



April 30, 2026

The Honorable Mike Johnson
Speaker of the House
U.S. House of Representatives
H-232, The Capitol
Washington, DC 20515

The Honorable Hakeem Jeffries
Minority Leader
U.S. House of Representatives
H-204, The Capitol
Washington, DC 20515

The Honorable John Thune
Majority Leader
United States Senate
S-230, The Capitol
Washington, DC 20510

The Honorable Chuck Schumer
Minority Leader
United States Senate
S-309, The Capitol
Washington, DC 20510

Re: The IIA's Recommendations on Prediction Market Legislation: Controls, Governance, and the Role of Internal Audit

Dear Members of Congress:

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 growing legislative focus on prediction markets.

The IIA commends the growing number of lawmakers for their interest in addressing the risks posed by prediction markets. Recent patterns of large, well-timed trades appearing to precede significant geopolitical, financial, and governmental events by only hours or days have raised serious concerns about the potential misuse of material nonpublic information (MNPI). If individuals with privileged access to such information can profit through prediction markets, it risks undermining public confidence in both financial markets and public institutions.

Protecting the public interest requires more than prohibitions alone. An effective legislative framework for prediction markets embeds proper internal controls, governance frameworks, and independent assurance mechanisms. These are essential to ensure that rules are not only established but also followed, and that violations are detected, investigated, and remediated. Without a robust governance, risk, and internal control environment and a properly structured internal audit function, even well-designed legislation will fall short in protecting the public. The IIA respectfully offers the following recommendations for Congressional consideration.

1. Require Prediction Market Platforms to Establish Formal Internal Control Frameworks

Legislation should require registered prediction market exchanges to implement a formal, documented system of risk-based internal controls designed to prevent and detect MNPI-based trading, market manipulation, conflicts of interest and other risks to the public.

Absent clear statutory standards, compliance frameworks risk being shaped primarily by commercial considerations rather than the public interest. At a minimum, such controls should include trader identity verification, trade surveillance, information barriers, and whistleblower protections—baseline safeguards already required in other regulated financial markets.

Platforms processing significant trading volume should be held to rigorous standards of market integrity. However, establishing controls alone is insufficient; they must also be independently evaluated.

2. Ensure the Operation of Independent, Properly Structured Internal Audit Functions at Registered Exchanges

Legislation should require prediction market exchanges 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, familiar with its risks, and 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® provides a rigorous, internationally recognized audit framework already in use across regulated financial institutions worldwide, and The IIA would welcome the opportunity to work with Congress to ground any legislative requirement in that foundation.

3. Commission a GAO Study Focused on Controls and Audit Infrastructure

The IIA strongly supports a Government Accountability Office (GAO) study on prediction markets. We recommend that this study explicitly include an assessment of internal controls, governance frameworks, and assurance infrastructure across platforms.

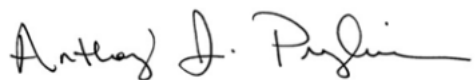
A comprehensive understanding of what controls exist, how they are tested and how effectively they function, and where material gaps remain is essential to informing durable and effective legislation. The IIA would welcome the opportunity to serve as a resource to the GAO in this effort.

In closing, prediction markets are not inherently problematic, but they are inherently vulnerable to risks arising from information asymmetry. The central policy question is not only how to restrict participation, but whether the underlying system of control, transparency, and accountability is sufficient to make those restrictions meaningful.

The internal audit profession exists precisely to provide that assurance.

The IIA welcomes the opportunity to support Congress in examining this policy issue whether providing testimony, briefing Members and staff or providing technical assistance on the role of internal audit in prediction market legislation. Please contact Ramón A. Correa, Director for U.S. Advocacy, at Ramon.Correa@TheIIA.org for information. Thank you for your consideration and for your commitment to the integrity of our financial markets and public institutions.

Sincerely,



Anthony J. Pugliese, CIA, CPA, CGMA, CITP

President and Chief Executive Officer
The Institute of Internal Auditors



The Institute of
Internal Auditors

Elevating Impact

CC:

The Honorable Glenn "GT" Thompson
Chair
Committee on Agriculture
U.S. House of Representatives

The Honorable French Hill
Chair
Committee on Financial Services
U.S. House of Representatives

The Honorable John Boozman
Chair
Committee on Agriculture, Nutrition, & Forestry
United States Senate

The Honorable Tim Scott
Chair
Committee on Banking, Housing & Urban Affs.
United States Senate

The Honorable Angie Craig
Ranking Member
Committee on Agriculture
U.S. House of Representatives

The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
U.S. House of Representatives

The Honorable Amy Klobuchar
Ranking Member
Committee on Agriculture, Nutrition, & Forestry
United States Senate

The Honorable Elizabeth Warren
Ranking Member
Committee on Banking, Housing & Urban Affs.
United States Senate