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NO SURE BETS: PROTECTING SPORTS INTEGRITY IN AMERICA

HEARING

BEFORE THE

SUBCOMMITTEE ON CONSUMER PROTECTION, TECHNOLOGY, AND DATA PRIVACY

OF THE

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION
UNITED STATES SENATE

ONE HUNDRED NINETEENTH CONGRESS

SECOND SESSION

MAY 20, 2026

Printed for the use of the Committee on Commerce, Science, and Transportation

Available online: http://www.govinfo.gov

U.S. GOVERNMENT PUBLISHING OFFICE
64–426 PDF WASHINGTON : 2026

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ONE HUNDRED NINETEENTH CONGRESS

SECOND SESSION

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CONTENTS

	Page
Hearing held on May 20, 2026	1
Statement of Senator Blackburn	1
Prepared statement of Hon. Catherine Cortez Masto, U.S. Senator from Nevada	4
Letter dated May 19, 2026 to Hon. Marsha Blackburn and Hon. John Hickenlooper from the Southeastern Conference: Barry Evans, University of Alabama; Romani Thurman, University of Arkansas; Braden Augustus, Louisiana State University; and Cade Phillips, Texas A&M University	5
Statement of Senator Hickenlooper	2
Statement of Senator Cruz	42
Statement of Senator Curtis	48
Statement of Senator Baldwin	50
Statement of Senator Schatz	52
Statement of Senator Cantwell	56
Statement of Senator Rosen	58
Statement of Senator Luján	62

WITNESSES

Bill Miller, President and Chief Executive Officer, American Gaming Association	7
Prepared statement	8
Mary Beth Thomas, Executive Director, Tennessee Sports Wagering Council	13
Prepared statement	14
Scott Sadin, Co-Founder and Co-Chief Executive Officer, Integrity Compliance 360	19
Prepared statement	20
Hon. Patrick McHenry, Senior Advisor, The Coalition for Prediction Markets	24
Prepared statement	26
Dr. Harry Levant, Director of Gambling Policy, Public Health Advocacy Institute	27
Prepared statement	29

APPENDIX

Derek Longmeier, President of the Board of Directors, National Council on Problem Gambling, prepared statement	69
Letter dated March 5, 2026 to Hon. Michael Selig, Chairman, Commodity Futures Trading Commission from Jack Reed, United States Senator and John Hickenlooper, United States Senator	73
Letter dated May 18, 2026 to Hon. Michael Selig, Chairman, Commodity Futures Trading Commission from John Hickenlooper, United States Senator and Jack Reed, United States Senator	74
Response to written questions submitted to Bill Miller by:	
Hon. Maria Cantwell	76
Hon. Ben Ray Luján	77
Response to written questions submitted to Scott Sadin by:	
Hon. Amy Klobuchar	78
Hon. Ben Ray Luján	79
Response to written questions submitted to Hon. Patrick McHenry by:	
Hon. Maria Cantwell	79
Hon. Amy Klobuchar	80
Hon. Ben Ray Luján	81
Hon. John Hickenlooper	82

NO SURE BETS: PROTECTING SPORTS INTEGRITY IN AMERICA

WEDNESDAY, MAY 20, 2026

U.S. SENATE,
SUBCOMMITTEE ON CONSUMER PROTECTION,
TECHNOLOGY, AND DATA PRIVACY,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10 a.m., in room SR–253, Russell Senate Office Building, Hon. Marsha Blackburn, Chair of the Subcommittee, presiding.

Present: Senators Blackburn [presiding], Cruz, Curtis, Hickenlooper, Cantwell, Klobuchar, Schatz, Baldwin, Luján, Blunt Rochester, and Rosen.

OPENING STATEMENT OF HON. MARSHA BLACKBURN, U.S. SENATOR FROM TENNESSEE

Senator BLACKBURN. Good morning. Welcome to everyone. Senator Hickenlooper is close at hand, so we are going to go ahead and begin so that we stay on time this morning. And I want to welcome each of you for being here today, and thank you.

This is a hearing that we have wanted to get to and it is an important hearing. I've heard about this issue quite a bit in Tennessee, whether it's Saturdays in Neyland Stadium, to nights at the Bridgestone Arena watching the Predators. Tennesseans—and I think I can include all Americans in this—love their sports. They love cheering for their teams. Sports bring our families together. They unite people. They teach young people about teamwork, discipline, sacrifice, and fair play.

And American sports are not just this Nation's pastime. They're a global symbol of competition watched by hundreds of millions of people around the globe. When Americans watch their favorite sports team, they don't want to worry about the game being rigged. They don't want to worry that their favorite player missed a free throw to make an extra buck on the side. Unfortunately, though, there have recently been some high-profile examples of match-fixing at the NBA and MLB.

What this does is to challenge Americans' trust in the integrity of sports. And this has all been inflamed by the rapid explosion of legal sports betting across our entire country. What was once limited to a handful of locations is now available in almost every single corner of the country. It is carried with you night and day. It is right there on your mobile device. Americans can now place bets instantly during games, on individual plays, on college athletes,

and it is all done with a single touch of the screen. And the introduction of sports event contracts on prediction markets has exposed more people to sports betting.

While prediction markets represent financial innovation across many sectors, there are real concerns that they function much like traditional sports betting without the enforcement of State regulators and attorneys general. While sports betting is often a source of entertainment for responsible adults, it does have its risk.

Like I mentioned, we have seen scandals involving professional athletes, referees, and suspicious betting activity. College athletes are reporting harassment and threats from angry bettors, and Americans, including young people, are being inundated with advertisements on social media. Their favorite influencers and sports figures are introducing minors to betting. Our young men are in crisis, with over one-third of boys between the ages of 11 and 17 admitting to gambling last year. Sixty percent of those who have been gambling and have seen this gambling content online said they had it surface through their social media algorithms. It was served up to them. They didn't search for it. This is not safe. It needs to stop. And advertising to minors is disgusting.

As we look to protecting the integrity of American sports and protecting the most vulnerable, like our young people and those with addiction risk, it will take all of us working in good faith, from State regulators like Ms. Thomas, who is with us today, the integrity monitors, and the prediction markets and online sportsbooks.

So we're going to dive into this hearing today. It is one that we have worked to assemble. We have a great—we're very grateful to our witnesses for joining us as we begin to build our book of workaround this topic. And at this time, I turn to the Ranking Member for his opening statement.

STATEMENT OF HON. JOHN HICKENLOOPER,
U.S. SENATOR FROM COLORADO

Senator HICKENLOOPER. Thank you, Madam Chair. It has been a pleasure working with you on this issue and others. And looking at the—as you describe it—the inappropriately regulated betting markets, specifically and particularly the recent explosion of prediction markets posts everyday.

I come at this from a different point of view, but I share your frustration. I don't talk about this all the time, but my father got sick when I was—when I was 5 years old and died when I was 8. It was my mother's second husband who passed away, so I was the youngest of 4 kids and I didn't do very well in those early years. And I was vulnerable in elementary school, but especially in middle school and high school where I had real challenges and I wasn't equipped to handle them. I wasn't ready. If I'd been faced with this landscape—I was impulsive. I kind of was attracted like many people to gambling and to chance. I believe there was a beam of light coming down from heaven that was touching me.

We got to get this right. 24/7 access to online sports betting has increased these risks to consumers in a manner that I think far outweighs the traditional brick-and-mortar gambling facilities. This is especially true in the prediction markets. Sports betting makes up 40 percent of the trades on Palaris Market and a staggering 90

percent on Kalshi. Online sportsbooks like FanDuel and DraftKings have started their own prediction markets to in some way bypass or negotiate State laws.

Prediction markets have been in the headlines recently for permitting government officials to have inside information to place bets on events relating to the death of Iranian leader Khamenei, abduction of President Maduro. These are clear risks to our national security when there's inside information being leaked out. This shouldn't be happening. We've introduced the BETS OFF Act to ban wagering on government actions, on war, terrorism, and assassinations by people with inside information. Similar inside trading issues exist in sports betting prediction markets.

Is there a bet on a specific player's actions? Are they going to miss that foul shot? Is that somehow going to be a way to make a quick $10 on a wager? That's nuts. That's nuts. The very fact that we're betting on that, which is clearly a—should be a random outside event, the fact that so many people, especially young people, especially young men, are wagering on this, there's got to be a real concern.

Prediction markets claim that their sports event contracts, which pose the same risk to consumers as online sports betting, they say that they're investments and not subject to State or tribal gambling laws. The CFTC—you know, if they're not subject to those laws, then they are—the regulator is the Commodity Futures Trading Commission—but the CFTC has literally no experience in regulating sports betting.

Even worse, CFTC has failed to use the authority it does have to protect sports bettors from insider trading, market manipulation, predatory advertising, and financial instability. This workaround is merely a way for prediction markets to skirt State consumer protection laws.

I think prediction markets fail to protect young people who are particularly vulnerable to gambling addiction. We have a lot of young men, especially, that are vulnerable to this, and we're doing nothing. Gambling addiction is at the additional risk of being a silent illness. Unlike alcohol and drug addiction, the financial and psychological harms that come with gambling addiction are hard to see. And gamblers unlikely, rarely share when they've lost. But of course, when they've won, they're telling all their friends. So there's that sense that gets translated in our virulent social media that it's great, that it's positive, it's going to be a good thing.

Many states, including my home state of Colorado, prohibit sportsbooks from advertising to minors under 21, restrict advertising to those who are already struggling with gambling addiction. However, the CFTC does not currently apply the same protections to prediction markets. One study found that between 2018 and 2023, the amount of money that people spent on gambling—on sports gambling, rose while their net investments fell nearly 14 percent. In other words, they don't have the money to invest because they're spending it on gambling. That's the inescapable reality of that.

To really bring this home, I'll share that back in the days of my restaurant owner days, we had a bartender and a waiter—a waitstaff member, and she and he fell in love. It was, for the whole

restaurant, a wonderful moment. They were going to get married, and he decided he wanted a bigger down payment for the house they were going to buy together with their—with their monies being commingled. Sure enough, he lost everything. Their relationship, their love, their marriage—their future marriage was destroyed.

When you see that firsthand, how in an instant someone's life can be damaged probably forever, you see the seriousness of this. And that's one story that I saw personally. This has been happening by the thousands, the hundreds of thousands. I mean, I'm not saying—and I'm a supporter, it's a victimless crime. I'm not sure we—I was not in favor of sending people to prison for gambling, but to let the hounds of hell, the incredible power of mass marketing and social media, to let that untethered prey on our young people, I think is unconscionable. I think it's irresponsible.

I yield back to the Chair.

Senator BLACKBURN. I thank the Ranking Member. I know that Chairman Cruz and Ranking Member Cantwell had wanted to make statements today, and we will insert them when they're able to get here. I do have two letters to submit for the record and will ask to do so. Senator Cortez Masto had a statement she wanted to make for the record, and then the SEC, that is in Southeast Conference, the best conference, by the way. Go Vols! They have a letter they wanted to submit for the record.

[The information referred to follows:]

PREPARED STATEMENT OF HON. CATHERINE CORTEZ MASTO,
U.S. SENATOR FROM NEVADA

I want to thank Consumer Protection Subcommittee Chair Blackburn for holding this hearing, as well as Subcommittee Ranking Member Hickenlooper, Committee Chair Cruz, and Committee Ranking Member Cantwell.

I also want to thank the hearing witnesses, especially Bill Miller, who I had the pleasure of speaking to about this exact topic just a few weeks ago in my hometown of Las Vegas.

In Nevada, we know how to do gaming. We're the gold standard of regulated, well-run gaming. And that includes our sportsbooks.

When sports bettors operate within the legal system, the entire state of Nevada benefits.

But as this hearing is intended to discuss, prediction markets that are claiming to be federally regulated are threatening the gaming industry, not just in Nevada but across the country.

These companies are trying to weasel their way around state and tribal gaming regulations by calling "gambling" by different names.

Let's be clear: calling it "prediction markets" or "events contracts" doesn't change what these gambling operations are—illegal.

They're offering their users illicit sports wagers that have essentially no limits. They don't have the same minimum age restrictions, so 18-year-olds who otherwise couldn't gamble in Nevada can make an account on Kalshi or Crypto.com.

Unfortunately, the current administration's Commodity Futures Trading Commission is refusing to enforce its own rule to prohibit gambling in event contracts. In fact, the CFTC has been doing the opposite and endorsing these illegal prediction markets. They currently have an amicus brief in the Ninth Circuit backing crypto.com and Kalshi in Nevada.

There's bipartisan consensus that this is wrong. That's why Senator John Curtis of Utah and I have pushed the CFTC to follow its own rules and ban sports gaming on CFTC-regulated exchanges.

Senator Curtis and I, along with Senator Adam Schif of California, also have a bill, the *Prediction Markets are Gambling Act,* to prohibit any CFTC-registered entities like Polymarket and Kalshi from listing any event contract that resembles a sports bet or casino-style game.

And as we know, the Senate just unanimously passed a rule barring Senators and their staff from betting on prediction markets. That's a good start—we need to make sure no one in a position of power is using insider information to gain an unfair advantage.

I'm grateful we have a bipartisan consensus on protecting legal, regulated gaming—because standing up for our gaming industry and the tens of thousands of workers it supports is a priority for me.

Lastly, I want to recognize Chair Cruz for working with me to pass our *FULL HOUSE Act,* which would fix an erroneous change in the Republican tax bill that capped the amount of wagering losses able to be deducted at 90 percent, creating a tax on non-existent income.

I'm going to continue to work with my colleagues on both sides of the aisle to stand up for the industry and consumers on this issue.

SOUTHEASTERN CONFERENCE
Birmingham, AL, May 19, 2026

Hon. MARSHA BLACKBURN,
Chair,
Subcommittee on Consumer Protection, Technology, and Data Privacy,
Committee on Commerce, Science, and Transportation,
United States Senate,
Washington, DC.

Hon. JOHN HICKENLOOPER,
Ranking Member,
Subcommittee on Consumer Protection, Technology, and Data Privacy,
Committee on Commerce, Science, and Transportation,
United States Senate,
Washington, DC.

Dear Chair Blackburn and Ranking Member Hickenlooper,

On behalf of the Southeastern Conference Student-Athlete Advisory Committee (SAAC), we urge you to pass legislation that protects student-athletes like us, now and in the future, from the growing use of proposition ("prop") betting in college athletics and the threat it poses to student-athletes.

In today's age of technology, fans of college athletics have never been closer to student-athletes through social media. This has created opportunities for student-athletes to build their personal brands and increase their marketability, contributing to the current era of Name, Image, and Likeness (NIL). While these developments have created valuable opportunities, they have also introduced new risks for student-athletes.

With increased accessibility, some individuals are using these platforms to express frustration directly toward student-athletes. Harassment via social media has become a common challenge for many. Student-athletes often receive negative comments after competitions, as well as direct messages containing criticism and even threats tied to their performance. The level of harassment is further intensified when gambling is involved.

Beyond social media, individuals are now using payment platforms such as Cash App and Venmo to demand money from student-athletes when bets do not succeed. This is largely driven by prop betting, which focuses on individual and team performances.

There is also growing concern about the integrity of college athletics. When bets are tied to individual statistics or specific plays, it can create pressure and suspicion surrounding student-athletes' performances. Eliminating prop bets would help safeguard the integrity of college sports and reduce these external pressures.

Student-athlete welfare and the pursuit of the highest level of collegiate competition are central priorities of the SEC. However, the growing pressures associated with gambling further endanger student-athletes' well-being. These pressures can hinder performance and prevent student-athletes from being fully present and developing to their fullest potential, not only in academics and athletics, but also as young men and women preparing to contribute meaningfully to society.

In light of the rising threats facing student-athletes, we respectfully ask that you support national legislation to protect both student-athletes and the integrity of college sports. Specifically, we urge you to pass legislation that would eliminate prop bets on student-athletes. Thank you for your leadership and continued commitment to student-athlete welfare. We would welcome the opportunity to discuss this issue further or provide additional information. Please do not hesitate to contact me directly at (229) 460–4400 or via e-mail at *beevans2@crimson.ua.edu.*

Kind regards,

Barry Evans
Men's Track & Field
The University of Alabama
NCAA Student Athlete Advisory Committee Representative

Romani Thurman
Volleyball
The University of Arkansas
SEC Student Athlete Committee Chair

Braden Augustus
Football
Louisiana State University
SEC Student Athlete Committee Vice Chair

Cade Phillips
Men's Basketball
Texas A&M University
SEC Men's Basketball Representative
NCAA Men's Basketball Oversight Committee Representative
NCAA Student-Athlete Engagement Group Representative

cc: Greg Sankey, Southeastern Conference Commissioner
The Honorable Ted Cruz, Chairman, Committee on Commerce, Science and Transportation, United States Senate
The Honorable Maria Cantwell, Ranking Member, Committee on Commerce, Science and Transportation, United States Senate

Senator BALCKBURN. Our witnesses today. Our first witness is Mr. Bill Miller, President and Chief Executive Officer of the American Gaming Association. He's led the AGA for seven years, and over that time, the organization has experienced expansive growth of sports gambling in the U.S.

Our second witness is Mary Beth Thomas, who serves as the Executive Director of the Tennessee Sports Wagering Council. She is an experienced gaming regulator and lawyer who works closely with other State regulators to strengthen consumer protections on legal gambling. She is also a native Nashvillian, and I have known her since she was 3 years old. She is really a great regulator.

Our third witness is Mr. Scott Sadin. He is the Co-founder and Chief Executive Officer at Integrity Compliance 360, with a background in financial market compliance. He created one of the leading sports integrity monitoring firms in the United States. And I thank you for your time yesterday.

Our fourth witness is my good friend, former Congressman Patrick McHenry, who I think was the best Chief Deputy Whip that the House ever had, because I was one of those Deputy Whips. He is currently serving as the Senior Advisor for the Coalition for Prediction Markets. During his 20 years in the House of Representatives, Congressman McHenry served on the House Financial Services Committee for many years, including as Chairman, and we welcome him back to Capitol Hill.

Our final witness today, Dr. Harry Levant. Dr. Levant is an internationally certified gambling counselor and currently serves as

Director of Gambling Policy at the Public Health Advocacy Institute. He is also a recovering gambling addict himself and advocates for policies he believes will help more addicts recover and avoid relapsing.

I want to welcome each of you. At this point, we will begin your time for testimony. Each of you will have five minutes, and then we will begin our rounds of questioning. Mr. Miller, you're recognized for five minutes.

STATEMENT OF BILL MILLER, PRESIDENT AND CHIEF EXECUTIVE OFFICER, AMERICAN GAMING ASSOCIATION

Mr. MILLER. Thank you, Madam Chairman. Chairman Blackburn, Cruz, Ranking Members Hickenlooper and Cantwell, members of the Subcommittee, thank you for the opportunity to be here today on behalf of the legal, State, and tribal regulated gaming industry, one of the most highly regulated industries in the United States. We are an essential part of the American economy.

The legal gaming industry supports 1.8 million American jobs. We have more than 1,000 casinos, tribal and commercial, across 42 states, suppliers, manufacturers, and sports betting. Our industry has created economic vitality in areas left behind by other industries. We generate more than $100 billion in employee wages. We deliver $18 billion annually in State and local taxes to fund critically important community projects like education, infrastructure, and public service.

