AMERICAN GAMING ASSOCIATION®

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Testimony of the American Gaming Association
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Before the U.S. House Committee on Agriculture
Subcommittee on Commodity Markets, Digital Assets, and Rural Development
Hearing on "Examining Prediction Markets: Customer Protections and Market Integrity in Sports Event Markets"

July 21, 2026

Chairman Johnson, Ranking Member Davis, and Members of the Subcommittee: thank you for the opportunity to testify today on behalf of the American Gaming Association. I appreciate the Subcommittee's attention to a rapidly escalating issue at the intersection of commodity markets, digital assets, consumer protection, and gambling policy: the proliferation of "sports event contracts" offered through prediction market platforms registered with the Commodity Futures Trading Commission (CFTC).

The AGA represents the legal, state- and tribal-regulated U.S. casino gaming industry, including commercial and tribal operators, licensed sportsbooks, gaming suppliers, and other stakeholders committed to compliance, integrity, and responsible gaming. The industry contributes approximately $329 billion to the U.S. economy, supports 1.8 million jobs, many of them union-backed, family-sustaining careers. Legal gaming generates more than $104 billion in wages, and produces roughly $53 billion in federal, state, and local tax revenue each year.

Executive Summary

The AGA does not oppose prediction markets and strongly supports responsible financial innovation. Our concern is narrow and urgent: a growing number of platforms are using so-called "sports event contracts" to offer nationwide sports betting under the guise of federally regulated financial products. These products function as sports wagers in every meaningful sense, yet they are being offered outside the state and tribal regulatory frameworks that Congress, states, tribes, and voters have spent decades building.

That approach bypasses state law, disregards tribal sovereignty, avoids licensing and tax obligations, weakens consumer protections, and places the CFTC in the position of serving as a de facto national sports betting regulator. Congress should reaffirm that sports wagering is

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gambling, not a commodity or derivatives market, and that "sports event contracts" cannot be offered nationwide through federally registered platforms.

"Sports Event Contracts" Are Sports Betting

Prediction market platforms describe "sports event contracts" as financial instruments, but labels do not change the underlying activity. A consumer stakes money on the outcome of a sporting event, player performance, or game-related contingency and receives a payout if the selected outcome occurs. That is sports betting.

In many cases, these products are marketed in the same manner as traditional sports wagering. Platforms have advertised sports betting as legal nationwide, promoted game outcomes and parlay-like offerings, and encouraged consumer behavior that mirrors sportsbook activity. During the World Cup, prediction market operator Kalshi has been running an ad encouraging Americans to "switch" from using legal sportsbooks to prediction market sports betting.

These platforms are marketing themselves aggressively. Through the first five and half months of this year, 45% of all digital sports betting ads seen by consumers came from prediction market operators, none of which were required to comply with state gaming regulations, including the use of responsible gaming message requirements.

At the same time, these platforms describe the activity as investing. That framing is misleading and dangerous, particularly for younger consumers who may believe gambling on sports is a financial strategy rather than entertainment carrying real risk of loss. While nearly all legal sports betting in the United States is limited to adults 21 and older, prediction markets are available to users as young as 18. Kalshi has publicly disclosed that approximately 4% of its volume comes from users under 21, exposing millions of young adults to sports wagering under the guise of investing.

Congress and the CFTC have long recognized that event contracts involving gaming require special scrutiny. Current CFTC regulations prohibit registered entities from listing contracts that involve, relate to, or reference gaming or activity unlawful under state or federal law. In 2024, Kalshi testified in federal court that, "as the legislative history directly confirms, Congress did not want sports betting to be conducted on derivatives markets." They are now defying their own testimony.

The growth of sports event contracts has exposed the consequences of failing to enforce that principle clearly and consistently.

The scale of this activity has grown explosively since January 2025. Trading volume on Kalshi alone was $23.7 billion last year and reached $111 billion through just the first six months of this

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year. More than 80 percent of that activity is sports betting, including an estimated $2.5 billion in World Cup volume in the past month alone. These figures show that sports event contracts are no longer a small experimental market; they are a rapidly expanding, nationwide substitute for regulated sports betting.

