Prediction Markets – Current Regulatory Issues and Key Factors Impacting Problem Gambling

What are prediction markets?
Prediction markets are online platforms that allow users to bet on the outcome of future events by purchasing "event contracts" (betting yes or no on the outcome of a future event). Currently, the most dominant freestanding prediction market platforms legally operating in the U.S. are Kalshi and Polymarket. These platforms facilitated an estimated $44 billion in contracts in 2025. However, certain brokerage and crypto apps offer prediction market access as well, either through subsidiaries or partnerships, such as Robinhood's partnership with Kalshi.

Why are states limited in their ability to effectively regulate prediction markets?
Although prediction market betting meets the criteria for gambling (including elements of consideration, chance, and prize), states do not currently have the authority to regulate prediction markets under state definitions of "gambling," as the Commodity Futures Trading Commission (CFTC) claims exclusive jurisdiction over prediction markets. The CFTC's claim to exclusive jurisdiction relies on the Commodity Exchange Act (CEA), which classifies the event contracts traded on prediction markets as "swaps," a type of contract in which payment is based on the occurrence of certain types of events. The CEA gives the CFTC exclusive jurisdiction over futures, options, and swaps traded on registered exchanges, which has resulted in the CFTC claiming exclusive control over prediction market regulation.

Why do states want to expand regulation over prediction markets?
Prediction market platforms offer individuals 18 and older an opportunity to trade sporting event contracts, allowing users to bet on sports regardless of whether a particular state has legalized sports betting. In states that have legalized sports betting, the inability to regulate prediction market platforms prevents states from being able to collect taxes from platforms offering sporting event contracts. According to Pew Research Center, sporting events have made up 80% of total trading volume on Kalshi since July 2024. Without the ability to regulate prediction market platforms, states are also unable to require platforms to utilize the consumer protection and responsible gambling measures that states enforce upon regulated sports betting operators.

In what ways are states currently attempting to assert control over prediction market regulation?
A significant number of states disagree with the CFTC's claim of exclusive jurisdiction over event contract trading on prediction markets, especially when it comes to sports events contracts. Multiple federal court cases have resulted from states issuing cease-and-desist letters to prediction market companies demanding that the platforms stop offering contracts on sporting event outcomes. In these cases, states have largely argued that prediction market companies are evading state sports betting laws by wrongfully considering sports betting event contracts to be "swaps" and that the CEA does not preempt all state regulation of prediction markets. While certain courts have found merit to these arguments, in April 2026, the U.S. Court of Appeals for

the Third Circuit became the first federal appellate court to hold that the CEA preempts state gambling laws as applied to sports-related event contracts traded on licensed prediction markets.

The CFTC has recently sued multiple states for attempts to assert control over prediction market regulation, suing Arizona, Connecticut, Illinois, New York, and Wisconsin in April and New Mexico in June, signaling the current administration's strong desire to shield prediction market betting from state regulation. Experts note the argument concerning the CFTC's authority over prediction markets is bound for Supreme Court review.

In the 2026 legislative year, at least 15 states have introduced bills proposing to prohibit or limit prediction market gambling. This May, the CFTC promptly sued Minnesota after it became the first state to have a prohibition on prediction markets signed into law. It is important to note that due to the existence and widespread availability of virtual private networks (VPNs), state bans on prediction market apps like Kalshi face a wide variety of implementation issues. Regardless of the entity regulating prediction markets, there is a critical need for lawmakers to focus more heavily on the consumer protection and responsible gambling measures that are required to be utilized by prediction market companies.

How is the state of North Carolina currently responding to prediction markets?
Policymakers in NC hold a wide range of views on the legality of prediction markets. Although a bill to prohibit prediction market betting was introduced this April, the state's recently passed budget included monumental approval of the CFTC's claim to exclusive regulation. The budget establishes a 6% tax on prediction market platforms like Kalshi and Polymarket, making North Carolina the third state to tax these platforms this year, after Kentucky and Illinois. However, NC took a different path: rather than building its own regulatory framework - which triggered lawsuits in both of those states - the budget defers to the Commodity Futures Trading Commission's exclusive authority and simply taxes the activity.

The practical effect is that prediction markets are now validated in North Carolina with no state-level rules attached. That gap matters. Licensed NC sports betting operators must enforce a legal betting age of 21, offer responsible gaming tools, and promote the NC Problem Gambling Helpline. Prediction markets carry none of those requirements - and anyone 18 and older can use them to bet on sports, politics, pop culture, and more.

What are some of the key issues to note with prediction market betting, apps, and operators?