The legal gaming industry, our regulators, and sports leagues are aligned on our shared mission to protect sports integrity. Together, the industry monitors, flags, and reports suspicious activities and threats to that integrity. Since PASPA was reversed in 2018, 40 states and the District of Columbia have thoroughly worked to build sports betting frameworks centered around integrity, consumer protection, responsible gaming, and accountability. Other states like Utah, Texas, and Georgia have chosen not to legalize sports betting, yet there continues to be a robust offshore illegal market that provides consumers no protections while receiving about $700 billion in American bets. And now gaming integrity frameworks are being undermined by so-called prediction markets who are evading State, local, and tribal authorities.

The legal State and tribal regulated gaming market has proven safeguards. More than 8,400 State and tribal regulators who oversee our industry. Licensed sportsbooks operate under strict rules regarding age verification, AML compliance, geolocation, integrity monitoring, responsible gaming, advertising standards, and flagging suspicious activity. Prediction markets, they don't comply with most of these important regulatory protections, and they allow 18-year-old teenagers to bet on sports.

And although a vast majority of their business is in the sports base, prediction markets have also drawn attention for offering death markets and other odious bets that threaten our national security. We market ourselves accurately. We're part of the entertainment economy. These so-called prediction markets are deceptively calling sports betting financial contracts and investing.

Despite messaging designed to beguile policymakers and the public, they are increasingly being exposed as backdoor sports betting

operations. We know it, they know it, and the American people know it. As Senator Hickenlooper said, nearly 90 percent of Kalshi's wagers revolve around sports betting. They advertise it themselves: sports betting legal in all 50 states.

A bipartisan coalition of 41 State attorneys general agree: so-called sports events contracts are actually sports betting, and the states must regulate them. We believe that prediction markets are evading State and tribal authorities, and it has cost those states and tribal authorities close to $1 billion in lost tax revenue that would otherwise go to social services.

In closing, so-called prediction market platforms jeopardize the integrity of sports. States, tribes, regulators, leagues, and operators are working together to improve consumer protections to reinforce responsible gaming. Our process protects the integrity of sports. Why the prediction markets don't want to play by these rules, it's for them to explain.

The CFTC was created to regulate markets critical to the functioning of the Nation's economy, not to regulate Monday Night Football. In 2024, Kalshi stated this in Federal court. As the legislative history directly confirms, Congress did not want sports betting to be conducted on derivative markets. And just a few months later, they were offering an overwhelming menu of sports bets from the NFL playoffs to the Super Bowl to March Madness. Prediction markets, aided by a rogue CFTC, are making a mockery of congressional intent. The prediction markets are running national sportsbooks, and it's time to hold them accountable in the same way we are.

Thank you for having us here today and look forward to our conversation.

[The prepared statement of Mr. Miller follows:]

PREPARED STATEMENT OF BILL MILLER, PRESIDENT AND CEO, AMERICAN GAMING ASSOCIATION

Chairman Blackburn, Ranking Member Hickenlooper, and Members of the Subcommittee:

Thank you for the opportunity to testify today on behalf of the American Gaming Association (AGA). As the national trade association representing the legal, state- and tribal-regulated gaming industry, our members include commercial and tribal gaming operators, suppliers, and stakeholders committed to maintaining safe, transparent, and responsible gaming environments across the United States.

The legal gaming industry supports 1.8 million jobs nationwide—more than the populations of Denver and Nashville combined. The industry directly employs more than 700,000 Americans and generates $104 billion in wages.

Since the Supreme Court overturned the Professional and Amateur Sports Protection Act (PASPA) in 2018, states and tribal governments have thoughtfully built legal sports betting frameworks grounded in consumer protection, integrity monitoring, robust geolocation compliance controls, responsible gaming, and regulatory accountability. Today, the $329 billion legal gaming industry exists because states and tribal governments made intentional policy decisions on whether and how to legalize and regulate this activity within their jurisdictions.

While the state-and tribal-regulated framework has long been challenged by competition from illegal and unregulated forms of gambling—both offshore and domestic—it is now also being severely eroded by prediction market platforms offering sports event contracts nationwide under the "authority" of the Commodity Futures Trading Commission (CFTC).

These products function as sports betting in every meaningful sense. Consumers are betting money on the outcome of sporting events and player performances. Sports betting is being repackaged as a financial product bypassing the consumer

protections, responsible gaming standards, and the state and tribal regulatory systems established after PASPA.

In 2024, *sports-related activity on Kalshi* represented just $227,000 in volume. Today, sports betting accounts for approximately 86 percent of their business, and has already generated more than $47 billion in trading volume this year alone. At the same time, crypto, traditional financial, agriculture, and economic contracts—the types of markets the CFTC was actually created to oversee—have collapsed from more than 93 percent of their volume in 2023 to less than 1 percent today.

Even the companies offering these products have marketed them as sports betting. Kalshi launched its national marketing campaign last year boasting "sports betting legal in all 50 states" through its platform. The public agrees, with *recent polling* finding that 81 percent of Americans say betting on sports through prediction markets is gambling. Forty-one bipartisan state attorneys general from across the country have challenged sports event contracts, and Nevada Gaming Control Board Chairman *Mike Dreitzer recently said it best:* "make whatever word salad they want, but it's gambling."

The Right Regulatory Framework

Following the repeal of PASPA, 39 states plus DC have taken a deliberate and thoughtful approach to building sports betting frameworks centered on consumer protection, integrity, accountability, and law enforcement cooperation.

Legislatures, regulators, law enforcement, tribes, leagues, public health experts, and operators spent years building systems designed to balance consumer demand with strong protections and accountability. Today, more than 8,400 state and tribal gaming regulators across the country oversee legal gaming operations and enforce those standards every day.

Over the last eight years, states have established rigorous regulatory systems governing virtually every aspect of legal sports betting, including:

- Licensing, suitability reviews, and reporting requirements,
- age and identity verification,
- anti-money laundering compliance,
- geolocation requirements,
- integrity monitoring and suspicious activity reporting,
- responsible gaming protections,
- advertising and marketing standards, and
- ongoing regulatory oversight and enforcement.

Importantly, not every state has chosen to legalize sports betting. Some have made the intentional decision not to offer it at all, while others have adopted in-person wagers only, limits on types of bets, strict advertising standards, and other decisions they believe are right for their jurisdictions. That is exactly how the system is designed to function. States should retain the right to determine for themselves whether sports betting is permitted within their borders and, if so, under what terms, protections, and regulatory safeguards.

The legal market has generated meaningful economic benefits for states and local communities. Since PASPA's repeal, legal sports betting has generated more than $12 billion in state tax revenue supporting critical priorities like education, infrastructure, economic development, and responsible gaming programs. Those revenues are the direct result of legal operators participating in transparent, regulated systems subject to state oversight and taxation.

Furthermore, the current sports betting framework supports tribal sovereignty under the Indian Gaming Regulatory Act. For decades, tribal governments have negotiated compacts and built gaming frameworks designed to reflect the priorities and needs of their own communities. Those systems are intentionally structured to protect their people, preserve regulatory authority, and ensure gaming revenues support essential tribal government services, economic development, healthcare, education, and long-term self-determination.

For many tribal governments, gaming revenue is a critical source of funding. In 2025, tribal gaming operations *provided more than $16 billion* to support tribal governmental programs and investments, helping address gaps in Federal funding for Indian programs.

That framework is now being undermined by prediction market platforms attempting to use Federal commodities law to offer what are functionally sports bets across all 50 states, including in jurisdictions that expressly chose not to legalize sports betting. These platforms are also bypassing the taxes and regulatory obliga-

tions legal sports betting operators abide by, potentially depriving states of an estimated $1 billion of sports betting tax revenue.

Congress never intended for Federal financial market regulation to override Federal and state law, tribal sovereignty, or the carefully constructed gaming frameworks built over decades. Those state-specific frameworks also ensure compliance with the Wire Act prohibition on interstate sports wagering. Prediction market operators are doing the complete opposite: offering interstate sports wagering under the guise of a futures trade.

The success of the legal market should be measured by the consumer protections, integrity safeguards, responsible gaming investments, and transparency that now exist—protections that were absent in the illegal market prior to PASPA's repeal and that don't exist in the commodities markets today.

Responsible Gaming is Central

The legal state-and tribal-regulated gaming industry understands that with legalization comes responsibility.

Responsible gaming is foundational to maintaining consumer trust and the long-term sustainability of sports betting in the United States. Legal sportsbooks operate under extensive responsible gaming requirements established by state regulators and reinforced by industry standards. These protections include self-exclusion programs, deposit and time limits, employee training, age and identity verification, responsible gaming messaging, and ongoing monitoring designed to identify potentially problematic behavior.

The gaming industry also invests more than $500 million annually into responsible gaming programs, consumer education, research, employee training. More than $123 million of state gaming tax revenue is devoted to state problem gambling intervention and treatment programs.

In addition, the AGA's *Responsible Marketing Code for Sports Wagering* establishes standards around advertising content, target audiences, and promotional activity. In 2023, the industry strengthened those standards further by prohibiting sportsbook partnerships with colleges and universities that promote sports wagering activity and banning NIL agreements with amateur and college athletes.

These are concrete standards adopted by a regulated industry that recognizes the unique responsibilities associated with offering legal sports betting.

In 2025, the AGA launched *Play Smart from the Start,* a research-backed responsible gaming initiative designed to make responsible gaming messages relevant to all players and remind them that gambling is entertainment. The campaign is promoted by legal operators, sports leagues, and industry partners nationwide to encourage informed play and reinforce the industry's commitment to responsibility.

Prediction market platforms operate outside many of these same safeguards. Most states require customers to be at least 21 years old. Prediction market platforms permit participation by 18-year-olds nationwide while offering products that are functionally indistinguishable from sports betting. *Recent polling* found that 81 percent of Americans view sports betting on prediction markets as gambling, while 77 percent expressed concern that allowing 18-year-olds to bet on sports through prediction markets could increase gambling-related harm among young adults, compared with sportsbooks that require users to be 21.

These platforms are aggressively marketing sports event contracts using language that blurs the line between investing and gambling—promoting concepts like *"building generational wealth," "paying rent,"* or *"sports betting legal in all 50 states."*

Legal sports betting advertising volume has *decreased 27 percent across all channels since its peak in 2021,* while prediction market sports advertising has exploded in the early months of 2026. *Nearly half of all digital sports betting ads impressions now come from prediction markets*—none of which include responsible gaming messaging required of legal operators.

These findings reinforce the predatory nature, consumer confusion, and underlying risks associated with what they call "sports event contracts."

Integrity and Consumer Protection Depend on the Legal Market

Protecting the integrity of sports is fundamental to the success of the legal gaming industry. Legal sportsbooks actively monitor betting activity, share information with regulators and leagues, and utilize sophisticated analytics to identify suspicious wagering patterns and potential misconduct. Those safeguards exist because integrity threats are taken seriously throughout the regulated market.

Legal sports betting gives consumers clear recourse. If something goes wrong, state and tribal gaming regulators can investigate complaints, enforce rules, and hold licensed operators accountable. Prediction markets blur that accountability. *Seventy-eight percent of sports event contract bettors incorrectly believe state gaming*

regulators can help resolve disputes involving these products—when in reality, consumers have nowhere to go. If a prediction market bettor has a concern, there is no comparable state regulatory structure to turn to.

Recent investigations involving athletes, coaches, and suspicious betting activity are concerning and should worry everyone in the room. But they also demonstrate why the legal market not only matters, but is working. In these high-profile cases, suspicious activity was identified because regulated operators were monitoring the market, flagging irregular wagering patterns, and coordinating with leagues, regulators, and law enforcement. The activity occurred within transparent and accountable regulatory frameworks.

The contrast with illegal and unregulated markets is stark. Illegal and offshore sportsbooks continue to pose serious risks to consumers and competition integrity. Operating entirely outside of U.S. law, these companies evade taxes, ignore responsible gaming requirements, and provide no consumer protections. Americans currently *wager nearly $700 billion annually* with illegal and unregulated operators, and some *analysts estimate prediction markets alone could ultimately approach $1 trillion* in annual trading volume.

The case involving Shohei Ohtani's former interpreter illustrates exactly what happens when gambling activity takes place outside regulated systems. Thousands of wagers were placed over an extended period through an illegal bookmaker because there were no meaningful safeguards, reporting obligations, or oversight mechanisms in place. Competition integrity is foundational to the legal gaming market's existence. Consumers will only participate in sports betting if they trust the games themselves are fair. That is why legal operators invest heavily in integrity monitoring systems, compliance programs, anti-money laundering controls, and partnerships with leagues and independent integrity monitors.

Prediction market platforms pose many of the same integrity risks associated with sports betting while operating outside the regulatory frameworks specifically designed to identify suspicious activity, protect consumers, and preserve confidence in competition. We have already seen the serious risk in other markets: a U.S. soldier charged with using classified information to profit from prediction market bets tied to the operation targeting Nicolás Maduro, and suspiciously timed trades linked to the Iran conflict and military action markets. Given that more than 90 percent of the volume is sports, a match fixing case on prediction markets is just a matter of time. The CFTC is allowing operators to self-certify and police themselves through rushed, voluntary guardrails that do not come close to the state-and tribal-regulated framework built for sports betting.

Don't just take it from me, earlier this year CFTC Chairman *Michael Selig stated:* "The CFTC is not a merit-based regulator—we do not decide what people should be able to trade. Nor are we going to regulate through enforcement."

Conclusion

The legal state-and-tribal regulated sports betting market has created robust consumer protections, rigorous responsible gaming safeguards, strong integrity oversight, and real regulatory accountability—and states, tribes, regulators, operators, leagues, and law enforcement continue to work together every day to strengthen those systems and address emerging challenges responsibly.

Congress can help further strengthen this system by considering the following actions:

- Reaffirming the longstanding principle that sports wagering is subject to state and tribal gaming law. Recent bipartisan legislation introduced by Senators Schiff and Curtis—*the Prediction Markets Are Gambling Act*—to prohibit sports event contracts reinforces that principle and would help prevent the continued illegal expansion of sports betting through Federal financial markets.
- Working with the Administration to ensure the Department of Justice and other Federal agencies prioritize enforcement against illegal and offshore operators attempting to evade U.S. law while avoiding consumer protections and regulatory safeguards legal markets provide.
- Revisiting outdated policies like the Federal excise tax on legal sports wagering, which continues to disadvantage regulated operators competing against illegal and untaxed markets.
- Strengthening Federal penalties for match-fixing as an added deterrent to protect the integrity of sports.

Sports betting must occur within the transparent, accountable state-and tribal-regulated systems specifically designed to oversee it responsibly. Backdoor betting operations undermine the work and expertise of 8,400 industry regulators, consumer

protections embedded in state and tribal law, and the will of voters across the country.

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

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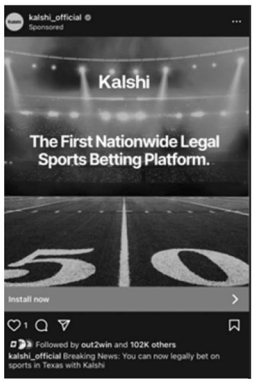
Appendix:



Senator BLACKBURN. Ms. Thomas. You're recognized for five minutes.

STATEMENT OF MARY BETH THOMAS, EXECUTIVE DIRECTOR, TENNESSEE SPORTS WAGERING COUNCIL

Ms. THOMAS. Chairman Blackburn, Ranking Member Hickenlooper, and members of the Subcommittee, it is an honor to be here today, especially in front of my U.S. Senator. Thank you for the opportunity to speak on the Tennessee Sports Gaming Act and the priorities in place that we have to protect consumers and to regulate previously unlicensed sports wagering activity through formal oversight.

In Tennessee, it is a taxable privilege to offer sports wagering pursuant to a license issued by our council. Since sports betting went live in 2020, Tennessee has collected close to $450 million in privilege taxes from licensed sportsbooks, with 5 percent of that, or close to $23 million, dedicated to problem gambling prevention and treatment.

Tennessee recognizes that gambling is risky and can become problematic for some players if the right procedures are not enforced. To that end, our law prohibits individuals under the age of 21 from wagering. It requires sportsbooks to make available and enforce exclusionary measures for those who do not wish to access gaming platforms or receive marketing materials.

In support of this requirement, our State agency manages a statewide self-exclusion program to ensure communication of these exclusions across every licensed sportsbook in our state, no matter where the exclusion originated. Our law prohibits credit card deposits and the extension of credit and requires sportsbooks to provide the ability for players to set limits on time and money deposited. After all, sports betting in Tennessee is viewed as a form of entertainment for adults, not a way for college kids to pay the rent.

Importantly, our law respects the concerns of teams, schools, leagues, and players about particularly risky wagering markets by prohibiting individual college player prop bets, live team prop bets for any college sport, and any types of wagers on injuries or penalties. Our law also allows teams, leagues, and schools to prohibit other types of wagering markets that may—excuse me, to ask the council to prohibit other types of wagering markets that may be contrary to the public interest or that could impact the integrity of a particular sport.

Sportsbooks are required, and they do cooperate with investigations by our office, sports governing bodies, and law enforcement. And also importantly, our agency is empowered under our law to investigate and fine unlicensed sportsbooks who choose to operate in our state unregulated. Our council has promulgated extensive rules to further support our statute's consumer protections, which we have strengthened over time as technology has advanced.

Those include strong know-your-customer regulations, to identify players and prevent access by minors and other prohibited players; secondary identity verification requirements to prevent identity theft and proxy betting; multi-factor authentication requirements to prevent bad actors from taking over accounts; robust geolocation

checks at multiple points in time and access; and required account suspension and reporting related to minors and prohibited players.

A sportsbook's internal controls, which we approve and regularly audit, must have procedures to immediately notify our office of unusual or suspicious wagering activity. And this reporting obligation goes far beyond money laundering or fraud. It includes anything that could indicate match fixing, event manipulation, or the misuse of inside information.

In many ways, our sportsbooks do act as the first line of defense, but you cannot describe their reporting as self-certification. As State regulators, we proactively identify and work to correct gaps in sportsbook compliance with multiple checks during the term of their licensure. We review all material technological and operational changes, as well as all changes to house rules and terms and conditions prior to implementation. We require our sportsbooks to undergo annual third-party operational and security assessments that are reported directly to us for review.

Sportsbooks are also required to perform their own internal audit and report findings and remedial measures to us. We audit compliance with financial requirements and player-facing technical components, as well as wagering catalogs to see whether impermissible markets are being offered. We review incident reports related to operational issues, which helps us not only ensure compliance but helps keep us up to date on issues that we might hear from a player, because we also serve as the resource for the resolution of all player complaints in Tennessee.

Although it may seem like there has been a growth of cases regarding athlete manipulation or information sharing, my experience has been that legal and regulated sports betting has greatly increased the volume of data available, which has led to a higher number of incidents being reported and addressed. Any criminal behavior can be difficult to completely prevent, but it can often be detected, investigated, and enforced with the right tools and collaboration.

Thank you very much.

[The prepared statement of Ms. Thomas follows:]

PREPARED STATEMENT OF MARY BETH THOMAS, EXECUTIVE DIRECTOR, TENNESSEE SPORTS WAGERING COUNCIL

Chairman, Ranking Member, and Members of the Subcommittee: My name is Mary Beth Thomas, and I serve as Executive Director of the Tennessee Sports Wagering Council. Thank you for allowing me the opportunity to testify before you about how the State of Tennessee has structured the regulation of sports betting and how the Tennessee Sports Wagering Council works to ensure the integrity of sport.