State and Tribal Authority Must Be Preserved

For more than half a century, gambling policy in the United States has rested on a clear principle: states and tribes decide whether and how gaming may occur within their jurisdictions. That principle is reflected in federal law, state law, tribal compacts, and the Supreme Court's recognition when striking down the Professional and Amateur Sports Protection Act (PASPA) in 2018 that states may choose their own approach to sports betting.

Since PASPA's repeal, states and tribal governments have built sports betting frameworks grounded in consumer protection, integrity monitoring, geolocation, licensing, taxation, responsible gaming, law enforcement cooperation, and public accountability. Those frameworks are deliberately tailored to the unique needs and policy choices of the individual jurisdictions. Some states have legalized mobile wagering; others allow only in-person wagers; others have chosen not to legalize sports betting at all. Tribal governments have negotiated compacts that reflect sovereignty, exclusivity, community needs, and long-term economic development.

Sports event contracts override these choices by making sports wagering available nationwide, including in states that rejected sports betting and in jurisdictions where tribes negotiated exclusivity. They also bypass the taxes and regulatory obligations licensed operators accept as part of the social contract that allows gaming to exist. This is regulatory arbitrage, not innovation within the law, and it undermines state authority, tribal sovereignty, and voter intent.

The fiscal harm is direct. Licensed sportsbooks pay state taxes, licensing fees, and responsible gaming assessments because states and tribes determined that legal wagering should generate public benefits and fund regulatory oversight. Prediction market platforms offering sports event contracts avoid those obligations while competing for the same consumers and the same wagering dollars. The result is a growing transfer of activity away from licensed, taxed, accountable markets and into federally asserted channels that do not return comparable value to communities.

The AGA estimates that states and tribes have already lost more than $1.2 billion in critical gaming tax revenue since prediction markets began offering sports event contracts. That is revenue that otherwise would support education, infrastructure, responsible gaming programs, public safety, and other priorities determined by elected state and tribal leaders.

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Consumer Protection and Responsible Gaming Gaps

Legal sportsbooks operate under comprehensive rules designed specifically for gambling. Those rules include age and identity verification, geolocation, anti-money laundering obligations, responsible gaming tools, self-exclusion, employee training, advertising standards, suspicious activity reporting, dispute resolution, and ongoing regulatory oversight.

Prediction market platforms offering sports event contracts are not subject to comparable gaming-specific obligations. These products may be available nationwide to individuals as young as 18, often without the responsible gaming messaging, self-exclusion architecture, or state complaint processes that apply to licensed sportsbooks. In fact, 78% of sports event contract bettors incorrectly believe that state gaming regulators can assist in settling a dispute involving transactions on these platforms.

The concern is compounded by marketing that blurs the line between gambling and investing. Sports betting should be presented as entertainment, not as a path to wealth creation or a substitute for financial planning. When platforms invite consumers to treat wagers on sports outcomes as investments, they increase confusion and risk, especially among younger adults.

Sports Integrity Depends on Regulated Markets

The integrity of sports is central to consumer confidence and to the success of the legal gaming market. Licensed operators monitor wagering activity, use sophisticated analytics, report suspicious patterns, and coordinate with regulators, leagues, integrity monitors, and law enforcement. Those systems exist because sports wagering creates unique risks that require specialized oversight.

Sports event contracts create many of the same integrity risks while operating outside the regulatory framework designed to manage them. If a platform offers wagers on game outcomes, player performance, or related contingencies without gaming-specific monitoring and reporting obligations, it increases the risk that suspicious activity will go undetected or unresolved. The answer to integrity concerns is to keep sports wagering where it belongs within the regulated systems overseen by states and tribes, not for the CFTC to take on responsibility as a national sports betting regulator.

