FROM GAMING TO GOVERNANCE: AN EARLY PRIMER ON RULES AND RISKS FOR PREDICTION PLATFORMS

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Asset Management and Investment Funds and Commercial Litigation

By: Sarah V. Riddell, Todd S. Fishman

Unlike traditional sportsbooks, regulated platforms operate under Commodity Exchange Act and US Commodity Futures Trade Commission (CFTC) rules for derivative products, appealing to institutional players and retail traders alike. Despite the federal framework for binary options, even federally regulated platforms face legal challenges at the US state level. Sports-based contracts listed on registered platforms have triggered cease-and-desist letters and injunctions in Nevada and New Jersey, among other US states, as these states contest whether event contracts are financial swaps or gambling subject to state law and licensing requirements. The litigation risk involved with operating and trading on these platforms is one among other types of emerging regulatory considerations, including insider trading, conflicts of interest—and internal market making desks—cross-market manipulation risk, and the CFTC's self-certification process. While there are indications that Congress might take action related to insider trading and market manipulation, the CFTC's focus on prediction markets will come into focus in the coming years under the new Chairman's regime.

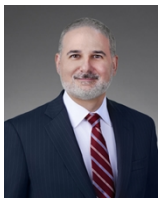
We are closely monitoring emerging risks and identifying strategies to help market participants mitigate against them. If you are interested in learning more about our perspective on the evolving prediction market space, please use this link to access our analysis or feel free to reach out to us.

KEY CONTACTS



SARAH V. RIDDELL
PARTNER

CHICAGO, NEW YORK
+1.312.807.4381
SARAH.RIDDELL@KLGATES.COM



TODD S. FISHMAN
PARTNER

NEW YORK
+1.212.536.4030
TODD.FISHMAN@KLGATES.COM

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