A. Gambling in Tennessee

The Professional and Amateur Sports Protection Act, known as PASPA, effectively outlawed sports betting nationwide with only a few exclusions. PASPA was judicially overturned in 2018 when the Supreme Court held that it infringed on state power in violation of the anti-commandeering doctrine enshrined in the Tenth Amendment to the U.S. Constitution. Since PASPA was overturned, state legislatures have considered whether to prohibit or permit sports betting in their own states, and if permitted, the terms under which sports betting would be allowed. Today, 39 states and the District of Columbia allow retail sports betting, online sports betting, or both.

Tennessee has a unique history with respect to gambling and games of chance. Importantly, the Constitution of the State of Tennessee provides that the Legisla-

ture has no power to authorize lotteries for any purpose, other than a state lottery to provide financial assistance to Tennesseans to attend post-secondary educational institutions. The Legislature may not authorize games of chance associated with casinos, including, but not limited to, slot machines, roulette wheels, and the like.

The Legislature has traditionally adopted a restrictive policy approach in authorizing even those games where chance is an element but skill is the dominant factor, in part due to the long shadow cast by Operation Rocky Top. Operation Rocky Top was an FBI and TBI undercover investigation in the late 1980s into corruption related to charity bingo, which led to over 50 convictions on assorted bribery and corruption charges. The Tennessee Legislature subsequently passed legislation creating the Tennessee Gambling Act, which provides that "gambling" is "contrary to the public policy of this state and means risking anything of value for a profit whose return is to any degree contingent on chance." The Tennessee Gambling Act criminalizes both gambling and gambling promotion. Accordingly, apart from the Tennessee Education Lottery Corporation and until fantasy sports contests and sports betting were authorized as games where skill is the dominant factor and statutorily removed from the definition of "gambling," there has been no other commercial gaming in Tennessee—no racetracks, no online casinos or brick and mortar casinos, and no other retail gambling locations.

B. The Tennessee Sports Gaming Act

Given that history, the Tennessee Sports Gaming Act, effective July 1, 2019, has provisions that are unique to Tennessee and address concerns and priorities specific to our State. As presently enacted, the Tennessee Sports Gaming Act creates our nine-member council called the Tennessee Sports Wagering Council, which is authorized to hire an Executive Director and other staff to carry out the day-to-day responsibilities of licensing, compliance, investigation, and other obligations under the statute. In Tennessee, it is a taxable privilege to offer sports wagering pursuant to a license issued by the Council. Accordingly, I may refer to licensed Tennessee sportsbooks as Licensees or Operators. The Tennessee Sports Gaming Act permits only online sports betting. There are no brick-and-mortar locations where wagers may be placed, and there are no wagering kiosks permitted in the State.

The provisions of the Tennessee Sports Gaming Act emphasize an effort to protect consumers from the predatory illegal market and to put previously unlicensed wagering activity under formal oversight. To that end, the Tennessee Sports Gaming Act empowers the Council with the authority to investigate unlicensed sportsbooks and issue fines against persons or entities accepting wagers without a license. Additionally, the Tennessee Sports Gaming Act requires the Council, Licensees, and registered Vendors to cooperate with investigations conducted by sports governing bodies and law enforcement agencies, including providing account-level betting information and data files relating to persons placing wagers.

As some of you may well know, the University of Tennessee Volunteers are a prominent and successful sports program in the SEC conference, and Nashville has historically been called the "Athens of the South" because of its number of colleges and universities. In line with our State's proud emphasis on college education and college sports, the state Legislature prohibited any wagers on individual player prop bets for any college sports at any time and also prohibited live or in-game team prop bets for any college sports. Other types of wagers prohibited by statute are wagers on injuries, penalties, or elements of chance in any sport. Recognizing the need for additional prohibitions could arise that should not be delayed by the legislative calendar or the rulemaking process, the Tennessee Sports Gaming Act provides that a Licensee, sports team, sports league or association, or institution of higher education may submit to the Council in writing a request to prohibit a type or form of wagering or to prohibit a category of persons from wagering as contrary to public policy, unfair to consumers, or as affecting the integrity of a particular sport or the sports betting industry. The Council will grant a request with good cause.

Speaking of prohibited persons, our Sports Gaming Act provides that sports betting is only available to persons who are 21 and up. The Sports Gaming Act also lists persons and categories of persons who are ineligible to directly or indirectly wager or bet on a sporting event in Tennessee. This includes members and employees of the Sports Wagering Council, certain persons associated with Licensees or Vendors, and any persons prohibited by the rules of a governing body of a collegiate sports team, league, or association, among others. Violation of this ineligible person statute is a misdemeanor crime.

Our statute also provides for a voluntary state-wide self-exclusion list, which is managed by the Council and shared with all Licensees. A person who places their name on this list must be treated by Tennessee sportsbooks as a prohibited participant. Their account must be suspended, and the self-excluded person may not re-

ceive marketing or advertising. All Licensees must also make available to players a licensee-specific self-exclusion list and provide players with options for limits on time spent betting and on amounts wagered.

Another protection within the Sports Gaming Act is that it is a misdemeanor crime for a licensed sportsbook to offer, accept, or extend credit to a bettor. A bettor may only fund their account through a method that it initiated with cash, such as electronic bank transfer or debit cards. Sportsbooks are prohibited from accepting credit cards in Tennessee.

Before I end our discussion on the framework of Tennessee's statutory environment, I'd like to discuss how the State of Tennessee taxes Operators and how that funding is used. In Tennessee, we tax 1.85 percent of an Operator's handle, which means a percentage of the value of all wagers placed. We are unique in the country by taxing handle but have found that it eases &financial auditing requirements because of its straightforward calculation. The handle tax includes promotional wagers so free play offered by an Operator to players does not reduce an Operators state tax liability. In addition, the State's revenue stream does not rise or fall with betting outcomes like it would with a revenue tax. In this way, the State of Tennessee does not succeed when players lose.

The majority of taxes from sports betting in Tennessee support various educational programs; however, since the original enactment of the Tennessee Sports Gaming Act, 5 percent of the tax supports the State of Tennessee's Department of Mental Health and Substance Abuse for Services to oversee grant programs with organizations to provide treatment services for individuals to address problem gaming and gambling disorders and to establish prevention initiatives to reduce the number of individuals with problem gambling or gambling disorders. These grants have supported The Gambling Clinic, which is the oldest gambling-focused treatment center in the United States and is operated by the Tennessee Institute for Gambling Education and Research (TIGER) at the University of Memphis. Collected taxes support research that continues to build the reputation of Tennessee as a national and international leader in the science related to preventing and treating gambling harms. The amount available to the Department of Mental Health to fund these grant programs from life to date is over $22 million.

C. Rules of the Tennessee Sports Wagering Council

The Tennessee Sports Gaming Act also provides the Council with authority to promulgate rules. We have issued three sets of permanent rules over the last four years with a goal of strengthening and streamlining our rules over time to effectively protect consumers, promote responsible gaming, and safeguard integrity. A uniform requirement for minimum internal controls, operational standards, and security protections provides a consistent regulatory framework for all our Operators, providing an even playing field for offering sports betting within the state.

Some of the revisions to our rules have included updating identity verification and account security requirements. We have detailed "Know Your Customer (KYC)" requirements so that there is no anonymous account activity. We have added and strengthened requirements for secondary authentication of identification requirements to prevent identity theft and the creation of proxy accounts. Multifactor authentication is required to login with a new device, or every two weeks with a known device, and also when a debit card is added, which works to prevent account takeovers by bad actors.

In addition, our staff reviews and approves operator minimum internal controls, which address risk management procedures, event offerings, technology requirements, and segregation of duties. For example, a requirement in our most recently revised rules is for Operators to segregate internal trading and risk management functions from their marketing team functions.

Within their minimum internal controls, Operators must have procedures for ensuring that wagers are only offered on sporting events approved by the Council. Under our rules, any entity may petition for a new sporting event. After Council staff receive a complete and detailed description of the sporting event, evidence of that sport's governing body rules and regulations, or its independent integrity monitoring information, our staff assesses several factors, including whether wagers on that sporting event are compatible with the public interest. Our staff also discusses certain proposed sporting events with other regulators and participants in the industry to consider issues that others may have encountered.

An Operator's approved minimum internal controls must also have procedures to prevent wagering by prohibited participants. All Operators must require players to acknowledge that they are not a prohibited participant during account creation and must provide further specifics on how the State of Tennessee defines prohibited participants in their Terms and Conditions or House Rules. To prevent minors from wa-

gering, Operators are required to suspend accounts when they have actual knowledge that a payment method linked to an account belongs to a person under 21. Account suspension is also required when a sportsbook identifies a prohibited participant wagering in violation of the Sports Gaming Act. Each Operator has different procedures to identify wagering by prohibited participants. Some Operators have relationships with the leagues and regularly check the athlete and employee information they provide. Other Operators use services from integrity monitoring providers, such as IC360s ProhiBet product.

Last, Operator internal controls must have procedures to immediately notify the Council, either directly or through an integrity monitoring provider, of unusual or suspicious wagering activity. Unusual wagering activity and suspicious wagering activity are defined in our rules and include wagering indicative of match-fixing, event manipulation, or the misuse of inside sports information or other prohibited activity. Operators and their required integrity monitors watch for spikes in the total amount of wagers placed on a market, the volume of wagers placed, unusual geolocation changes between logins, rapid wager placement, the creation of new accounts that immediately place specific wagers, or large prop bets. Our staff has access to the real-time back office for each licensed sportsbook so that our staff can conduct our own analysis of wagering activity when unusual or suspicious wagering activity is flagged. Licensed Operators must also report this information to the relevant sports governing body.

D. Regulatory Compliance in Tennessee

The regulatory framework established by the Tennessee legislature, and the rules promulgated by the SWC, create a multi-pronged system of checks and balances to ensure that Operators are set up to detect, report and address a wide range of issues. Rather than a self-certification process, it is one of collaboration, discussion and ultimately, approval or disapproval of an Operator's license on the merits of its application, followed by ongoing review and auditing of an Operator's compliance with the law.

Prior to licensure, Tennessee Sports Wagering Council staff conduct an extensive review of documents submitted by prospective Operators. These include extensive background checks of key personnel; a review of player-facing legal documents, like terms and conditions and house rules; a review of internal controls; and a review of annual third-party testing of operational and security systems to ensure those controls work as stated. During the licensing process and before a license is deemed complete, we correspond with Operators about remediating issues identified by our staff. Because an app-based online-only sportsbook includes a stack of technological processes which operate together, our staff also confirm that the components of this technology stack are filled by vendors who are separately registered with the Council, particularly for sensitive components like player account management, geolocation, and know-your-customer services. We closely examine and analyze the substance and the merit of these filings.

The state's regulatory function does not end with the approval of an Operator's license. Rather, our team proactively identifies any gaps in Operator compliance with multiple checks on Operators during the term of their license. We require all Operators to have an internal audit plan, with resulting reports submitted to our staff to review. Our staff regularly reviews required numerical reporting, incident reports, and player complaints to identify potential compliance issues. We conduct monthly audits within our office on various financial requirements and player-facing technical components. We review any amendments to internal controls, terms and conditions, and house rules. We review suspicious activity reports, not only to investigate and refer identified crimes, but also to identify gaps in identity verification and geolocation, which may have allowed a bad actor to carry out that suspicious wagering activity. We review wagering catalogues and conduct random audits of offered markets during high volume times to see whether impermissible markets are offered. Where we identify any compliance issues, we work together with our licensed Operators to remediate that issue and issue letters of warnings or fines where appropriate.

Tennessee Sports Wagering Council staff also serve as a resource for education and outreach to the public. We have traveled to colleges and universities and talked to their athletic coordinators. When an Operator identifies a minor is using a parent's information to create an account and place wagers, we send a letter to that parent alerting them to the account use and providing responsible gaming information, as well as the information for The Gambling Clinic. We have received responses from many parents who expressed gratitude for being made aware that their children were gambling without their knowledge and for providing resources that they could discuss with their children.

Although not the explicit topic of this hearing today, it is important to note that our team conducts extensive investigations into illegal sportsbooks, which have limited identity verification, no or different age requirements, and allow the use of credit, among other harms to consumers. We have made significant efforts to identify illegal sportsbooks, demand that they cease and desist operations in Tennessee, and issue fines where operations continue. The Tennessee Sports Wagering Council has issued over $800,000 in fines against illegal sportsbooks. Seven illegal sportsbooks have left our state. In addition, we have taken steps to stop these illegal sportsbooks from mailing print publications into Tennessee, advertising on Tennessee-based podcasts or radio stations, or otherwise promoting illegal gambling within Tennessee. Those illegal sportsbooks are ultimately a black hole of information where accounts cannot be monitored and unusual and suspicious wagering activity that can identify integrity issues cannot be detected.

E. Integrity Investigations in Tennessee

Specific to gaming integrity investigations, our licensed Operators have requirements for reporting unusual and suspicious wagering activity to the Tennessee Sports Wagering Council and suspending accounts as I described above. We also receive alerts directly from integrity monitoring providers, law enforcement, and the leagues. Over the last four years, we have received hundreds of these reports from integrity monitoring providers We will occasionally receive subpoenas or requests for information from law enforcement with respect to integrity issues, which our statute requires us to assist with by providing account data and wager-level information.

As of May 14, 2026, the Tennessee Sports Wagering Council has investigated 35 potential prohibited participant cases, with 10 of those cases referred to a local District Attorney or other law enforcement for their own assessment of criminal prosecution. When a case is not criminally referred by our office, it is typically because our investigation team found that the athlete or employee information checked by the Operator was stale, meaning that an athlete or member of athletic staff had been released from a team, graduated, or changed jobs and was no longer under restrictions by a league or governing body at the time a wager was placed. Our office makes that determination after discussion with the league or school.

As of May 14, 2026, the Tennessee Sports Wagering Council has investigated 25 potential integrity cases where suspicious wagering activity occurred in Tennessee that could indicate the use of inside sports information. While a few cases are currently pending, 17 are closed and have been referred to the sports governing body or law enforcement, including 13 that were referred to the FBI. Where an integrity matter is not criminally referred, it is sometimes because sharp (or "expert") wagering action has been flagged as a potential integrity issue. In other words, a patron has placed a wager on what would otherwise be an obscure betting line, but investigation indicates the player has made that wager using their own analytics of a sport on which they tend to place wagers.

In reviewing newsworthy integrity matters in preparation for this hearing, I noted that many of these matters were initially identified as potential proxy wagering or unlawful information sharing matters by licensed sportsbooks and integrity monitoring providers long before the media learned of the investigations. In many matters, suspicious wagering activity was identified prior to a game, and accounts were immediately suspended or suspended after the result was known. These suspicious wagers were then reported to the leagues, sports governing bodies, and law enforcement for investigation.

F. Conclusion

Although it may seem that there has been an increase in cases of athlete manipulation or unlawful information sharing, our experience is that legal and regulated sports betting has increased the volume of data available, leading to a higher number of incidents reported and acted upon. This subcommittee may support our office and fellow state regulators in investigating and prosecuting illegal sportsbooks. From my perspective, that would have the greatest impact on ensuring the integrity of sport by removing avenues for anonymous betting, betting without locational information, and betting without analytics to identify proxy wagering. Any criminal behavior can be difficult to wholly prevent, but it can be detected, identified, and enforced.

With the grants of authority given to our Council by the Sports Gaming Act, our rules, which we continue to strengthen, the efforts of our staff, and our strong partnerships with law enforcement, I believe that Tennessee's current framework amply addresses attempts by bad actors to rig outcomes on sporting events which may be wagered on in Tennessee. I welcome your questions.

Senator BLACKBURN. Mr. Sadin, you're recognized.

STATEMENT OF SCOTT SADIN, CO-FOUNDER AND CO-CHIEF EXECUTIVE OFFICER, INTEGRITY COMPLIANCE 360

Mr. SADIN. Thank you, Chairman Blackburn, Ranking Member Hickenlooper, and members of the Subcommittee. Thank you for the opportunity to appear before you today.

My name is Scott Sadin, and I'm the Co-Founder and Co-CEO of Integrity Compliance 360, known as IC360. We are a regulatory technology and compliance services firm specializing in comprehensive integrity solutions for stakeholders across sports, sports betting, and prediction markets. We work closely with both collegiate and professional sports leagues, licensed sports betting operators, prediction market exchanges, State regulators, and law enforcement across the United States and abroad.

In these few minutes, I want to highlight two core principles I believe about today's existing integrity monitoring ecosystem. First, the integrity infrastructure that protects American sport is not theoretical. Since the Supreme Court's 2018 decision in *Murphy v. the NCAA,* a robust framework has developed across leagues, operators, regulators, law enforcement, and integrity providers like us.

That framework has identified, investigated, and resolved a meaningful number of integrity matters, from suspicious wagering patterns to the misuse of insider information to active match-fixing inquiries. The infrastructure exists and it has worked. But just like any vertical within a complex industry, the integrity ecosystem has room to improve and mature as the space around it develops and evolves.

Second, the sports betting and prediction market ecosystems involve, as mentioned, a wide range of stakeholders, and I believe that no single participant can address its integrity challenges alone. The integrity of competition depends on the connective tissue between those participants. The quality of information sharing, the depth of collaboration, and the consistency of transparency.

IC360s mission is direct: to assist the successful maturation of the regulated sports betting and event contracts ecosystems through products and services that help protect the integrity of sport. We work closely with many of the stakeholders I have just mentioned, and that breadth of our partner network is, in our view, a precondition for credible integrity work. We regularly see the specific and often unique integrity challenges that each group is facing.

That cross-participant visibility allows us to identify patterns, risks, and emerging vulnerabilities. And one of our central responsibilities is to bring those insights back to relevant partners who may have been impacted by a circumstance, assist in investigating the issue, and then collaborate to mitigate any remaining areas of risk. In short, we endeavor every day to embody the very connective tissue necessary for cross-stakeholder integrity success.

I'd like to highlight three lines of work that help us play that role. The first is integrity monitoring. Our system and team of dedicated resources conduct 24-hour-a-day surveillance of regulated markets for potentially suspicious activity. We maintain a vast distribution network that allows operators to expeditiously dissemi-

nate and respond to circumstances of potential risk. Integrity alerts often come either from us or directly from an operator themselves. This alerting structure affords stakeholders holistic and actionable insight quickly and efficiently.

I'd also like to highlight an IC360 product called ProhiBet. Most sports leagues maintain a population of individuals: athletes, coaches, officials, and other personnel, who should be prohibited from wagering on their own sport because of regular access to inside information and the ability to exert undue influence. ProhiBet is the secure infrastructure through which those designations move from governing body to sportsbook operators and prediction markets, allowing participating platforms to automatically permission accounts before a prohibited transaction ever takes place. In our experience, this level of proactivity is incredibly consequential in preserving market and competition integrity.