The CFTC Is Not a Gaming Regulator

The CFTC plays an essential role in overseeing commodities, futures, derivatives, and emerging digital asset markets. Its mission is important to farmers, producers, market participants, and the broader economy. But the CFTC was not created to regulate gambling, referee athletic contests, police responsible gaming standards, or administer national sports wagering policy.

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The United States already has a specialized regulatory infrastructure for gaming: more than 8,400 state and tribal regulators with decades of experience licensing operators, auditing compliance, protecting consumers, enforcing responsible gaming obligations, and investigating suspicious wagering. Asking the CFTC to become a national sports betting regulator would stretch the agency beyond its mission and divert attention from the markets Congress intended it to oversee.

This is especially important as Congress considers the future of digital asset market structure. Any expansion of the CFTC's authority in digital assets should not become a vehicle for importing sports betting and casino-style gambling into federal commodities law. Congress can support responsible financial innovation while making clear that gambling remains subject to state and tribal gaming law.

The CFTC's recent proposed rulemaking underscores the need for congressional direction. The proposal appears to acknowledge the obvious point that sports event contracts involve "gaming," but it would still allow the overwhelming majority of sports contracts—such as markets tied to game winners, final scores, point differentials, and season-long statistics—to proceed unless the agency affirmatively finds a contract contrary to the public interest within a defined review period. That approach recognizes the problem while preserving the loophole.

For the legal gaming industry – which supports 1.8 million American jobs – that is not an adequate solution. A rule that identifies sports as gaming but then permits most sports betting contracts to proceed through uncontested, self-certification would effectively federalize sports wagering without a clear congressional mandate.

<u>Congressional Action Is Needed</u>

State officials across the country share these concerns. A bipartisan coalition of 41 state attorneys general has filed comments with the CFTC and participated in multiple amicus efforts warning that sports-related prediction markets operate as unregulated sportsbooks, evade state consumer protections and tax obligations, and lack any clear congressional authorization. Their message is consistent across party lines and regions: Congress did not direct the CFTC to displace state and tribal gaming authority or create a national sports betting regime through commodities regulation.

Litigation is ongoing across the country, and state and tribal authorities are defending their laws and compacts. But litigation alone cannot provide timely certainty. While courts deliberate, sports event contracts continue to expand, consumer confusion deepens, and the boundary between gambling and financial markets becomes more blurred.

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Congress should act to reaffirm three straightforward principles. First, sports wagering is gambling, regardless of whether it is described as an event contract, prediction market, futures contract, or financial instrument. Second, gambling policy is reserved to states and tribes, subject to the federal laws Congress has enacted to protect consumers, markets, and sovereignty. Third, CFTC-registered entities should not be permitted to offer sports betting or casino-style gambling nationwide through self-certified contracts.

Congress should also prevent any default-approval structure that allows sports betting contracts to be listed simply because the CFTC does not act quickly enough. If a contract involves sports wagering, the default should not be passive approval; the default should be that the product belongs within state and tribal gaming frameworks unless Congress clearly provides otherwise.

Clear congressional direction would protect consumers, preserve state and tribal authority, prevent regulatory arbitrage, safeguard sports integrity, and allow the CFTC to focus on its core mission and any new responsibilities Congress chooses to assign in digital asset markets.

Conclusion

The legal gaming industry has succeeded because it operates within a transparent, accountable framework that reflects local choice, respects tribal sovereignty, protects consumers, supports jobs, generates tax revenue, and maintains the integrity of games. "Sports event contracts" threaten that framework by disguising sports wagering as financial trading while circumventing the state and tribal regulatory systems carefully designed to regulate sports betting responsibly.

Congress never intended the CFTC to become a national sports betting regulator, and it should not allow gambling to be conducted through the nation's financial markets. The Prediction Markets know this, as Kalshi's 2024 court testimony proves. Yet they all choose to now mock congressional intent by offering sports betting on their "prediction" platforms.

The AGA respectfully urges the Subcommittee and Congress to reaffirm that sports betting belongs within state and tribal gaming frameworks --not on prediction market platforms operating under federal commodities law.

Thank you for the opportunity to testify. I look forward to your questions.