



**U.S. COMMODITY FUTURES TRADING COMMISSION**  
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Professor Margaret Hyland  
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Victoria University of Wellington  
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Kelburn Parade  
Wellington, 6012, New Zealand

Gabrielle Gallegos  
Chair  
Prediction Market Research Consortium, Inc.  
c/o Michael Edney  
Hunton Andrews Kurth LLP  
2200 Pennsylvania Ave. NW  
Washington, DC 20037

**Re: Amendment of CFTC Letter No. 14-130 regarding the Operation of a Small-Scale, Not-For-Profit Market for the Trading of Event Contracts for Educational Purposes**

Dear Professor Hyland and Chair Gallegos:

This letter serves to amend CFTC Letter No. 14-130, which permits Victoria University of Wellington, New Zealand (“Victoria University”) to operate a not-for-profit market for the trading of event contracts and the offering of such event contracts to U.S. persons (“the Market”). The Market has been operating under the trade name “PredictIt.” All terms of CFTC Letter 14-130 not amended by this letter shall remain in effect.

**1. Transfer of the Market**

The Commodity Futures Trading Commission’s Division of Market Oversight (the “Division”) is amending CFTC Letter No. 14-130 (“CFTC Letter 14-130”) to allow Victoria University to transfer operation of the market to the Prediction Market Research Consortium, Inc. (“PMRC”), a US-based not-for-profit corporation that has applied to the IRS for recognition as an educational and research entity under Section 501(c)(3) of the Internal Revenue Code. The Division understands that PMRC will make decisions regarding what contracts to list on the Market through a board of academics from prominent universities in the United States who will serve staggered two-year terms and be removable by the corporation only for cause. The Division understands that the board members may receive compensation appropriate for directors of not-for-profit entities under applicable state and federal law. The Division understands that PMRC may use fees generated by trading to pay such compensation, the expense of operating the Market, and to conduct and promote research in prediction markets. Further, the Division understands that PMRC may contract with for-profit entities, including PredictIt’s current market servicer, Aristotle International, Inc., to provide for the day-to-day operation of the Market and other services. Finally, the Division understands that Victoria University will cease operating any US-based prediction market upon this transfer to PMRC.

Upon the transfer of operations, PMRC shall be deemed the beneficiary of this letter and CFTC Letter 14-130. Upon the transfer of operations to PMRC, the no-action positions in this letter and CFTC Letter 14-130 are subject to the following conditions:

1. PMRC shall comply with all terms and conditions of this letter and CFTC Letter 14-130.
2. PMRC shall comply with all requests from CFTC staff in demonstrating compliance with the terms and conditions of this letter and CFTC Letter 14-130.
3. The no-action positions in this letter and CFTC Letter 14-130 are issued to PMRC and will not transfer to a different entity by virtue of any future sale or other transfer of operations by PMRC.

## **2. Number of traders permitted in each contract**

Counsel for the Market has told us that the academic community believes that the 5,000-trader limit in any one contract, pursuant to CFTC Letter 14-130, can create distortions in the data generated by the Market, as new traders are not allowed to enter some popular contracts, which then become illiquid and are not able to trade at market prices. Consequently, the Division is amending CFTC Letter 14-130 to eliminate the limit of 5,000 traders in any one contract. The Division is satisfied that the investment caps, as described in this letter, will keep the Market small-scale, while permitting a liquid market that generates high quality data for academic study.

## **3. Allowable investment**

In order to promote liquidity and in recognition of inflation since 2014, the investment limit for a single participant in any particular contract will be the limit for individual contributions to campaigns per election, per candidate, under the Federal Election Campaign Act (FECA), as that limit is adjusted going forward.<sup>1</sup>

## **4. Clarified scope of contracts offered**

As stated in CFTC Letter 14-130, the Division makes clear that the Market is restricted to political events, such as contracts related to the outcomes of elections and other significant political questions not involving war, terrorism, or assassination.<sup>2</sup> The Division understands that political events and significant political questions may include, but are not limited to:

- Nominations, confirmations, other selections, and departures of government officials;
- Court decisions and actions not related to criminal proceedings;
- Official actions by legislatures and legislators (*e.g.*, introduction, action on, and passage of bills and resolutions);
- Issuance and adoption of regulations, executive orders, and other actions of executive branch officials and government agencies;

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<sup>1</sup> See 52 U.S.C. § 30116(a)(1)(A). The current FECA limit is \$3,500. This limit is adjusted for inflation by the Federal Election Commission every two years.

<sup>2</sup> The no-action position in CFTC Letter 14-130 related to “economic indicator contracts” remains unchanged by this letter.

- Adoption of, withdrawal from, or alteration of international agreements not involving war; and
- Official actions and declarations of international agencies.

## **5. Conclusion**

CFTC Letter 14-130, as amended by this letter, provides the scope of no-action positions provided to Victoria University, and its successor entity PMRC, related to the operation of the Market.

Sincerely,

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Rahul Varma  
Acting Director  
Division of Market Oversight