Last, I want to touch on the significance of education. The prohibited patron population I described in the context of ProhiBet is also the population I believe most vulnerable to approach, pressure, and targeting by bad actors. Their awareness regarding the threats they may face, the rules that apply to them, and the reporting pathways available when something feels wrong, are significant contributing factors in maintaining the integrity of sports. IC360 has delivered hundreds of presentations and has reached hundreds of thousands of athletes, coaches, and administrators, and we look forward to continuing that work in close partnership with sports leagues.

I'd like to close by reiterating the importance of collaboration and the connective tissue between industry stakeholders. Integrity monitoring is only effective because operators report information, leagues share intelligence, and regulators share casework. ProhiBet only works because governing bodies designate, operators screen, and the infrastructure between them is trusted. Education is only impactful because leagues and institutions invest the time and attention of the people closest to competition. The value we believe IC360 brings is helping to make the collaborative work of integrity possible at the scale and speed that the contemporary market requires.

I appreciate the Subcommittee's attention to these issues, and I welcome your questions and conversation. Thank you.

[The prepared statement of Mr. Sadin follows:]

PREPARED STATEMENT OF SCOTT SADIN, CO-FOUNDER AND CO-CHIEF EXECUTIVE OFFICER, INTEGRITY COMPLIANCE, 360 INC.

I. Introduction

Chairman Cruz, Ranking Member Cantwell, Chair Blackburn and Ranking Member Hickenlooper, and Members of the Subcommittee, thank you for the opportunity to appear before you today. My name is Scott Sadin and I serve as Co-Founder and Co-Chief Executive Officer of Integrity Compliance 360 Inc., known as IC360, a global regulatory technology and compliance firm specializing in comprehensive integrity solutions for participants in sports, sports betting and daily fantasy, gaming, iGaming, and prediction markets. As an independent sports integrity firm, we work with professional leagues, collegiate conferences and member institutions, state regulators, licensed sports betting operators, event contract platforms and other stakeholders across the integrity ecosystem.

I am grateful to the Subcommittee for its sustained attention to this important set of issues and for the opportunity to be here on behalf of IC360. The legalization

and expansion of regulated sports betting and event contracts on sports in the United States has created meaningful opportunities and new challenges for those of us focused on the integrity of competition. My intent today is to describe who IC360 is, the participants in the integrity ecosystem with whom we work, and the products and services through which we contribute to protecting the integrity of sport.

The views expressed in this statement are my own and reflect my experience through my tenure at IC360. They do not represent the views of any leagues, regulators, operators, or institutions with whom we work. I welcome the Subcommittee's questions and the opportunity to provide any additional information that may be useful as it continues its work on these issues.

II. My Background

I serve as Co-Founder and Co-Chief Executive Officer of IC360. I have had the privilege of building IC360 from an early-stage company into what it is today—one of the most extensive independent integrity, compliance, and regulatory technology firms operating in the U.S. sports and gaming space. IC360 offers over a dozen products and services and has more than two hundred partner organizations globally.

My path to this work began in financial services. Earlier in my career, I held compliance and surveillance roles at registered investment advisers and alternative investment managers, including Apollo Global Management and MSD & BDT Partners. The discipline of trade surveillance—building systems that detect anomalous patterns across vast data sets in real-time and investigating those patterns with care and consequence—translated directly to the work of monitoring legal sports betting markets when that opportunity emerged.

What has kept me in this field, and what I hope comes through in these remarks, is a personal conviction about the importance of our commitment to this work. I have been on the front lines of dozens of sports integrity investigations over the years—matters that have touched professional and collegiate athletes, officials, coaches, and at times the broader public—and I have seen, at close range, the value IC360 has brought in both identifying and investigating integrity-related circumstances. I am personally committed to ensuring that the integrity infrastructure protecting competitions and events keeps pace with the market that has matured around it, and that commitment is the lens through which I offer the observations that follow.

III. Core Concepts

Before I provide detail about IC360s products, I felt it important to emphasize the following two core concepts with respect to the integrity monitoring ecosystem:

1. In the years since the Supreme Court's 2018 decision in *Murphy v. NCAA,* a functioning and comprehensive framework has developed across sports leagues, regulators, licensed operators, and independent integrity providers. That framework has identified, investigated, and resolved a meaningful number of integrity matters—from suspicious wagering patterns and the misuse of insider information to active match-fixing inquiries—and has done so in ongoing coordination with state and Federal authorities, and law enforcement where appropriate. The infrastructure exists and it has been effective. The conversation before the Subcommittee today, in my view, should be framed not as a question of whether such an infrastructure should exist, but as a question of how it should continue to mature, evolve and improve.
2. One core principle has remained constant throughout the evolution of regulated sports betting: no singular sports league, sportsbook operator, regulatory body, or supplier can successfully tackle the complex and nuanced sports integrity landscape alone. It requires strong engagement, collaboration and transparency across those differentiated stakeholders to combat bad actor innovation. Any improvement to the existing sports integrity framework should focus on increasing the connective tissue between those market participants.

Everything we do at IC360 is informed by these core principles. We recognize that the work of maintaining proactive monitoring requires sustained investment in new detection capabilities, new data sources, new analytical methods, and new forms of cross-stakeholder coordination. That is a permanent and evolving feature of this work, not a phase of it.

IV. About IC360—Who We Are, Whom We Serve, and Why This Work Matters

At IC360, our mission is direct and durable: to assist the successful maturation of the regulated sports betting and sports event contract ecosystem through prod-

ucts and services that protect the integrity of sport. Everything we do is in service of that mission.

We work with more than 200 organizations globally. Our client base includes each of the seven major United States professional sports leagues, a growing list of emerging professional properties, and 12 Division I collegiate conferences, including each of the Power 4 conferences. We also work with more than 125 licensed sports betting and daily fantasy sports operators, 14 prediction-market exchanges, and numerous regulators and law enforcement agencies across the United States and abroad.

The breadth of that client base is, in our view, the precondition for credible integrity work—and it confers a particular vantage point on the issues before this Subcommittee. We see, on a regular basis, the specific and often unique integrity challenges that each category of stakeholders are facing. That cross-stakeholder visibility, handled with care, allows us to identify patterns, risks and emerging vulnerabilities. One of our central responsibilities is to bring those insights back to the stakeholders best positioned to act on them. Our positioning as an independent integrity provider affords us the opportunity and responsibility to assemble a picture from across the ecosystem, route the right information to the right party, and assist in converting the resulting signals into action.

A key differentiator for IC360 is that we operate conflict-free. IC360 does not offer trading, odds creation, risk management, or any product whose interests could be affected by the outcome of an integrity matter we are monitoring. Our products exclusively work to enhance the compliance and integrity ecosystem. That posture matters not because the operators, leagues, and regulators with whom we work are anything less than fully committed to integrity—they are, and many invest substantial resources of their own in these endeavors—but because the credibility of the picture we produce depends on the absence of competing interests in producing it.

This approach allows us to function as the connective tissue across the integrity ecosystem. We often sit between leagues and operators on credible suspicious-betting alerting. We work closely with governance bodies and operators on prohibited bettor and trader identification. We collaborate with regulators and licensed platforms when circumstances warrant further investigation. The strength of the integrity infrastructure in this country is a function of how well that connective tissue holds—how much information flows through it, how reliably, and how comprehensively. The more engagement, collaboration, and transparency among leagues, operators, integrity providers, regulators and law enforcement, the more protected the integrity of competition is.

V. IC360s Products and the Value They Bring

With that framing in mind, I want to briefly describe the three principal lines of work through which IC360 contributes to the connective tissue I have described.

A. Integrity Monitoring

Integrity monitoring refers to the twenty-four-hour-a-day surveillance of regulated betting markets globally for indications that something has occurred, or is occurring, outside the normal patterns of wagering, event contracts and competition. It is the work most often associated with our category, and it is the work that has produced many of the integrity outcomes the public has come to expect of a well-functioning regulated market.

The picture we build rests on four principal categories of data, and our analytical method rests on identifying correlated anomalies and emerging trends across them.

1. *Market odds and pricing.* Movements in betting odds and event contracts are the most immediately legible signal that something in a market may warrant further investigation. Significant, unexplained movement—particularly in directions inconsistent with publicly available information—can often be the first indication that an alert is appropriate.
2. *Bet-level detail.* IC360 ingests bet-level data directly from a meaningful subset of licensed sportsbooks covering wagering activity on their platforms. This level of detail is essential to identifying coordinated activity, repeat patterns, and platform-specific anomalies that aggregate market odds and price data alone cannot reveal.
3. *Availability information.* We track news and other open-source data related to the availability of impactful athletes and coaches—injuries, absences, and other status changes. Significant market movement in advance of the public release of availability information on an impactful figure can indicate the misuse of inside information, a circumstance that warrants close investigation.

4. *Officiating statistics.* We collect publicly available data on officiating performance and use it to develop behavioral profile patterns on as many officials as we can. A meaningful deviation from their established behavioral norm is an analytical signal—and one that is often cross-referenced against the other categories of data above.

Anomalies, of course, occur constantly across each of these categories in isolation. What our analytical work looks for is the correlated abnormality—the situation in which signals across several of these categories cluster around a single event, market, or actor—and the trend formation in which a series of such clusters point toward a potentially sustained vulnerability.

Alerts on our platform are generated through three principal pathways:

1. IC360s own identification of circumstances warranting further investigation, derived from the cross-category analysis described above.
2. Operator-initiated reporting of suspicious activity observed on the operator's own platform, which the operator routes to its independent third-party integrity monitor for further analysis and dissemination across the ecosystem. These notifications are critical since IC360 is ultimately limited to what data it is afforded. We consistently recommend our operator partners be overly inclusive in reporting.
3. Regulatory or other governing-body identification of potentially suspicious activity.

When an alert is generated, IC360 distributes the relevant details and a structured survey to operators across the ecosystem. The survey asks, among other questions, the following:

- Whether the market in question was offered on the platform;
- Whether the volume in that market was outsized relative to expectations;
- Whether previously dormant accounts were transacting in the market in question;
- Whether new account openings appeared to target the market in question; and
- Whether any flagged or marked patrons were transacting in the market in question.

The IC360 system parses the responses into a consolidated report that gives the relevant stakeholders—typically the affected league or governance body, and, where appropriate, regulators and law enforcement—a comprehensive and holistic view of the matter, including whether the suspicious activity appears isolated to one operator or one market or, instead, is widespread across the ecosystem. Both the willingness of operators to report suspicious activity to their independent monitors in the first instance, and their complete and timely responsiveness to surveys when alerts are circulated, are of paramount importance to the integrity of regulated competition. The work is collaborative, and the quality of the resulting picture is a direct function of how fully participants engage.

B. ProhiBet

Prohibited patrons across U.S. sport often refers to persons who should be prohibited from betting or trading on certain events who, by virtue of their role, have regular access to non-public information about a competition, or who have the consistent ability to exert undue influence over its outcome. These include, in most sports, athletes—both professional and collegiate—coaches, referees, athletic trainers, administrators, and certain associated individuals. Each governing body, league, and member institution maintains its own designation of prohibited patrons, and those designations are foundational to the integrity rules of the relevant sport.

IC360s ProhiBet platform is the secure technology infrastructure through which prohibited-patron information moves from a list manager—typically a sports governing body—to a platform on which such individuals could otherwise transact, including sportsbooks, prediction markets, and daily fantasy sports platforms. The information exchanged between those parties through the ProhiBet platform is cryptographically hashed, so that the personal identifying information of designated individuals never leaves the list manager's environment. With that infrastructure in place, operators can proactively permission the accounts of prohibited patrons before any wager or prohibited transaction is placed—ensuring that those individuals are not able to transact in markets where they may possess inside information, exert undue influence or are regulatorily prohibited from doing so. Engagement with this technology solution enables a preemptive form of permissions that is, in our experi-

ence, among the most consequential single contributions a stakeholder can make to proactive integrity monitoring.

The ProhiBet platform today supports more than 150 stakeholders, has performed close to one billion account checks, and has surfaced more than sixty thousand alerts. Each of those metrics reflect a category of harm that did not occur because the infrastructure to prevent it was in place.

C. Education

IC360 recognizes the importance of education and awareness training for stakeholders across the sports betting, daily fantasy sports and event contract ecosystems. The availability of high-quality onsite and digital education resources to sports property stakeholders—athletes, coaches, officials, administrators, and support personnel—is, in our experience, among the most valuable interventions in preventing bad actors from compromising competition integrity.

Our curriculum covers, among other topics, integrity-related case studies, bad-actor profiles, and emerging vulnerabilities. We have delivered hundreds of presentations and have reached hundreds of thousands of athletes, coaches, and administrators, through both in-person training and our digital learning platform. The curriculum is regularly refreshed—for the reasons I described earlier about the pace at which the threat environment evolves—and is delivered in close partnership with conference compliance offices, league integrity teams, and individual member institutions. It is, like the other lines of work I have described, fundamentally a collaboration.

D. The Centrality of Collaboration

I want to close this section on the same note with which I opened it; each of these three lines of work depends on collaboration. Integrity monitoring works because operators report information, leagues share intelligence, and regulators share casework. ProhiBet works because governing bodies designate, operators screen, and the infrastructure between them is trusted. Education works because leagues and institutions invest the time and attention of the people closest to competition. The value we believe IC360 brings is, in the end, the role we play in making the collaborative work of integrity possible at the scale and speed that the contemporary market requires.

VI. Conclusion

I want to thank the Subcommittee again for its attention to these issues and for the opportunity to share these perspectives on behalf of IC360. The work of protecting the integrity of competition in an environment of rapidly expanding legal sports betting and sports event contracts, in our experience, is neither glamorous nor easily reducible to a single intervention. It is instead the steadfast commitment to ensuring that the right information moves to the right party at the right time, that the rules of every sport remain enforceable in complex markets, and that the people closest to competition have the awareness and the tools to surface concerns when they arise.

That work depends on leagues, operators, regulators, and independent integrity providers continuing to invest in collaboration with one another. I am thankful for the cooperation and collaboration we receive from our stakeholder partners across the sports betting and sports event contract ecosystems and for their willingness to adapt as these industries evolve. We are committed, for our part, to playing the role we are positioned to play. I welcome the Subcommittee's questions and look forward to supporting its continued attention to these issues in whatever way is most useful.

Senator BLACKBURN. Congressman McHenry.

STATEMENT OF HON. PATRICK MCHENRY, SENIOR ADVISOR, THE COALITION FOR PREDICTION MARKETS

Mr. MCHENRY. Thank you, Chairman Blackburn, Ranking Member Hickenlooper, and distinguished members of the Committee. Thank you for the opportunity to testify, and thank you for the warm welcome on this side of the Capitol complex for a lowly former House member. I will say the chambers are much nicer over here.

[Laughter.]

Mr. MCHENRY. I appear before you on behalf of the Coalition for Prediction Markets, including U.S. regulated companies like Kalshi, Crypto.com, Robinhood, Coinbase, and Underdog. My experience as a former Chair of the House Financial Services Committee is grounded in financial markets regulation, market structure, and market integrity, not in sports betting or traditional sportsbooks, and that's the lens through which I will speak today.

Throughout my time in Congress, I focused on policies that expanded participation in financial markets for average everyday Americans, democratized access to financial tools historically reserved for large financial institutions, modernize our laws to foster innovation and facilitate capital formation, and strengthen confidence in market integrity.

My work with the Coalition for Predictive Markets is a continuation of those same principles. The question before us is not whether innovation should exist, but whether emerging market-based products will operate inside a transparent, federally regulated, onshore framework with robust consumer protections and oversight.

Casinos and traditional online sportsbooks and prediction markets are fundamentally different products governed by different legal frameworks and subject to different regulatory structures, and conflating the two does little to advance our shared goal of protecting consumers.

In a casino or sportsbook, the house sets the odds and profits when customers lose. In a prediction market exchange, participants trade with one another, while the platform earns transaction fees for facilitating the market. As a result, the incentives are fundamentally different. Prediction markets benefit from greater participation, liquidity, and more accurate information, not from consumers losing money.

That distinction was recently reinforced by the Third Circuit Court of Appeals, which held that sports events contracts are governed by the Commodity Exchange Act, and the Dodd-Frank Act. It's also important to recognize that sports event contracts are only one part of a much broader market, as categories like entertainment and politics grow quickly in share. These products are a part of a broader trend toward democratizing access to financial and informational tools that were once limited to institutions and large market participants.

Coalition members and coalition companies share the League's interest in protecting sports integrity and want to work collaboratively to address concerns and, where appropriate, share information and data that help protect the ecosystem. Customers must trust—must trust that suspicious activity will be identified and addressed appropriately. Unlike many sportsbooks and unregulated operators, coalition members do not offer micro bets that are particularly vulnerable to manipulation, such as wagers on the next pitch or the next play.

Notably, the sports integrity scandals that have made headlines in recent days and recent—recent years and recent days involving the NBA and MLB players using insider information and compromised game outcomes occurred on traditional online sportsbooks, not on prediction markets exchanges.

Coalition members are federally regulated and overseen by the CFTC and operate under extensive compliance obligations, including real-time surveillance, trade reporting requirements, Bank Secrecy Act compliance, know your customer and anti-money laundering controls, and comprehensive rulebook reviewed—rulebooks reviewed by Federal regulators.

They have extensive monitoring that is ongoing, and regulated prediction markets prohibit trading not only by individuals with material public and nonpublic information, but also by anyone capable of influencing the outcome of a contract, including players, coaches, referees, league employees, and even Members of Congress on political contracts. Protections that frankly go well beyond Federal securities laws requirements and beyond standards applied to traditional sportsbooks as well.

Importantly, customers on our platforms are also subject to uniform Federal protections that apply nationwide, exceeding the consumer protections of casinos and sportsbooks, which are governed by a patchwork of State laws. While not the focus of this hearing, coalition members also share concerns about contracts tied to war, assassination, and acts of violence, and those are proliferating in unregulated platforms, and we share the interest that those are not in the public interest. These kinds of contracts are already prohibited under U.S. law.

And welcome your questions today on the ways that we can enhance market integrity, protect the integrity of sports, and consumer protection writ large. I yield back.

[The prepared statement of Mr. McHenry follows:]

PREPARED STATEMENT OF HON. PATRICK MCHENRY, FORMER CHAIRMAN, HOUSE FINANCIAL SERVICES COMMITTEE ON BEHALF OF THE COALITION FOR PREDICTION MARKETS

Chairman Blackburn, Ranking Member Hickenlooper, and distinguished Members of the Subcommittee: thank you for the opportunity to testify today. It is a pleasure to be back among former colleagues.

I appear before you on behalf of the Coalition for Prediction Markets, which includes U.S.-regulated companies like Kalshi, crypto.com, Robinhood, Coinbase and Underdog. My experience as the Former Chairman of the House Financial Services Committee is grounded in financial markets regulation, market structure, and market integrity—not in sports betting or traditional sportsbooks—and that is the lens through which I will speak today.

Throughout my time in Congress, I focused on policies that expanded participation in financial markets for everyday Americans, democratized access to financial tools historically reserved for institutions, modernized our laws to foster innovation and facilitate capital formation, and strengthened confidence in market integrity. My work with the Coalition for Prediction Markets is a continuation of those same principles. The question before us is not whether innovation should exist, but whether emerging market-based products will operate inside a transparent, federally regulated framework with robust consumer protections and oversight.