- **Lack of robust regulatory framework** – With states lacking the ability to create regulatory frameworks applicable to prediction markets, comprehensive issues exist with under-regulated advertising and responsible gambling tools. The CFTC recently issued a request for public comment related to an Advance Notice of Proposed Rulemaking (ANPRM) regarding event contracts. In response, the NCPG submitted a comment that argues in favor of the fact that prediction market participation meets the criteria for gambling, and therefore, it must be regulated to include protections against problem gambling, even if it remains to be legally referred to as "trading." The comment specifies that regulatory topics that should be applied to prediction markets include but are not limited to “corporate governance, account information and limit setting, time outs and self-exclusion, access to help, advertising, and age of participation.”

- **Age Requirement (18)** – Since Kalshi and Polymarket operate as prediction markets, the age requirement is only 18 years, creating even more widespread issues with younger people betting despite prevalent financial/gambling literacy issues amongst younger groups. The NCPG recommended increasing the legal age for prediction market “trading” to 21 years of age on the basis that “research is clear that young people are at greater risk of gambling problems due to cognitive immaturities and poor understanding of statistical probabilities.”
- **Complicated role with the National Council on Problem Gambling (NCPG) and investment in the problem gambling field** – In May 2026, the NCPG announced that Kalshi was joining NCPG as a member in a newly created membership category, “Financial Services & Trading.” The newly established membership category was accompanied by the announcement of the “Financial Trader Health and Safety Initiative,” and a $2 million investment from Kalshi to “support a strategic initiative focused on trader health and safety.” With the NCPG now receiving considerable financial support from both sports betting operators and the prediction market industry, the NCPG must balance the priorities of industry partnerships and funding with the priorities of mission-forward regulatory advocacy.
- **Misleading advertising/use of bonus offers** – Prediction market apps often use sign up bonuses and special offers that mirror the terms and conditions of offers within sports betting apps (advertising specific “bonus” amounts, but often including fine print terms and conditions that specify bonus amounts are non-withdrawable and dependent on meeting certain time-limited deposit and trading requirements).
- **Misunderstanding of actual odds & impact of subject area knowledge** – Bloomberg finds that the majority of “traders” on the prediction market Polymarket lose money, with over 100,000 accounts having lose at least $1,000, more than double the amount of accounts that have won as much money. Further, according to CNBC Make It, over 70% of “traders” on Kalshi have been unprofitable in the last six months. However, event contracts usually revolve around subjects for which there is an endless amount of online content about, and similarly to sports betting, fan/user knowledge can give people the illusion of better chances. As Haley Sacks, host of the Financial Tea podcast states, “They almost make you feel like all your hours spent doomscrolling TikTok or tracking celebrity drama are actually market research”…“It almost validates the idea that you know something that experts don’t and [you can] turn being a fan or being a news junkie into a lucrative — or they present it as lucrative — profession.”
- **Participation group issues & problematic financial incentives** – A Northwestern Mutual study found that 32% of Gen Z and about 24% of millennials say they are currently or considering putting their money into prediction markets or sports, compared to just 17% of all U.S. adults. Among those interested in prediction markets, sports betting, crypto, options, or meme stocks, 80% of Gen Z and 75% of millennials say that it is because they feel financially behind and think these platforms can help them reach their financial goals more quickly than traditional methods. It’s not difficult to see why people often consider prediction market “trading” (as it is legally deemed) to be similar to trading on the stock market, with Kalshi describing itself as operating “like a stock exchange for events.”

- **Manipulation/Insider Trading –** Widespread issues with insider trading on prediction markets pose a myriad of regulatory challenges and heavily advance the ways in which younger, lower income "traders" can be taken advantage of on prediction market platforms.

What can you do to engage with prevention, treatment, recovery, and advocacy efforts related to problematic trading and betting?

- **Improve screening and referral methods for problem gambling –** Not everyone who uses prediction market apps like Kalshi or Polymarket will refer to trading event contracts as "gambling." If a problem gambling screening does not specify individual activities that are considered gambling, the screening may fail to effectively capture results. Consider utilizing the Emerging Adult Gambling Screen (EAGS), developed by the Gambling Research & Policy Initiative at ECU for screening individuals 18-24. The North Carolina Problem Gambling Helpline provides resources for all North Carolinians experiencing gambling problems and for affected family members of those experiencing problems. Visit the CEGAPP webpage to view a full list of free Helpline resources.
- **Join the CEGAPP newsletter for information on upcoming education and advocacy opportunities –** CEGAPP is currently planning for a problem gambling policy committee and developing exciting opportunities for addiction professionals to gain new tools in problem gambling prevention. Join the CEGAPP newsletter to receive upcoming invitations to get involved.