

Regulating prediction: CIRO offers narrow path for Canadians to trade in prediction markets

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The Canadian Investment Regulatory Organization (CIRO) recently authorized two investment dealers to facilitate trading in a “limited set” of event contracts. While trading in binary options has been illegal in Ontario for almost a decade, the increasing focus on prediction markets raises important questions about how to deal with potential misconduct that can accompany this type of trading.

What you need to know

- The event contracts will be limited to: (i) economic forecasts, (ii) environment forecasts, and (iii) financial indicators. They must have a maturity term of 30 days or longer, which is consistent with Ontario’s existing prohibition against trading binary options.
- CIRO emphasized that certain categories of event contracts remain prohibited, including those based on the outcome of elections, political events, other events of a political nature (such as contracts predicting political party leaders’ nominations or referendum results), or unlawful activities under Canadian federal, provincial, or territorial law.
- Prediction markets raise concerns about various forms of market misconduct, including illegal insider trading and tipping, market manipulation, and the misuse of confidential business or government information. It remains to be seen (i) how regulators will address misconduct in the context of prediction markets, (ii) if CIRO will continue to broaden the scope of permissible trading in event contracts, and (iii) whether certain provincial regulators will open the door to further trading in these markets.

Background

Recent headlines relating to trading in prediction markets—such as large bets in the oil market and on foreign regime change in the context of the war in Iran—have captured the attention of both regulators and market participants.

Prediction markets: what are they?

A prediction market refers to a trading platform where participants buy or sell “event contracts”: a type of derivative contract based on the outcome of a future event. These event contracts are typically structured as binary options, which are based on the outcome of a yes/no proposition. The yes/no proposition is expressed as whether an underlying asset, event, or value meets one or more predetermined conditions during a specified period (e.g., “Will

the price of gold be below \$1,082 at 3:42 p.m. on a particular day?”¹.

Binary options typically exercise automatically, meaning that once the contract is entered, there is no decision for the buyer or seller to make. The buyer is either entitled to receive a fixed amount if the predetermined conditions are met, or the buyer loses their money if the predetermined conditions are not met².

Ontario banned binary options in 2017

In 2017, Ontario adopted Multilateral Instrument 91-102 - *Prohibition of Binary Options* (MI 91-102), which prohibited trading in binary options that have a term to maturity of less than 30 days³. According to the Canadian Securities Administrators, the purpose of the prohibition was to protect investors from “binary options fraud” and the illegal promotion of “extremely high-risk products”⁴. Further, the minimum 30-day term to maturity was intended to strike a balance between “banning the types of quick-turnover products that invite fraudulent activity” without banning legitimate trading in other types of instruments⁵.

Every province other than British Columbia has adopted MI 91-102.

CIRO authorizes a “limited set” of event contracts

On March 26, 2026, CIRO announced that two investment dealers have been authorized to facilitate trading in a “limited set” of event contracts⁶. While CIRO did not provide details on the types of event contracts that will be offered, it confirmed that the trading of event contracts is subject to various terms and conditions:

- Event contracts are limited to:
 - **economic forecasts**, such as contracts based on economic statistics related to the amount of sovereign debt, inflation rates, central bank reserve rates, labour markets, and housing;
 - **environment forecasts**, such as contracts based on climate indicators related to the average global temperature; and
 - **financial indicators**, such as US 500 Forecast Contracts that settle based on the daily settlement price of the Chicago Mercantile Exchange E-Mini S&P 500 Futures⁷.
- Event contracts must be limited to contracts with a term to maturity of 30 days or longer.
- Event contracts cannot be based on the outcome of elections, political events, or other events of a political nature (such as contracts predicting election results, political party leaders’ nominations, or referendum results) or on the outcome of unlawful activities under Canadian federal, provincial, or territorial law.
- Clients cannot employ leverage, including the use of margin accounts, for transacting in event contracts.

The future of prediction markets regulation in Canada

The increasing focus on prediction markets raises important questions about how to deal with potential misconduct germane to this type of trading, including concerns about illegal insider trading and tipping, market manipulation, and the misuse of confidential business and government information. They also raise concerns about how to monitor and enforce the ban against trading in binary options where investors illegally access trading platforms that are already prohibited in Ontario. For example, if an Ontario resident misused confidential government information to bet on some aspect of Canada’s foreign policy, what tools would securities regulators deploy to enforce a breach of MI 91-102?

While CISO's recent authorizations signal a willingness to permit certain trading in event contracts that comply with MI 91-102, it remains to be seen (i) how regulators will address misconduct in the context of prediction markets; (ii) if CISO will continue to broaden the scope of permissible trading in event contracts; and (iii) whether certain provincial regulators—such as British Columbia, which did not adopt MI 91-102—will open the door to further trading in prediction markets.

FOOTNOTES

- [1.](#) Ontario Securities Commission, Companion Policy 91-102, [Prohibition of Binary Options](#) (CP 91-102).
- [2.](#) CP 91-102.
- [3.](#) Ontario Securities Commission, Multilateral Instrument 91-102, [Prohibition of Binary Options](#), sections 1-4 (MI 91-102); CP 91-102.
- [4.](#) Ontario Securities Commission, [CSA Multilateral Notice of MI 91-102, Prohibition of Binary Options and Related Companion Policy](#).
- [5.](#) *Ibid.*
- [6.](#) CISO, [Application of CISO Requirements to Event Contracts](#) (March 26, 2026).
- [7.](#) CISO stated that Investment Dealer Members must notify CISO in writing and file a material change to business activities application should it wish to offer event contracts beyond those in this category.

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