Casinos/traditional online sportsbooks and prediction markets are fundamentally different products, governed by different legal frameworks and subject to different regulatory structures. Conflating the two does little to advance our shared goal of protecting consumers.

In a casino or sportsbook, the house sets the odds and profits when customers lose. In a prediction market exchange, participants trade with one another, while the platform earns transaction fees for facilitating the market. As a result, the incentives are fundamentally different: prediction markets benefit from greater participation, liquidity, and more accurate information, not from consumers losing money. Participants trade directly with one another and can enter or exit positions at any time, reflecting the peer-to-peer, market-based nature of these products.

That distinction was recently reinforced by the Third Circuit Court of Appeals, which held that sports event contracts are governed by the Commodity Exchange Act and Dodd-Frank.

It is also important to recognize that sports event contracts are only one part of a much broader market, as categories like entertainment and politics grow quickly in share. These products are part of a broader trend toward democratizing access to financial and informational tools that were once limited to institutions and large market participants.

Coalition companies share the leagues' interest in protecting sports integrity and want to work collaboratively to address concerns and, where appropriate, share information and data that help protect the ecosystem. Customers must trust that suspicious activity will be identified and addressed appropriately.

Unlike many sportsbooks and unregulated operators, coalition members do not offer micro-bets that are particularly vulnerable to manipulation, such as wagers on the next pitch or next play. Notably, the sports integrity scandals that have made headlines in recent years—involving NBA and MLB players, insider information, and compromised game outcomes—occurred on traditional online sportsbooks, not on prediction market exchanges.

Coalition members are federally regulated and overseen by the CFTC, and operate under extensive compliance obligations, including real-time surveillance, trade reporting requirements, Bank Secrecy Act compliance, know-your-customer and anti-money laundering controls, and comprehensive rulebooks reviewed by Federal regulators.

Just as securities and derivatives exchanges maintain surveillance systems designed to detect insider trading, market manipulation, and coordinated misconduct, federally regulated prediction markets are subject to extensive monitoring, reporting, and compliance obligations enforced by the CFTC. Regulated prediction market companies prohibit trading not only by individuals with material nonpublic information, but also by anyone capable of influencing the outcome of a contract—including players, coaches, referees, league employees, and even Members of Congress on political contracts—protections that go well beyond what Federal securities laws require and beyond the standards applied to traditional sportsbooks.

Importantly, customers on our platforms are also subject to uniform Federal protections that apply nationwide, exceeding the consumer protections of casinos and sportsbooks, which are governed by a patchwork of state laws.

While not the focus of this hearing, coalition members also share concerns about contracts tied to war, assassination, and acts of violence proliferating on unregulated platforms, and raise serious questions of public interest. These kinds of contracts are already prohibited under U.S. law, and our members do not offer them.

I want to conclude by reiterating that consumer protection and sports integrity matter deeply. We look forward to continuing to work with this Committee on bipartisan efforts to reinforce market integrity and protect consumers, safeguard sports integrity, and preserve American innovation. Thank you.

Senator BLACKBURN. Dr. Levant.

STATEMENT OF DR. HARRY LEVANT, DIRECTOR OF GAMBLING POLICY, PUBLIC HEALTH ADVOCACY INSTITUTE

Dr. LEVANT. Good morning. Chairman Blackburn, Ranking Member Hickenlooper, members of the Subcommittee, thank you for the privilege of testifying today and the privilege of joining this panel of distinguished witnesses.

Before I begin, take just a moment, Chairman Blackburn, and extend my thanks to you specifically. It was December 2024 when I testified before the Senate Judiciary Committee, and following that hearing, you and I had a brief exchange in which you said to me, I am going to remain involved in this issue to protect children and families. You have been a person of your word. The people of Tennessee benefit from that, and frankly, the people and families of America benefit from you remaining involved in this important issue. I thank you for that.

During that same conversation, I was joined by Senator Durbin, Senator Blumenthal, and I believe it was Senator Tillis, all ex-

pressing similar feelings. This is not a Republican issue or a Democrat issue. This is a human issue regarding an addiction crisis that needs to be addressed and prevented.

I am a gambling addict in recovery. I made my last bet on April 27, 2014, and survived a near-suicide attempt that same night. I made my first bet when I was 15 years old and went to the casino for the first time when I was 16. I never had a healthy relationship with gambling, but it would take 30 years till I fully understood that. It was in 2013 that my world was collapsing, much like Senator Hickenlooper described someone he knew, and I reached for my drug of choice, which was gambling, and I annihilated myself and everything in my wake.

I went through all of my money, all money I could borrow, and eventually all money I could steal. And on February 13, 2015, I stood in a courtroom in Philadelphia, Pennsylvania—not unusual for me since I'd been a lawyer for almost 25 years—but on this day, I stood in that courtroom as a defendant, and I pled guilty to 13 financial felonies, all related to my gambling addiction.

And during my sentencing hearing, I made a vow. And that vow was, if I could get well—and at that time it was a very big if—but if I could get well, I would dedicate whatever my future looked like to helping prevent—prevent being the operative word—other people, particularly young men, from suffering a similar fate.

That led me, after 4 or 5 years of treatment, to La Salle University in Philadelphia, where I earned a master's in professional clinical counseling, and upon graduating, began treating people suffering with gambling addiction. But I realized I wasn't doing anything on the prevention side. So I went back to school again, earned a doctorate in public policy, where my research was all about how to address prevention.

In the couple of minutes I have left, I want to address 3 issues and then look forward to a more robust conversation. Issue number one: Are prediction markets gambling? Most certainly yes, when it comes to sports contracts, and there's two simple reasons why. First, meets the very basic definition of gambling, which is defined as betting or staking something of value with consciousness of risk and hope of gain on the outcome of a game, contest, or an uncertain event whose result may be determined by chance or accident. That's gambling. That's what prediction markets do.

Next, to the end user, American public, there's absolutely no discernible difference. They are gambling. Most importantly, the prediction market companies themselves have acknowledged it is gambling. And I'll quote that later on.

I want to move forward, though, to integrity and offer to this committee a broader definition of integrity. Integrity isn't just can the American people trust the result of the Cubs-Cardinals game. Each of us now have to make that decision for ourselves because sports have sold their integrity to the gambling industry. There's a much broader issue here, which is how the sports leagues, including the NCAA, the owners, the players, have partnered for enormous financial gain in the billions with the gambling industry and prediction markets to sell their real-time data to the gambling industry to create something called micro-betting and its close cousins, Same-Game Parlays and prop bets.

This is what is crushing people and families, particularly young men. It is called micro-betting, and I'm here today to talk to you about it. Because I'm also here to issue a warning. The Senate doesn't do something, if Congress doesn't do something, our friends at the NFL have just in the last 3 months announced in partnership with their partners, a company called Genius Sports, the launch of a brand new product called BetVision, which they describe, "As an immersive, intelligent, interactive tool to convert traditional fans into high engagement in-play bettors, which are significantly more profitable for Genius and for our sportsbook partners."

They have their eyes on us and our children to convert into in-game micro-bettors. It is fundamentally dangerous. I look forward to speaking in more detail about it. Thank you.

[The prepared statement of Dr. Levant follows:]

PREPARED STATEMENT OF DR. HARRY LEVANT, MA, PCC, ICGC–I, DIRECTOR OF GAMBLING POLICY, PUBLIC HEALTH ADVOCACY INSTITUTE

INTRODUCTION—PREDICTION MARKETS SPORTS CONTRACTS ARE GAMBLING PRODUCTS

Chairman Cruz, Chairman Blackburn, Senator Cantwell, Senator Hickenlooper, and members of the Subcommittee on Consumer Protection, Technology, and Data Privacy, thank-you for the opportunity to testify about this timely and consequential issue and for your consideration of the mental health consequences of the unprecedented expansion of sports gambling in America. Make no mistake, the unprecedented expansion of sports gambling, through online platforms and prediction markets, has created a mental health crisis similar to what the country experienced with the opioid industry. We stand at the precipice of a mental health disaster impacting the lives of children, young adults, individuals, and families throughout the country. Time is of the essence for Congress to recognize the magnitude of the problem and take decisive action to install common sense Federal safety standards governing sports gambling in America.

Before examining the scope and magnitude of this mental health crisis it seems prudent to address the procedural question of whether prediction markets offering action on sporting events constitute gambling. With appropriate respect to our Federal and state courts, which are presently addressing the issue in several jurisdictions, there is no doubt that prediction market contracts on sports are gambling. There is a plethora of reasons that prediction markets on sports are gambling. I will highlight the overriding factors which demonstrate that sports prediction markets constitute gambling on sports.

Sports prediction markets meet the universally accepted and plain meaning definition of gambling. Sports gambling is defined as the betting or staking of something of value, with consciousness of risk and hope of gain, on the outcome of a game, a contest, or an uncertain event whose result may be determined by chance or accident or have an unexpected result by reason of the bettor's miscalculation.[1] This definition precisely describes what prediction markets offer to the public in the form of sports gambling futures contracts. The public is induced by a market maker to wager and risk money on the unknown outcome of a sporting event or micro portion thereof. The financial risk in pursuit of greater reward predicated on an unknown outcome in a game, contest, or match is gambling.

Prediction market companies wrongly suggest that because the "house" takes its cut off the top of the wager rather than on the outcome of the game, sports predictions somehow do not constitute gambling. The fatal flaw in this argument is well-illustrated by the game of poker. It is played in casinos all over the world. In every casino, the house takes its cut (known as the "rake") off the top of each hand/pot. This is the same model utilized by prediction market companies offering gambling contracts on sports. It is also like parimutuel gambling where bets are pooled and divided according to outcome minus what the house keeps as its fee or "takeout."

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[1] Glimne, Dan. "gambling". Encyclopedia Britannica, 13 May. 2026, *https://www.britannica.com/topic/gambling.* Accessed 15 May 2026.

Next, for the American public, there is no discernable difference between prediction markets and online gambling companies when it comes to sports gambling. Both are gambling; plain and simple. Wagers are placed on sporting events or micro portions thereof; there are winners and losers; access to action never stops; and the house (the prediction market platform) always wins. Prediction markets offering sports futures contracts deliver the known addictive product of gambling[2] to the public in an increasingly dangerous form and doing so in partnership with other gambling companies and the sports leagues themselves. Such is the gambling business model.

The gambling industry itself has conclusively demonstrated that sports prediction markets constitute sports gambling. Sports gambling market leaders DraftKings and FanDuel have quickly become the first two online sports gambling platforms to openly embrace prediction markets and target the public with this latest form of sports gambling. According to DraftKings CEO, Jason Robbins, prediction markets are sports gambling:

> Our core business is strong, and profitability is inflecting. That gives us the firepower to press our advantage in Predictions. With our Super App, market making capabilities, proprietary exchange, and combos coming together, we intend to establish a leadership position in Sports Predictions before year-end . . .''
>
> . . . We have also launched market making, which unlocks access to an additional layer of the value chain. Market making is already generating a positive return for us. In the coming weeks, we expect to launch our proprietary exchange and to begin offering combos. Together, these moves will accelerate innovation, improve the customer experience, and strengthen our economics.[3]

Mr. Robbins is not alone in his direct acknowledgement that sports prediction markets constitute gambling on sports. Peter Jacobson, CEO of Flutter, Inc (parent of FanDuel) is even more bold with his clear assertion that prediction markets are gambling products:

> We believe our world-class, proprietary pricing capabilities can also unlock a significant market-making opportunity. In April, we began trialing market-making services on a major, third-party prediction market platform. Early indicators have been encouraging, and we expect to launch our market-making platform in the coming months . . .
>
> . . . market making is an exciting opportunity, and I think it is a great way to showcase the quality of our pricing capabilities that we have in the business more generally. When we think about the opportunities, it is principally around combos, and we are going to be market making on as many platforms as we can. I think it is a good opportunity for us to monetize our pricing expertise in doing so.'' [4]

This aggressive move by FanDuel to expand its sports gambling with prediction markets is a further push by its owner, Flutter, the world's top sports gambling company, to dominate sports gambling here in America. In Europe, Flutter has launched BetFair Predicts, a global prediction market enterprise offering gambling contracts on sports, politics, and entertainment.[5] The stated purpose of BetFair Predicts is to coordinate with FanDuel in America and offer worldwide sports prediction market gambling.[6] This expands Flutter/FanDuel's role in prediction market gambling by positioning the company as market makers, *i.e.,* the gambling house setting the odds for sports contracts.[7] This is yet another example of how the gambling prediction markets are inherently part of the gambling industry business model.

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[2] American Psychiatric Association. (2013). Diagnostic and statistical manual of mental disorders (5th ed.). doi.org. Disorder code 312.31 (F63.0).

[3] Steve Ruddock, "Burning Down the House: Prediction markets are peer-to-peer, but increasingly the "peer" on the other end is looking more and more like a sportsbook." Straight to the Point. May 11, 2026. *https://straighttothepoint.substack.com/p/burning-down-the-house*

[4] Id.

[5] Rob Fletcher, "Flutter bet launches Betfair prediction markets product." Next IO News, April 9, 2026. *https://next.io/news/prediction-markets/flutter-beta-launches-betfair-prediction-markets/*

[6] Justin Byers, "Flutter CEO vows to 'sharpen' execution as FanDuel undergoes changes." SBC Americas, May 12, 2026. *https://sbcamericas.com/2026/05/12/flutter-ceo-fanduel-changes/*

[7] Finance Magnates, "FanDuel owner Flutter is making money from prediction markets as a market maker." Trading View News, May 7, 2026. *https://www.tradingview.com/news/financemagnates:43599d90b094b:0-fanduel-owner-flutter-is-making-money-from-prediction-markets-as-a-market-maker/*

Even more chilling is how brazenly Flutter/FanDuel seeks to extract more losses from the American public. In an investor day conference, the FanDuel CEO and CFO openly discussed strategies to target gamblers with bonus bets to keep people more aggressively engaged with its sports gambling/prediction markets:

> "If we look back at last year, it was very evident, with the benefit of hindsight, that we were slightly inefficient in our generosity approach . . .
>
> . . . We've got our team from sports betting working with our financial team to make our generosity deployment more efficient, so we get more bang for our buck in the U.S."[8]

This means that FanDuel plans to expand its online sports and prediction market gambling loyalty program to all online sports wagering markets by the start of the upcoming NFL season.

To remove even a scintilla of doubt as to whether prediction markets constitute gambling, we need to look no further than the uncontroverted data regarding gambling losses. Thus far in 2026, people in America have lost more than $100 million on Kalshi prediction markets just by gambling on sports parlays (which Kalshi calls "combos").[9] The hold rate (amount won by Kalshi from these wagers) is an astonishing 15 percent and sports parlays now account for nearly 23 percent of wagers on the Kalshi platform.[10]

In January 2025, Kalshi launched sports gambling futures contracts in all fifty states.[11] This was despite the fact that sports gambling was, at that time, legal in only thirty-eight states.[12] At its launch, Kalshi boldly proclaimed itself the "First Nationwide Legal Sports Betting Platform."[13] Advertising on social media, including Instagram and Tik-Tok, announced the arrival of "The First Nationwide Legal Sports Betting Platform," making "Sports Betting Legal in all 50 States on Kalshi."[14]

Initially, the online gambling industry shrugged off the launch of sports gambling futures contracts. This did not last long as Kalshi and other prediction market platforms became increasingly aggressive in their marketing approach to sports gambling futures contracts. In November 2025, Fanatics Sportsbook, FanDuel, and DraftKings resigned membership in the American Gaming Association ("AGA") because of a desire to add sports prediction market gambling to their online gambling products.[15] Just one month later, all three online gambling platforms added prediction market gambling making sports gambling available in all fifty states and to anyone as young as eighteen.[16]

To further support the aggressive move to add prediction market gambling to their portfolio of online products, DraftKings, Fanatics, and FanDuel joined BetMGM and Bet365 as members of the gambling industry trade and lobbying group known as the Sports Betting Alliance (SBA) to advocate for sports gambling, including prediction market sports gambling, in all fifty states.[17]

As of May 2026, prediction markets are offering a wide variety of sports gambling contracts in every state. This now includes parlays ("combos"), same-game parlays and numerous forms of micro betting. During the recently completed 2025–26 football season, gambling on sports contracts accounted for nearly 50 percent of all ac-

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[8] Justin Byers, "Flutter CEO vows to 'sharpen' execution as FanDuel undergoes changes." SBCAmericas, May 12, 2026. *https://sbcamericas.com/2026/05/12/flutter-ceo-fanduel-changes/*

[9] Bernstein and Akabas," Kalshi retail bettors have lost $100m+ on parlays this year." Sportico, May 13, 2026. *https://www.sportico.com/business/sports-betting/2026/kalshi-parlays-retail-bettor-losses-rfq-1234894471/*

[10] Id.

[11] Purdum and Surendran, "How Kalshi and prediction markets are disrupting sports betting." ESPN, June 2, 2025. *https://www.espn.com/espn/betting/story/_/id/45377686/kalshi-prediction-markets-disrupt-sports-betting*

[12] Id.

[13] Benjamin Schiffrin, "Everyone should go on Kalshi and see for themselves whether it looks like sports betting or derivatives trading." Better Markets, May 6, 2026. *https://bettermarkets.org/analysis/everyone-should-go-on-kalshi-and-see-for-themselves-whether-it-looks-like-sports-betting-or-derivatives-trading/*

[14] *Ho Chunk Nation v Kalshi, Inc.* UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF WISCONSIN, No. 25-cv-698 (August 28, 2025).

[15] Contessa Brewer, "FanDuel, DraftKings abandon AGA trade group as rift over sports prediction markets grows." CNBC, November 18, 2025. *https://www.cnbc.com/2025/11/18/fanduel-draftkings-abandon-aga-memberships.html*

[16] Tom Nightingale, "FanDuel Predicts live in all 50 states, adds sports in California and Texas." SBCAmericas, January 15, 2026. *https://sbcamericas.com/2026/01/15/fanduel-predicts-all-50-states/*

[17] Sports Gambling Alliance, "Mission Statement." *https://sportsbettingalliance.org/about/*

tion on the Kalshi platform.[18] It is presently estimated by the gambling industry that on a weekly basis nearly 80 percent of all action on the prediction market platforms are sports gambling contracts.[19]

For the American public this amounts to a clear, convincing, and unmistakable conclusion; prediction markets, including Kalshi, Polymarket, DraftKings, FanDuel, and Fanatics have delivered online sports gambling to all fifty states, and the product is now available to youth starting at age eighteen.

There should be no doubt that sports prediction markets constitute gambling. Accordingly, all future references to the gambling industry herein include prediction markets.

