That reporting line is the structural guarantee that findings reach the people responsible for governance.

The IIA's International Professional Practices Framework® (IPPF®) provides the rigorous, internationally recognized framework on which independent internal audit functions across regulated financial institutions worldwide are grounded. United States financial regulators have long recognized

the vital role of internal audit. For example, [Federal Reserve SR Letter 13-1](#) (revised October 1, 2025) calls on supervised institutions to use The IIA's standards as a baseline for effective internal audit practice, and [OCC Bulletin 2003-12](#), the Interagency Policy Statement on the Internal Audit Function and Its Outsourcing, remains the operative interagency guidance on internal audit independence and board oversight. Although these instruments apply directly to banking organizations, they reflect a settled U.S. regulatory consensus that should extend to prediction market operators.

The IIA welcomes the opportunity to work with the Commission to identify how the internal audit profession can help provide needed investor protections and independent assurance at DCMs.

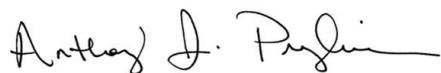
Prediction markets are not inherently problematic, but they are inherently vulnerable to the risks that arise from information asymmetry, novel applicant pools, and the absence of a long-established compliance infrastructure of the kind found at traditional futures exchanges. The central question for the Commission is not only what rules to write, but whether the underlying system of control, transparency, and accountability at the exchanges subject to those rules is sufficient to make them meaningful.

The internal audit profession exists precisely to provide that assurance.

The IIA welcomes the opportunity to support the Commission in this rulemaking, whether by providing technical assistance, briefing Commission staff, or otherwise serving as a resource on the role of internal audit in prediction market regulation. Please contact Ramón A. Correa, Director for U.S. Advocacy, at Ramon.Correa@TheIIA.org for further information.

Thank you for your consideration and for your commitment to the integrity of the markets the Commission oversees.

Sincerely,

A handwritten signature in black ink, reading "Anthony J. Pugliese". The signature is fluid and cursive, with a prominent initial "A" and a long, sweeping underline.

Anthony J. Pugliese, CIA, CPA, CGMA, CITP
President and Chief Executive Officer
The Institute of Internal Auditors