Sports Gambling and Integrity of the Leagues—

This hearing is to examine among other issues, the impact of gambling and prediction markets on the integrity of sports in America. There can be no dispute; any business enterprise that gambling touches inherently undermines its integrity. This is particularly true when the business enterprise at issue is the American institution of professional and collegiate sports. This is not merely my opinion. Heed the words of National Football League (NFL) Commissioner Roger Goodell from his sworn deposition testimony:

> Q. And there you state that your most important responsibility is maintaining the *integrity* of professional football and preserving public confidence in the NFL. What threats are there to the *integrity* of pro football in the United States?
>
> A. Gambling would be number one on my list.[20]

This was not an isolated statement from the NFL Commissioner. In a subsequent affidavit filed, under oath and with penalty of perjury, the Commissioner affirmed that relationships with gambling companies severely damage the integrity and fabric of sports and irreparably harm long-standing bonds and cultural experiences enjoyed by sports fans and families:

> The NFL cannot be compensated in damages for the harm that sports gambling poses to the goodwill, character, and *integrity of NFL Football,* and to the fundamental bonds of loyalty, and devotion between fans and teams that the league seeks to maintain. Once the character and *integrity of NFL Football* have been compromised, and the bonds of loyalty and devotion between fans and teams have been broken, NFL Football will have been irreparably injured in a manner that cannot be calculated in dollars (emphasis added).[21]

Although I am quoting NFL Commissioner Goodell, the recognition that gambling touching professional or collegiate sports inexorably destroys the integrity of our treasured athletic institutions was shared by the commissioners of every professional, collegiate, and amateur sports organization. This was recently addressed in the context of prediction markets by Alex Roth, Esq., assistant general counsel to the National Basketball Association:

> The *integrity* risks posed by sports prediction markets are more significant and more difficult to manage than those presented by legal, regulated sports gambling,"[22]

The word "*integrity*" must remain at the epicenter of the discussion when considering the urgent need for Federal oversight of the sports gambling industry, including prediction markets.

Integrity is defined as "the quality of being honest and having strong moral principles that you refuse to change."[23] Obviously, the sports leagues failed the *moral principles that you refuse to change* piece of the integrity test as the lure of taking

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[18] Dan Bernstein, "DraftKings, Flutter stocks fall amid Kalshi parlay progress." Sportico, September 30, 2025. *https://www.sportico.com/business/sports-betting/2025/draftkings-flutter-stock-kalshi-parlay-1234872516/*

[19] Ryan Butler, "Prediction Market Volume Quadrupled in Past 2 Years, Report Finds." Covers, March 13, 2026. *https://www.covers.com/industry/prediction-market-volume-quadrupled-in-past-two-years-report-finds-march-13-2026*

[20] Deposition transcript R. Goodell, *NCAA v Christie, UNITED STATES DISTRICT COURT DISTRICT OF NEW JERSEY Civil Action No. 3: 12-cv-04947–MAS–LHG*

[21] *Murphy v. National Collegiate Athletic Association,* No. 16–476, 584 U.S. 453 (2018).

[22] Roberts and Schiffer, "NBA views prediction markets as the same as sports betting." FrontOfficeSports, February 14, 2026. *https://frontofficesports.com/adam-silver-nba-sees-prediction-markets-same-as-sports-betting/*

[23] Cambridge Dictionary (2026). *https://dictionary.cambridge.org/us/dictionary/english/integrity*

fans' gambling money quickly motivated every conceivable sports league, and the National Collegiate Athletic Association (NCAA)to reverse long-standing opposition to gambling and accepting billions in new revenue by entering into previously unthinkable deals with the gambling industry which have led to their direct involvement in creating gambling products.

When it comes to the urgent need to protect people and families, the lack of the leagues' moral principles is only a small part of the integrity story. Far more dangerous is the lack of candor systematically, repeatedly, and intentionally demonstrated by the sports leagues and the NCAA regarding the scope of their relationships with the gambling industry. This has resulted in the sports leagues and NCAA becoming full partners in the gambling industry and unleashing an entirely different, inherently dangerous, and more highly addictive form of online gambling known as micro betting on the American public. Micro betting, and its close cousins, "prop bets" and "same game parlays" has enriched the leagues and the NCAA while simultaneously causing a new American mental health and addiction crisis. While the most at risk are teenagers and younger adults, the harm is quickly metastasizing across all demographics.

To borrow an unfortunate phrase, *the worst is yet to come.* In development, ready to launch, and financially backed by the NFL, is an even faster and more lethal form of AI-driven micro betting specifically designed to convert traditional fans into constant micro bettors.[24] Because the sports leagues, the NCAA, prediction markets, and the online gambling companies have not been honest with the public and policymakers; the development of this new and more dangerous form of online gambling is rolling out without any Federal oversight. It is magnifying the mental health crisis and must be addressed forthwith at the Federal level.

Thus, I shall devote much of my testimony to uncovering the truth regarding the dangerous and somewhat clandestine financial relationships between the gambling industry and the sports leagues, including the NCAA. Once Congress and the American people have a clear and accurate understanding of how the public is being targeted with a known addictive product which is designed, engineered, and delivered by the sports leagues in partnership with the gambling industry, there will be an immediate and powerful call for Federal oversight, reform, and comprehensive regulation of the gambling industry and its sports and technology partners. We are in the early years of a new and fast-growing mental health crisis caused by the newest and least understood online sports gambling products. Lives and families are in the balance. The time is now for Congress to exercise its lawful authority by passing legislation to bring Federal safety standards to the online sports gambling industry.

The Mental Health and Sports Integrity Crisis—

Let me be clear. I am not opposed to sports gambling. However, I am vehemently opposed to and deeply concerned about what has transpired in just eight years since the United States Supreme Court struck down the Professional and Amateur Sports Protection Act ("PASPA").[25]

The sports gambling industry has expanded beyond a single industry to become the "gambling establishment" comprised of once unthinkable business partnerships including gambling companies; prediction markets, sports leagues, teams, owners, and athletes; the world's largest media and technology companies; social media; the AI industry; and state governments themselves.[26] All are acting in concert to deliver online gambling at light speed and to ensure that access to sports gambling action never stops. This new and AI-fueled business model is resulting in increased gambling addiction and gambling-related harm.

Medical science has recognized for more than twelve (12) years that gambling is a known addictive product, and gambling disorder is an addiction similar in nature to heroin, opioids, tobacco, alcohol, and cocaine (DSM–5, 2013). With every other addictive product or substance, the Federal government regulates the advertising, promotion, distribution, speed, and consumption of the product. This is to prevent harm and protect the public from danger when an industry is marketing and distributing an addictive and potentially dangerous product.

With gambling, the exact opposite is occurring. This is the core of our new sports integrity nightmare. The sports leagues have further embraced avarice by selling real-time data to the gambling industry to create high intensity gambling products

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[24] Matt Fleckenstein, "One system. Endless solutions." Genius Sports Investor Day/Genius IQ. *https://www.youtube.com/watch?v=L6ZWQImpYNw*

[25] *Murphy v. National Collegiate Athletic Association.* 138 S. Ct. 1461 (2018).

[26] Orford, J. (2017). *The Gambling Establishment and the Exercise of Power: A Commentary on Hancock and Smith.* International Journal of Mental Health and Addiction, 15(6), 1193 1196. *https://doi.org/10.1007/s11469-017-9781-8.*

of a kind we have never seen before. These data agreements enrich the leagues and serve as the blood and oxygen supply for instant and non-stop micro betting. The gambling industry and sports leagues have become partners to deliver constant and non-stop gambling action on every phone, tablet, and computer. Frighteningly, the gambling and prediction market companies, in concert with the sports leagues and AI companies, are poised to launch an even more destructive product with touch screen live micro betting. This will permit 24-hour nonstop gambling on every conceivable micro event by merely touching the screen of your phone, tablet, or use a mouse or remote on your computer or television. It will usher in a world of nonstop micro betting, at the speed of a slot machine, without ever leaving your bed.

With the use of cutting-edge technology, incredible computing power, artificial intelligence, and billion-dollar data partnerships, the gambling industry and sports leagues are poised to turn every electronic device into a 24/7 gambling machine in conscious disregard of the mental health and addiction epidemic that will surely follow. In the crosshairs of this impending epidemic are children and young adults being victimized by the unrelenting power of technology and the normalization of sports gambling. Without leaving our homes, each game, contest, or match from every corner of the globe will deliver constant access to highly addictive micro betting and non-stop gambling action. The human brain is not built to handle constant and unrelenting exposure to an addictive product. However, this is exactly what the gambling companies and sports leagues have developed and are prepared to launch on the American public.[27]

The chasing of action and/or losses is a crucial part of the diagnostic criteria for gambling addiction.[28] From my on clinical experience, I have found that chasing action is also the symptom most closely related to suffering harm. Chasing action is something I see every day I meet with clients and families suffering the most dire and devastating effects of gambling and gambling addiction. The effects I see every day in my clinical work as a therapist include financial ruin, desperation, suicidal ideation, depression, anxiety, career loss, divorce/separation, criminal behavior, homelessness, cooccurring alcohol and substance disorders, and deep despair. With online sports gambling, delivering constant action for users to chase is an inherent part of the gambling industry and sports leagues' business model. It is exactly what online sports gambling is designed to deliver, and it is, tragically, ruining the lives of many people and countless families.

Inducing younger and more vulnerable people to become addicted to gambling has become part of the gambling and sports industry business model. The leading AI company in this space is Genius Sports. One of the largest equity shareholders in Genius is the National Football League and its 32 team owners. In partnership with the NFL, Genius Sports has developed *BetVision;* an interactive touchscreen betting platform installed in streaming services. The stated purpose of *BetVision* is to deliver a seamless real-time non-stop micro betting platform where merely touching the screen will permit gambling on the actions of every player. *BetVision* tracks the tendencies of each individual gambler and provides overwhelming personal data to the gambling companies for the stated purpose of targeting people with individually crafted gambling products and promotions.[29]

The NFL and Genius Sports describe the goal of *BetVision* as *an immersive intelligent interactive tool* to ***convert*** *traditional fans into high engagement in-play bettors . . . which are significantly more profitable for Genius and for our sportsbook partners.*[30] The dangerous and intentional lack of candor does not stop with the NFL investing in BetVision. Under the guidance of Commissioner Goodell, the NFL recently sold all of its streaming content services to Disney. In exchange, the NFL received a 10 percent ownership of ESPN.[31] The strategy underlying this new partnership with Disney/ESPN is to deliver sports gambling featuring BetVision

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[27] Nick Watt, "How the NFL is betting big on gambling." CNN's The Lead with Jack Tapper, March 29, 2026. *https://www.cnn.com/2026/03/19/business/video/gambling-sports-betting-nfl-genius-lead-jake-tapper*

[28] Rennert, L., Denis, C., Peer, K., Lynch, K. G., Gelernter, J., & Kranzler, H. R. (2014). *DSM–5 gambling disorder: Prevalence and characteristics in a substance use disorder sample.* Experimental and Clinical Psychopharmacology, 22(1), 50–56. *https://doi.org/10.1037/a0034518.*

[29] Matt Fleckenstein, "FIVE insights from our CPO: Why BetVision is the future of in-play." Genius Sports, September 8, 2025. The SPO stated: "By leveraging user behaviour and a smart understanding of the live match state, BetVision populates relevant betting markets and statistics to help users decide on their next bet and track the progress of ongoing ones." *https://www.geniussports.com/content-hub/betvision-future-of-live-betting/*

[30] See *supra* note 24.

[31] The Walt Disney Company, "ESPN to Acquire NFL Network and Other Media Assets from the NFL in Exchange for a 10 percent Equity Stake in ESPN." August 5, 2025. *https://thewaltdisneycompany.com/news/espn-nfl-agreement/*

through streaming services such as ESPN Plus. Thus, the NFL and Genius Sports have developed the technology to seamlessly deliver non-stop micro betting and prediction markets with the aim of converting even casual fans into constant in-game gamblers.

The notion that our sports leagues and the gambling industry are openly seeking to convert fans into high engagement micro bettors is alarming. On its face, it resembles the villainous plot of a movie. But this is really happening right now: The design and delivery of a dangerous and addictive product for the purpose of wildly enriching a powerful syndicate while knowingly inflicting untoward harm on society.

The inclusion of prediction markets in the gambling industry syndicate takes the risk of an addiction epidemic to ever more destructive levels. Prediction markets, by labeling their sports gambling product as "investment products" are presently seeking to act in total disregard of state laws governing gambling. This means that gambling consumer protection laws enacted by states to protect the public are disregarded by the prediction markets.

This rejection of state consumer protections and the concurrent expansion of prediction market gambling to teenagers and adults in all fifty states represents a significant expansion by the sports leagues into the gambling industry. In October 2025, the National Hockey League (NHL) struck a massive deal with Kalshi and Polymarket to sell real time and historical data to fuel the advancement of micro betting, parlays, and same-game parlays on prediction market platforms.[32] The NHL is not alone in striking prediction market data deals.

In March 2026, Major League Baseball signed an "exclusive data deal" with offshore prediction market gambling company Polymarket.[33] Additional sports gambling data deals with prediction market companies have been signed by Major League Soccer, and the Ultimate Fighting Championship (UFC).[34] The National Basketball Association (NBA) is in the final stage of talks to sell its data to the prediction market industry.[35] The NFL claims a neutral position on prediction markets data deals. Meanwhile the league financially benefits from prediction markets because of its ownership stake in Genius Sports; a company aggressively engaged with prediction market companies as business clients.[36] These complex and lucrative data deals have now resulted in the introduction of Polymarket "bonus bet" offers for sports gambling including MLB and the NBA.[37]

The expansion of prediction market gambling to include financial partnerships with the most powerful sports leagues has dramatically increased the risk of addiction specifically with young men. Prediction markets are structured in ways that encourage continuous, and potentially addictive, engagement. While presented as a financial exchange in which users "trade" on future events, the prediction market design actively encourages patterns of use associated with gambling addiction. Most notably, they include features that reinforce repeated use through rapid feedback and constant stimulation. As one commentator explains "the platforms demonstrate sophisticated understanding of sensation-seeking behavior in their design. For instance, real-time price movements, instant feedback mechanisms, and celebration pop-ups create a constant stream of novel stimuli that can trigger dopamine responses."[38]

The prediction market then packages this action as a form of investment rather than gambling to circumvent state regulatory requirements for gambling operators. This is intended not only to avoid state regulation, but also to attract an ever more vulnerable group of gamblers to participate in the action. States historically set twenty-one as the minimum legal age for gambling. The prediction markets ignore

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[32] Bill King, "How the NHL got comfortable with prediction markets." Sports Business Journal, October 27, 2025. *https://www.sportsbusinessjournal.com/Articles/2025/10/27/how-the-nhl-got-comfortable-with-prediction-markets/*

[33] Ben Horney, "MLB makes multiyear prediction-market deal with Polymarket." March 19, 2026. *https://frontofficesports.com/mlb-makes-multiyear-prediction-markets-deal-with-polymarket/*

[34] Id.

[35] Ben Horney, "NBA is in talks with Kalshi and Polymarket." Front Office Sports, April 16, 2026. *https://frontofficesports.com/nba-is-in-talks-with-kalshi-and-polymarket/*

[36] Jack Davidson, "Betting Overview & Prediction Markets Update." Genius Sports, January 2026. *https://www.youtube.com/watch?v=0XFP_bTNdFA;* Genius Sports Investor Day "Panel Discussion with Mark Lockem Roger Godell, and Steve Bornstein." January, 2026. *https://www.youtube.com/watch?v=AP3gJ0_UWcw*

[37] Michael O'Nair, "Polymarket Promo Code STREET: Get upgraded $50 bonus for MLB, PGA, NBA playoffs." Russell Street Report, May 14, 2026. *https://russellstreetreport.com/2026/05/14/sports-betting/polymarket-promo-code-street-get-upgraded-50-bonus-for-mlb-pga-nba-playoffs/*

[38] Sharon Rabinovitz & Nizan G. Packin, All Bets Are On: Addiction, Prediction, Regulation, and the Future of Financial Gambling, 36 Fordham Intellectual Prop., Media, Entm't L. J. 147 (2025).

this public safety law and openly tout their gambling product as available to anyone eighteen or older.

Next, states with legalized sports gambling will typically mandate self-exclusion programs as part of the package of consumer protection laws. The prediction markets turn a blind eye to self-exclusion programs and readily welcome all takers, including those battling to overcome gambling addiction. The labeling of prediction markets as an investment rather than gambling is another predatory tactic designed to attract the most vulnerable users to these platforms. It is not difficult to imagine how people struggling with a gambling problem would be drawn to prediction markets under the false premise that they are not gambling but merely investing. Ignoring the basic form of safety enhancement by pretending that prediction markets are not gambling is not only self-serving, but vile and predatory. Yet it is being openly encouraged by prediction market operators.

Only forty states have legalized sports gambling. For a variety of reasons, the people in the other ten states have chosen to reject sports gambling. However, the prediction markets, including Kalshi, Polymarket, DraftKings, FanDuel, and Fanatics disregard the will of the people in these ten states and are delivering sports gambling in open defiance of the law and the public good. We are literally witnessing this segment of the gambling industry acting as though it is entirely above the law. This defiance of the law extends to taxation. The prediction markets have unilaterally decided that state laws do not apply to their gambling products.

Thus, in addition to rejecting state consumer protection regulations, these companies refuse to pay state taxes on the enormous profits they generated by prediction market gambling. Yet, the economic and mental health consequences and costs are experienced in the states.

This brings us back to the crucial issue of integrity of the sports leagues. This is not an issue of whether the public can trust the outcome of any particular game. The moment the leagues decided to embrace and accept gambling money, they inexorably called into question the sanctity of their sports and the joy of athletic competition. This was a conscious and deliberate decision on the part of the leagues: to forsake their historical value to society for the ability to extract more money from their fans' bank accounts to their bottom lines. What the leagues presently attempt to casually portray as "fan engagement" is a calculated effort to chase the revenue offered by data deals with gambling and prediction market operators. Sports once belonged to the American public. Sports has, for centuries, belonged to American families and shared by grandparents, parents, children, and sibling. Those days are gone. Sports have sold their soul to the gambling industry by choosing to become the equivalent of a non-stop slot machine.

Thus, whether the American public can still trust and value the truth, morality, and wholesomeness of athletic competition is a decision each of us will make for ourselves. Such is the bed the sports leagues have created. Claims that the leagues are poised to police themselves are not sufficient.

As for the self-serving claim that the leagues must sell their data to gambling operators in order to ensure self-surveillance and protect the integrity of the game, this is beyond insulting to the public and our elected leaders. One need look no further than the plethora of professional and collegiate scandals over the last 18 months to see the overwhelming evidence that the new world order of in-game micro betting has resulted in far too many compromised moments. Companies such as IC–360 (a presenter during this hearing) will proclaim that it monitors each game and contest for signs of irregularity with betting patterns. Considering the still mounting number of alleged cheating scandals in the past year that it failed to prevent, with all due respect, this is not the answer.

What must be acknowledged are the American lives put at risk by these alleged cheating scandals. It should be noted that each of the people accused are innocent until proven guilty. Thus far, every cheating scandal involves micro betting, and this is not surprising. Micro betting is an entirely new and inherently dangerous gambling product which permits action every 10 seconds or faster. The opportunities for gambling to taint and tarnish sports have grown to countless numbers and many of the scandals involve student athletes under the age of twenty-one. The leagues and the NCAA have created this problem. The people getting caught in the trap are increasingly younger and often student-athletes. The leagues and the NCAA designed this model in partnership with the gambling industry. For the leagues to now claim they need to protect their image is disingenuous and problematic.

It bears noting that the NCAA is complicit and equally lacking integrity when it comes to truth and candor. Previously, the Commissioner of the NCAA, Governor Charlie Baker came before the Senate Judiciary Committee purporting to request

help reining in proposition bets on college sports.[39] However, at the very same time, and unannounced to the Judiciary Committee, the NCAA was involved in negotiations with Genius Sports to sell college sports data to gambling operators to further fuel micro betting. On April 25, 2025, the NCAA, quietly, with a late Friday press release, announced a lucrative data deal with Genius Sports.[40] This somewhat unthinkable gambling partnership was met with condemnation.[41] However, without notifying Congress, or any other governing body, the NCAA and its gambling partners now accept wagers on each shot in our beloved *March Madness* basketball tournaments.

Descriptions of the hypocritical complicity of the leagues could continue with little end in sight. The height of hypocrisy was demonstrated by major league baseball in the wake of the 2025 micro betting scandal regarding two Cleveland Guardian pitchers. As the Committee will recall, two Guardian pitchers stand accused of fixing pitches to enable partners to profit from micro bets on the speed and accuracy of each pitch.[42] In the immediate aftermath of these allegations, MLB acted quickly; not to protect the public but to guard its lucrative data deals with the gambling industry. MLB Commissioner Rob Manfred announced a $200.00 per pitch limit on such wagers. A review of this decision by Commissioner Manfred reveals its true intent is to protect the value of MLB's relationship with the gambling industry.

Consider, for example; there are approximately 20 pitches each half inning, or 40 per inning and 360 each game. With fifteen games most nights, people can now wager and lose *only $72,0000 a game and $1,080,000.00* per night all season on micro betting on each pitch. Yes, MLB acted swiftly. Not to protect the integrity of the game, however, but to guard its lucrative data deals with the gambling industry.

The Call for Federal Regulation—

On May 24, 2018, the United States Supreme Court struck down the Professional and Amateur Sports Protection Act (PASPA). This cleared the way for states to legalize online sports gambling. In just eight years, thirty-nine states and the District of Columbia have done so.

Of critical importance, The *Murphy* Court specifically noted that Congress retains the legal authority to regulate online sports gambling:

> The legalization of sports gambling is a controversial subject. Supporters argue that legalization will produce revenue for the States and critically weaken illegal sports betting operations, which are often run by organized crime. Opponents contend that legalizing sports gambling will hook the young on gambling, encourage people of modest means to squander their savings and earnings, and corrupt professional and college sports. *The legalization of sports gambling requires an important policy choice, but the choice is not ours to make. Congress can regulate sports gambling directly, but if it elects not to do so, each State is free to act on its own* (*Murphy v NCAA,* 2018) (emphasis added).

In aggressively marketing and promoting sports gambling through broadcast advertising, internet ads, social media, in-app notifications, and steering viewers toward certain gambling products during the broadcast of games, our relationship with sports has shifted to a relationship with gambling. Equally dangerous is the gambling industry use of "VIP hosts" where the gambling companies target and reward people for increasing their gambling action. VIP hosts use a wide array of incentives and induce people to keep gambling. These often include tickets, gifts, trips, cash bonuses, restaurant meals and more. This is akin to a drug dealer rewarding the best "customers" to make certain they never stop needing or wanting action. VIP hosts presently operate without any Federal scrutiny, and this gambling industry tactic warrants its own Senate hearing.

The gambling industry and its sports partners have taken sports away from children, families, and the American public. Gambling takes place on every micro-event

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[39] Becky Sullivan, "The president of the NCAA calls for a ban on 'prop bets' in college sports." NPR, December 17, 2024. *https://www.npr.org/2024/12/17/nx-s1-5231991/ncaa-charlie-baker-sports-gambling-regulations-senate*

[40] Genius Sports, "NCAA and Genius Sports expand partnership through 2032." April 25, 2025. *https://www.geniussports.com/newsroom/ncaa-and-genius-sports-expand-partnership-through-2032/*

[41] Public Health Advocacy Institute, "Public Health Advocacy Institute response to NCAA decision to sell gambling data to sportsbooks." April 28, 2025. *https://www.prnewswire.com/news-releases/public-health-advocacy-institute-response-to-ncaa-decision-to-sell-gambling-data-to-sportsbooks-302440104.html*

[42] U.S. Attorney's Office EDNY, "Two current major league baseball players charged in sports betting and money laundering conspiracy." November 9, 2025. *https://www.justice.gov/usao-edny/pr/two-current-major-league-baseball-players-charged-sports-betting-and-money-laundering*

within sporting events, from the speed of the next baseball pitch to every football snap, basketball shot, tennis serve, and even ping pong points from Russia and Eastern Europe. Live sports for gambling happen around the globe and around the clock so that the action never stops. Sports have sadly become the equivalent of a non-stop slot machine.

How did we get here and why is it essential that Congress act to regulate gambling, including prediction markets, as an issue of public health?

There are two answers to this question.

First, online sports gambling is a fundamentally different and more dangerous gambling product than anyone could have anticipated. In May 2018, when the Supreme Court decided *Murphy v NCAA,* no one could have foreseen what online sports gambling would quickly become.

On June 14, 2018, Governor Phil Murphy made the first post-*Murphy* bet. He placed $20 on the New Jersey Devils to win the 2019 Stanley Cup. This was a bet that would take 11 months to decide.

Now, just eight years later, online sports gambling brings action every 11 seconds, or faster. With the use of AI, online sports gambling takes place at light speed, and this goes on nearly 24 hours a day, every day. The human brain is not built to handle such stimulation from the rapid consumption of a known addictive product. This is particularly problematic with younger adults as the risk/reward system of the brain is not fully developed until age 26.[43]

Fast approaching is the pending rollout of BetVision and the NFL investment in Disney and ESPN resulting in the likely launch of a non-stop micro betting streaming service.[44] This is more like a dystopian science fiction story than recreational sports gambling. It certainly was not what the Majority in *Murphy* or anyone had in mind when the case was decided on Tenth Amendment principles.

The second answer to how we arrived at this dangerous juncture with online sports gambling is the old adage, *follow the money.*

The sports leagues, teams, owners, and players have entered into previously unthinkable partnerships with the gambling industry. They sell their real-time data statistics to the gambling industry for billions of dollars. This takes place with every sport from baseball, football, and basketball to soccer, tennis, golf, hockey, auto racing and more.

The gambling companies, now including prediction markets, then turn these statistics into constant gambling action. Micro bets, same game parlays, player props, profit boosts, rapidly changing in-game odds and point spreads, and much more. These are AI-driven gambling products which target people with the most addictive forms of gambling action. Meanwhile, the gambling industry admonishes the public to "bet responsibly" and calls this industry driven hypocritical approach, the "responsible gaming" (RG) model.

Follow the money. The gambling industry is paying its sports and media partners billions of dollars to obtain statistics, advertise, create, and distribute online gambling products. Unlike any other business in this country, no tangible products are sold or distributed. The gambling industry is not selling any widgets on the market. The only way for the gambling industry to recoup its massive spending and generate revenue is to induce the public to chase faster and faster gambling action and lose more money more quickly than ever before. There is no dispute that keeping people in action is, fundamentally, the gambling industry business model.

Chasing action is also the clearest symptom of gambling addiction and gambling-related harm. Thus, the industry's business model is designed to cause harm by prompting the public to engage in constant action with ever more risky gambling activities.

Meanwhile, the gambling industry contends that less than one percent of gamblers are suffering from a gambling addiction and less than five percent are at-risk for problem gambling. In fact, The President of the American Gaming Association ("AGA") told CBS' 60-Minutes in 2024 that the gambling industry rejects the notion that online gambling is addictive:

> *". . . I don't believe that there is an addiction to mobile betting any more than there is an addiction to utilization of your phone for any other reason,"*[45]

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[43] Arain M, Haque M, Johal L, Mathur P, Nel W, Rais A, Sandhu R, Sharma S. *Maturation of the adolescent brain.* Neuropsychiatr Dis Treat. 2013;9:449–61. doi: 10.2147/NDT.S39776. Epub 2013 Apr 3. PMID: 23579318; PMCID: PMC3621648.

[44] See *supra* note 31.

[45] Wortheim *et al.,* "Young gamblers place sports bets while showering, wager away student loan money, addiction therapist warns." CBS News, February 4, 2024. *https://www.cbsnews.com/news/young-gamblers-sports-betting-addiction-60-minutes/*

Notwithstanding the reticence of the AGA to recognize the science related to gambling addiction, there is a burgeoning international movement to consider the unprecedented expansion of the online sports gambling industry as a significant threat to mental health The evidence is everywhere that we are in the early stages of a mental health and gambling addiction epidemic and those most severely impacted are young men. This brings the focus squarely to the dangerous conduct of the prediction markets and a business model that attempts to deliver non-stop gambling to people as young as eighteen.

A March 2026 national survey found that nearly two-thirds (65 percent) of American adults report having gambled before the age of 21.10 Online gambling particularly afflicts young men, as a Fairleigh Dickinson University study found that 25 percent of men aged 30 and under wager on sports digitally, and that 10 percent admit to a gambling problem. These are not just statistics. These are young people whose relationships with their friends, families, and communities have been disrupted by their engagement with these platforms.[46]

A high percentage of calls to gambling helplines are coming from younger adults fixated on the fast-paced action of in-game micro sports betting. As recently stated by Felicia Grondin, the executive director of the Council On Compulsive Gambling of New Jersey, "People don't really have the time to collect their thoughts to say, 'Do I really need to place this wager?' They get involved in the game. There's a dopamine rush, they're excited and before you know it, they're tens of thousands of dollars in debt . . ."[47]

The gambling industry itself is strongly opposed to the Federal government regulating gambling. The official position of the American Gaming Association is "The AGA firmly believes additional Federal regulatory oversight of legal sports betting is unwarranted. States and tribal nations have proven to be effective regulators of gaming—including sports betting—and the more than 4,000 regulators nationwide have decades of experience overseeing gaming operations within their jurisdictions."[48] The recently created Sports Betting Alliance (SBA) comprised of Bet365, BetMGM, DraftKings, Fanatics, and FanDuel also strongly opposes any form of regulation of micro betting.[49]

The AGA and SBA contend, without empirical evidence or data, that gambling addiction and gambling-related harm are *de minimis* problems in society. The industry publicly states that only 1 percent of the U.S. gambling population shows addictive behavior regarding the wagers they place.[50] This frames the gambling industry's position that any mental health or financial struggles with gambling should be focused on the shortcomings of their customers and not the addictive nature or predatory marketing of their gambling products. Thus, the gambling industry continues to follow the same "blame the customer" playbook perfected by Big Tobacco and seeks to place the onus on individual users by advancing an industry-driven responsible gaming policy. This is intentionally and unethically intended to distract and mislead the Federal government to discourage it from regulating online sports gambling to help make gambling products safer for consumers.

The Responsible Gaming Model is Fatally Flawed—

Historically, gambling disorder was treated as a problem of individual responsibility with emphasis placed on people already suffering from gambling-related harm. This model is supported by the gambling industry and is designed to focus on treating individuals diagnosed with gambling disorder while urging the public to exercise personal responsibility when gambling. At the core of this approach has been the gambling industry-sponsored narrative that harm is suffered by only a small percentage of "problem gamblers" and they should receive treatment funded by gambling industry revenue. This is the model used in every state that has introduced

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[46] Fairleigh Dickinson University, "FDU Poll finds Online Betting Leads to Problems for Young Men," September 19, 2024, *https://www.fdu.edu/news/fdu-poll-finds-online-betting-leads-to-problems-for-young-men/*.

[47] Bobby Brier, "Surge in problem gambling in NJ—and in calls for help." New Jersey Education Association, September 26, 2024. *https://www.njspotlightnews.org/2024/09/problem-gambling-surges-in-new-jersey-more-young-men-call-helpline-sports-betting/*

[48] William C. Miller, Jr., Memo to Members of the 117th United States Congress Dated January 28, 2021. *https://www.americangaming.org/wp-content/uploads/2021/01/Letter-to-the-Hill-Jan-2021.pdf*

[49] Robert Linnehan, "New Jersey lawmakers, regulators consider micro betting ban bill." SportsBettingDime News, December 16, 2025. *https://sportsbettingalliance.org/*

[50] Devin O'Connor, "American Gaming Association: 90 percent of casino gamblers play responsibly." Casino.org, February 14, 2019. *https://www.casino.org/news/american-gaming-association-90-percent-of-gamblers-play-responsibly/*

online gambling. It is the moral equivalent of permitting Big Tobacco free reign to do whatever it wants so long as it pays for chemotherapy and hospice.

This gambling industry-driven perspective is often called the "responsible gaming" ("RG") model and rejects the concept that online sports gambling causes societal harm. The gambling industry wrongly contends that online sports gambling causes no net societal harm, and there is no need for a public health approach focused on preventing harm. Policy makers are then urged to eschew the notion that public harm must be prevented by regulating the distribution and marketing of gambling products. This again draws parallels to tobacco where for decades the industry denied that tobacco and nicotine are addictive and cause disease while simultaneously seeking to avoid any public health regulation.

The RG model advanced by the industry is based on an incorrect theory that only a small percentage of people are suffering harm from gambling and gambling addiction, and a tiny fraction of gambling revenue would be sufficient to pay for treatment of those who suffer harm. The RG approach to industry self-regulation has come under increased criticism for lacking empirical evidence. It is also roundly criticized for minimizing the scope of public harm by focusing only on people struggling with gambling addiction and failing to consider the pain, damage and harm inflicted on impacted others including family and friends of the persons suffering with gambling addiction.

Further, the RG approach is ethically flawed because it was paid for and created by the gambling industry with the specific purpose of avoiding government regulation.[51] With every other disease and condition the overwhelming emphasis is placed on prevention. With gambling addiction, the industry invokes the RG model and rejects calls for Federal regulation designed to prevent harm by claiming that the gambling industry should be permitted to police and regulate itself.

The time has come for the Federal government to reject the abject failure of the industry-driven RG approach and endorse an effort to meaningfully regulate the online sports gambling industry as an urgent public health concern. One would like to think that the gambling industry and its establishment business partners would welcome efforts by the Federal government to design and implement rules and regulations to protect the betting public across the board in a way that provides an even playing field. However, the mere mention of Federal regulation causes a strong reaction in opposition from the industry. This fact alone is, to borrow a gambling term, a "tell" and suggests the need for Congress to become more actively involved.

The Time to Act is Now—

Notwithstanding efforts by the gambling industry to protect its financial stranglehold and avoid Federal regulation, the words of the *Murphy* Court endorsing the right of Congress to regulate online sports gambling serve as a call for the Federal government to embrace the legal, ethical, and moral obligation to prioritize the mental health of Americans over gambling industry revenue (which is comprised solely from the public's losses). It is the duty of Congress and the Federal government to act and protect the mental health of all Americans because the evidence of a looming crisis is undeniable.

The first waves of independent research examining the societal damage related to online sports gambling in the United States are just becoming available. In May 2023, the National Collegiate Athletic Association ("NCAA") released an alarming study examining online sports gambling on college campuses.[52] The disturbing findings include:

- Sports wagering is pervasive among college students with 58 percent of 18–22-year-olds engaging in sports gambling.
- Sports Gambling is widespread on college campuses with 67 percent of students betting on sports. Students living on or near campus gamble at higher frequencies.
- Nearly 60 percent of students are likely to bet on sports after seeing a gambling advertisement.
- More than 60 percent of students engaged in gambling are betting on sports using the highly addictive "in game/micro bets".

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[51] Hancock, L., Smith, G. Replacing the Reno Model with a Robust Public Health Approach to "Responsible Gambling": Hancock and Smith's Response to Commentaries on Our Original Reno Model Critique. *Int J Ment Health Addiction* 15, 1209–1220 (2017). *https://doi.org/10.1007/s11469-017-9836-x.*

[52] Key Findings from the NCAA Sports Betting Activities Survey, April; 2023 are available at: *https://ncaaorg.s3.amazonaws.com/research/wagering/Apr2023NCAA_WageringKeyFindings.pdf*

- Nearly 80 percent indicate that betting on sports makes it more likely they will watch the event on television or streaming.
- 60 percent of student gamblers believe they can and will make money betting on sports.

There were also two important online gambling studies released in July 2024. The first is from researchers at UCLA Anderson School of Management and the University of Southern California and the other is from researchers at Northwestern University.[53] [54]

The UCLA/USC and Northwestern are separate and independent studies but reveal strikingly similar and alarming findings particularly in financially vulnerable communities and this includes a nearly 30 percent increase in bankruptcy filings in states with online sports gambling.

The UCLA/USC researchers concluded:

> *The legalization of sports gambling decreased consumer financial health. These results seem to be particularly pronounced when states legalize online betting, suggesting that the ease of access to gambling increases the problems associated with it. Moreover, we find that young men, particularly those in low-income counties, are most affected.*

It must also be recognized that gambling addiction and gambling-related harm causes damages far in excess of mere financial losses. There is a direct causal connection between gambling addiction and societal harms which include:[55]

- Anxiety, Depression, Isolation
- Loss of Job/Career
- Cooccurring alcohol and drug disorders
- Family violence
- Homelessness
- Criminality
- Psychological distress
- Comorbidities with substance misuse
- Suicide

Federal regulation will expose and replace the dangerously flawed RG system of industry self-regulation with a set of policies that will help to prevent most harm from happening in the first place. RG places the onus on the individual rather than regulating the addictive nature of online sports gambling and predatory conduct of the industry. This failure of the RG model must be replaced with a comprehensive response at the Federal level, and, obviously, this. must begin with Congressional action. This hearing is another significant step forward toward Congress enacting meaningful safety standard to address and prevent the mental health crisis related to gambling addiction.

Personal and Professional Background—

I hold a master's degree in professional clinical counseling from La Salle University, a doctorate in Law and Public Policy from Northeastern University, and a juris doctorate from Temple University School of Law. My doctorate research focuses on policies required to prevent gambling addiction and gambling-related harm.

Professionally, I serve dual roles as Director of Gambling Policy with the Public Health Advocacy Institute (PHAI) at Northeastern University School of Law and as an internationally certified gambling addiction counselor. This permits me to clinically treat patients and families suffering with gambling addiction while simultaneously working as a policy expert and advocate. Simply put, prevention of gambling addiction is the single best form of treatment.

Given my background and qualifications, I am duty bound to utilize the totality of my professional training and personal experience to help lead the movement for regulation and reform with the goal of preventing gambling addiction and gambling-related harm.

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[53] Hollenbeck, B., Larsen, P., & Proserpio, D. (2024). The financial consequences of legalized sports gambling. *Available at SSRN*.

[54] Baker, S. R., Balthrop, J., Johnson, M. J., Kotter, J. D., & Pisciotta, K. (2024). *Gambling away stability: Sports betting's impact on vulnerable households* (No. w33108). National Bureau of Economic Research.

[55] Wardle, H., Degenhardt, L., Marionneau, V., Reith, G., Livingstone, C., Sparrow, M., . . . & Saxena, S. (2024). The lancet public health commission on gambling. *The Lancet Public Health, 9*(11), e950-e994.

In addition to being a gambling addiction therapist and Director of Gambling Policy with PHAI, I am also a gambling addict in recovery. I made my last bet on April 27, 2014, and on that same night, I nearly took my own life in a suicide attempt. With gambling addiction, the risk of suicide is omnipresent. Research shows that one in every two people suffering with gambling addiction will contemplate suicide and one in five will make an attempt.[56]

In the grips of my gambling addiction, I devastatingly hurt many people who had loved and trusted me. This included clients, friends, my children, and the people who were closest to me. Personal carnage related to gambling addiction destroys the most trusted and intimate relationships, sometimes beyond repair.

Gambling addiction took my mind, soul, body, and conscience. It left me broken, battered, and homeless. I was unrecognizable to myself. The only thing I had left was my name.

On February 15, 2015, I stood in a courtroom in Philadelphia, Pennsylvania. This was a court where I practiced law for more than two decades and where my father had practiced for more than half a century. In the presence of the court, the clients I had betrayed, and my children, I pled guilty to financial crimes committed in the throes of my gambling addiction. On that day, I pledged, under oath to the court, that if I could get well and find recovery, I would give back by doing everything in my power to prevent others from suffering harm related to gambling addiction. I continue this mission by serving as Director of Gambling Policy with PHAI and as a therapist working with people and families battling to overcome gambling addiction.

As a therapist, I adhere to the ethical principle of beneficence. As such, it is my duty to advocate in the best interests of my patients, their families, and for the good of society. It is in this realm that I fight for regulation designed to prevent gambling addiction and gambling-related harm. Prevention is the best form of treatment. Our Congress can lead the movement to protect families and prevent this mental health and gambling addiction epidemic.

Thank you for granting me the opportunity to address this distinguished Committee. I hope this is just the beginning of a more comprehensive and ongoing dialogue.

Respectfully,

DR. HARRY LEVANT, MA, PCC, ICGC-I,
Director of Gambling Policy,
Public Health Advocacy Institute.

Senator BLACKBURN. And thank you. And I don't think anyone would have made a bet that we would have had 5 witnesses who stuck to 5 minutes. I congratulate you all.

[Laughter.]

Senator BLACKBURN. You're recognized, Chairman Cruz.

STATEMENT OF HON. TED CRUZ, U.S. SENATOR FROM TEXAS

The CHAIRMAN. Well, I think that bet may have been on the prediction markets. Good morning.

Americans love sports. Nearly 70 percent of Americans—that's about 232 million people—consider themselves sports fans. I am certainly one of them. I'm a sports fan for the same reason everyone else is. Sports showcase human talent and grit and drive. They put us on the edge of our seats as we wait and, and hope for the thrill of the next big play, the come-from-behind win.

From high school football, which is a religion in the great state of Texas, to college basketball, to the professional leagues, sports unite us at a time when it seems everything else divides us. Today, many sports fans are also sports bettors. 39 states and the District of Columbia have legalized some form of sports betting, though my home state of Texas has not.

[56] Wardle, H., Reith, G., Langham, E., & Rogers, R. D. (2019). Gambling and public health: we need policy action to prevent harm. British Medical Journal, 365.

Even in those states where sports betting is legal, everyone agrees that it carries risks, and serious risks. It should be regulated, and it should be done, if at all, in moderation. This hearing is not about rolling back legalized gambling in states that have chosen to authorize it. There are two different questions instead before us at this hearing.

First, in a world where sports betting exists, how do we preserve the integrity and authenticity of the sports that we love? And second, are prediction markets operating within the law, or are they defying the law and improperly infringing on State sovereignty?

On the first question, integrity is the foundation of sports. We want athletes competing on merit. But the opportunity to make money can tempt gamblers, and sometimes even athletes themselves, to guarantee a sure bet. Consider a few recent cases. NBA players and coaches are accused of manipulating performance and providing insider information to win bets. Two, Major League Baseball pitchers allegedly rigged their own pitches in exchange for money. MLS banned two players for intentionally getting yellow cards to win bets. And the UFC has canceled matches and terminated contracts because of suspected match fixing.

These incidents sow doubt in the minds of fans. It is not uncommon for fans scrolling Twitter on a Sunday afternoon in the fall to see posts speculating that a controversial call by an official was related to gambling. That is why sports leagues and casinos and regulators have to work together to identify, to investigate, and to root out manipulation. Fans need to be assured that game rigging is rare and that anyone caught doing it will be punished harshly, if not banned forever from the game.

They're also grappling with a newcomer to the sports integrity matrix: prediction markets like Polymarket and Kalshi. Prediction markets have started offering, "event contracts on sporting events," which for all intents and purposes are sports bets. Now, of course, there are real and serious questions about the legal propriety.

At a minimum, any prediction market that offers event contracts on sports should be expected to join serious efforts to detect and prevent the rigging of sports. We must also acknowledge the existence of unregulated offshore sportsbooks that have existed for decades. That issue may well be one for law enforcement, Treasury, or the State Department to solve.

Today's hearing is designed to focus on the use of tools in the regulated market to catch and to prevent game manipulation. My hope is that today's discussion will showcase the work already underway to protect the integrity of sports and at the same time identifying where we can and should do more. I look forward to hearing from our witnesses.

Senator BLACKBURN. Thank you, Mr. Chairman. We will begin our round of questioning now.

Ms. Thomas, I want to come to you. When we speak about sports integrity, our states have really been on the front line when it comes to protecting fair play and also protecting consumers from harm. You talked about this in your opening, I know that Tennessee has taken a technology-first approach in dealing with this.

So I want you to talk a little bit about Tennessee's approach and how you have handled or will handle potential instances when it comes to match fixing and questionable bets?

Ms. THOMAS. Thank you for the question. Yes we are a technology-forward agency and recognize that we need to move at the speed of business and not always at the speed of government to keep up with our industry and mitigate all risks that we can. And I described what our rules require, but I want to emphasize that our standard of what our sportsbooks and their vendors can use is one of commercial and technological reasonableness, which of course, evolves and improves over time.

That gives our sportsbooks flexibility to run their operations and use vendors that they believe are best suited for their needs or develop technology in-house. We also internally in our agency use technology to monitor what is going on with all of our sportsbooks. We ingest data from our sportsbooks, from our vendors related to compliance issues, related to any kind of technological changes, any changes to any of their operating systems comes to our office. And we also ingest data from players that gives us insight into issues that they are seeing, and——

Senator BLACKBURN. So let me jump in. You're taking vendor data and player data?

Ms. THOMAS. And sportsbook data. Yes, ma'am.

Senator BLACKBURN. OK.

Ms. THOMAS. Yes. And then we're able to use that data to look at patterns of what might be happening with compliance areas. Now, with integrity issues, that might—that may be a way that we identify integrity issues, but we also have back-office access to all of our sportsbooks platforms so we can see real-time account-level data. We can also see their integrity providers like IC360 and IBIA. We can see their platforms, and so we can see what's being reported by those sportsbooks in real time and how others are responding.

We also have a platform access to geolocation data, so we can see wagering geolocation pings when deposits are made, when wagering activity takes place, when odd movements happen or differences in geographical locations and wagers that are taking place. And that allows us to have a lot of data at our fingertips to analyze when there is suspected activity of match fixing or otherwise that we can then package and send to sports governing bodies, send to law enforcement, and investigate.

And we have done that. I want to make sure I get my numbers straight, but as of May 14, we had investigated 25 potential integrity cases where suspicious wagering activity occurred in Tennessee that could have indicated the use of inside information. A few of these cases are currently pending, but 17 of these matters were closed and were referred to sports governing bodies and law enforcement, including 13 of those to the FBI.

And where an integrity matter is not criminally referred, it is because we identified that it was just somebody had a good day.

Senator BLACKBURN. Thank you. Mr. Miller, do your members advertise to youth?

Mr. MILLER. We do not.

Senator BLACKBURN. Do you advertise on social media platforms?

Mr. MILLER. We do have members that advertise on social media platforms, yes.

Senator BLACKBURN. And you consider that is not advertising to youth?

Mr. MILLER. I think that the algorithms that are built around the idea of——

Senator BLACKBURN. They don't build their algorithms and they don't open them. Mr. McHenry, do you—do your members advertise to youth?

Mr. MCHENRY. No.

Senator BLACKBURN. Do you advertise on social media platforms?

Mr. MCHENRY. Yes, and we welcome the additional tools. And as a parent, I laud your goals of protecting our kids online. We want enhanced tools so we can make sure——

Senator BLACKBURN. So why are you on those platforms?

Mr. MCHENRY. Pardon me?

Senator BLACKBURN. Why are they on those platforms?

Mr. MCHENRY. Because they're very popular. They're very popular——

Senator BLACKBURN. With kids.

Mr. MCHENRY. With adults. The average age of——

Senator BLACKBURN. And we've got a problem with 11-year-olds.

Mr. MCHENRY. The average age of the participant on——

Senator BLACKBURN. Let me ask you this——

Mr. MCHENRY.—prediction markets is 33.

Senator BLACKBURN. I want to talk a little bit about the prediction market approach to regulation and consumer protection. And let's go to a LinkedIn post that Kalshi CEO Mansour wrote about the company taking a regulatory-first approach, his term, to accelerate growth. And I agree that innovators need light-touch rules, and prediction markets are a great place for innovation. We realize that. I think that it is important that we take action to make certain these marketplaces are going to be safe.

So talk for a moment about how your association is approaching consumer protections, and what you are going to do to be certain that you're not on these platforms where children are the primary user of these platforms?

Mr. MCHENRY. Yes, and thank you. And thank you for your leadership on protecting our kids online. As a parent, I share your goals. I very much share your goals. Our coalition members adhere to best practices on advertising. There's a complete ban of anyone under 18 from touching these products. We understand there's a conversation about the age requirements for prediction markets. We welcome that conversation.

But to be clear, these financial products, just like securities, are available to 18 and older. Ninety-seven percent of our users of the volume on prediction markets are over 21. The average age is 33. The goal is to get customers that will be repeat customers that are interested in participating, but not targeting kids.

And every enhanced tool that we can take, and our members' companies can take, to ensure that under–18 don't even see our advertising online is a very important mark that we take and undertake, but we lack fully the tools necessary to block that.

Our member companies will take enhanced surveillance of those that they think may be using their parent or someone else's phone. We take extra effort to make sure that they don't have that access. And we follow the best tools that are available to make sure that we know if anyone has any touchpoints to the leagues or the folks that we view as insiders, and they are—they are banned from using our products. Full ban. They can't even trade. And that is an undertaking that's very different than the rest of the ecosystem.

Senator BLACKBURN. Thank you for that. Dr. Levant, I can tell you want to respond to that, but as a courtesy to my colleagues, I'm going to call back—come back to you for that response. Senator Hickenlooper, you're recognized.

Senator HICKENLOOPER. Thank you, Madam Chair. Thank all of you for coming. And Dr. Levant, I particularly think your life experience is relevant and real.

Mr. McHenry, thank you for your service. You bring a reputation from the House, but I think you need to be very careful of how you're using that. I think prediction markets, you know, largely advertise themselves as financially life-changing tools for average people that can allow users to earn money through their prediction accuracy. Now, one example I can give you, Kalshi partnered with a young woman on TikTok who said—so this is a partnership—who said that she struggled to pay her rent, but by placing bets on Kalshi, she was able to win enough to cover her rent for two years.

I know you're welcoming conversations, but do you think that's responsible to hold that up as a model for people that are having trouble making their rent, that they should go on to prediction markets because they're going to be better at predicting what is clearly a random occurrence?

Mr. MCHENRY. These contracts are not fully random, and these contracts——

Senator HICKENLOOPER. They're not fully random, but if it's truly—if there's no inside information, they are largely random.

Mr. MCHENRY. The predictive capacity and the specifics of the case you raise, I'm unaware of. This is——

Senator HICKENLOOPER. I'm telling you, now you're aware of it, and this isn't a case of some random person. This is a business partnership with the people that are paying your consulting fee.

Mr. MCHENRY. So thank you for—I will attempt to answer your question, which is these are two-sided markets established by peer-to-peer——

Senator HICKENLOOPER. I get that. I'm talking about what the incentive that advertising plays in these types of markets. Let's move on. I think I look at the age issue as every bit as important as encouraging people that are struggling to make ends meet. I think it's specifically dangerous for minors to get into sports betting, and especially on prediction markets. That's why almost all the states say it's 21, not 18, but 21. Prediction markets let users as young as 18 bet on sports, but they also market their products to younger, more vulnerable audiences who are in many cases adept at getting around the platform precautions.

There have been reports that Kalshi has been using young social media influencers, as young as 15 years old, to promote its platform to young consumers. Is that true?

Mr. MCHENRY. Not to my awareness.

Senator HICKENLOOPER. And you wouldn't sanction that?

Mr. MCHENRY. No.

Senator HICKENLOOPER. Young 15-year-old influencers saying why this is—these prediction markets are useful and a valuable investment of their—the risk of their money.

Mr. MCHENRY. I wouldn't condone anyone using TikTok, but that's a separate matter.

Senator HICKENLOOPER. Let's put it this way. Does Kalshi have any age restrictions at all on the influencers that it works with, basically hires, in order to influence the market that it—or the audience that it markets to?

Mr. MCHENRY. They're one of the member companies for the prediction markets. I can direct you to them answering that specific question.

Senator HICKENLOOPER. No, no, I'm talking about Kalshi. I'm not—I don't want to go through the rigmarole—I mean, you're saying we're open to the conversation. Why isn't these prediction markets—why isn't Kalshi out in front and picking out these issues and saying, we're going to deal with this and here's how we're going to—one, two, three? We shouldn't have to go through hearings and slow it down. Every day that they can stall, they're going to make more money. I get that. But that means all the more, if you want to be the responsible supporter, you need to help them get out in front of this.

Mr. MCHENRY. Well, they are, and our members are. These are onshore, regulated by the CFTC, and they comply with Federal law and the regulations, and they have complied with all the court cases.

Senator HICKENLOOPER. But the CFTC, we know, is inexperienced, doesn't have any real regulations around sports betting.

Mr. MCHENRY. They've been doing this for——

Senator HICKENLOOPER. When you look at minors, they're easily manipulable.

Mr. MCHENRY [continuing]. These contracts for——

Senator HICKENLOOPER. I think the self-certification process is a good example. The CFTC allows prediction markets to launch new contracts just one business day after filing them——

Mr. MCHENRY. That is standard practice for——

Senator HICKENLOOPER.—without any CFTC review at all.

Mr. MCHENRY. No, no, the CFTC reviews those contracts.

Senator HICKENLOOPER. Not in one day, they don't.

Mr. MCHENRY. Yes, they do, as they do for the rest of the commodities marketplace. And furthermore, the CFTC has regulatory authority to remove contracts or unwind contracts off after the fact if they view that was manipulated or there's fraudulent activity. The CFTC is a cop on the beat, has the capacity to oversee this market, just as they've done with the broader commodities marketplace that's been around and well-versed for decades.

Senator HICKENLOOPER. There is literally no one that I know—you're the first person who's told me you think—that they think the CFTC is up to the standards. Well, let me go—let me go last, Mr. Miller——

Mr. MCHENRY. I'd say billions of dollars of contracts——

Senator HICKENLOOPER. No, it's OK. It's OK. Mr. Miller, you stated that regulated gambling benefits from the—from the revenues they collect on taxes from gaming. Colorado collected $45 million last year. It's in the billions over the last number of years if you look at all the states and the tribes. If prediction markets continue to operate as unlicensed sportsbooks paying no taxes, is it going to reduce the resources available? In Colorado, we use that for water projects and all kinds of outdoor recreation opportunities. Are those resources available to states like Colorado going to be diminished?

Mr. MILLER. Well, thank you for the question. Of course, what we've seen is basically a tsunami that has been created by the prediction markets in a completely unregulated manner. There's not one single person on this dais or anybody that was around during 2010 when we did Dodd-Frank that believed that we were enabling and creating the Federal Department of Gambling.

So yes, they are absolutely not competent to handle this, and two, they are absolutely hurting tribes and states financially.

Senator HICKENLOOPER. Thank you. I yield to the chair.

Senator BLACKBURN. Senator Curtis.

STATEMENT OF HON. JOHN CURTIS,
U.S. SENATOR FROM UTAH

Senator CURTIS. Thank you. Mr. McHenry, I'm conflicted whether I call you chairman, Congressman, speaker, but I will tell you, it is a delight to see you again and really enjoyed serving with you. If I'm honest, even a couple of months ago, I would not have been able to tell you what a prediction market was. And so could you help me just like in one sentence to the man and woman back in Utah, what is a prediction market? Just like in one sentence.

Mr. MCHENRY. It is an open exchange. It is under commodities regulation called a swap. You have folks that have a contract. Some say yes, some say no, and they determine it. The marketplace, the consumers, and the participants determine what is the ratio on the contract, the likelihood of something happening.

Senator CURTIS. And what's exactly happening when a purchase event contract is purchased? Just very, very—like for the people on the ground who don't understand the technicalities of this, tell me exactly what's that.

Mr. MCHENRY. The easiest thing for me to explain is in the political setting, right? In the political setting, is John, Jane, or Joe going to win the election? And after the election, the contract is certified based off of information on whether or not that happened, and then people are paid out based off the ratio of that final contract.

Senator CURTIS. If I were hearing that back in Utah, I would say, I think something might happen, I'm going to put money down on it, and I have the chance of either making more money or losing money on that. Is that—is that accurate?

Mr. MCHENRY. Yes, and it's an uncertain outcome, just like whether or not you're going to have a crop that comes in this fall or not based off of weather and unpredictable events along the way.

Senator CURTIS. So if I'm talking to these folks back home in a town hall meeting, they're going to say to me, tell me how that is not gambling, right? It seems to me every definition of gambling.

Mr. MCHENRY. Well, this has—I understand how that is viewed. When grain futures came to fruition over 100 years ago, it was viewed much the same, that this is an uncertain outcome on whether or not your crop will come in in the fall, and you can hedge against it in the marketplace about an uncertain event that is driven largely by acts of—acts of God, Mother Nature, and crop yields, so——

Senator CURTIS. Can I interrupt you, only because of time?

Mr. MCHENRY. Sure.

Senator CURTIS. I know what you're saying is important, but as you know, we have very limited time. My father was an insurance agent and taught me that you buy insurance for things you can't afford to pay for. And it feels like we've moved from the farmer who's buying crop insurance because he can't afford it, if he'd be wiped out, right, versus betting for an income or perhaps loss on that.

And I guess my fundamental question is, like, how is that any different than a sports wager or roulette betting?

Mr. MCHENRY. Well, it's based off the business model. The business models are fundamentally different from a sportsbook. The sportsbook, the house sets the line, and when the consumer loses, they profit. And for an exchange like this, the exchange is based off of two individuals that benefit and they pay a fee, just a flat fee for that engagement. The business models are very different. The question is, what do we do——

Senator CURTIS. Once again, just simply because of time——

Mr. MCHENRY.—about these societal choices and how we regulate them?

Senator CURTIS.—I don't want to cut you off, but you know the drill here. We're just so limited time. Dr. Levant, you have not had much chance to weigh in. I'd love you to weigh in on the speaker's thoughts.

Dr. LEVANT. It's difficult to know where to start, but let me take the most recent comment Poker and parimutuel horse racing have the exact same business model. No one would dispute they are gambling. Sports futures contracts are gambling. The business model is just to take the money off the top. The house has to win every time and the public loses. That's sports contracts.

The other part I want to address is the—I would have used tsunami, but Mr. Miller used it, I'll use avalanche of unregulated advertising on social media. I've, over the last year, spoken in six prep schools in four different States. This is not exactly a scientific survey, but I asked the students in each of these schools at the start, how many of you know what Kalshi is? 95 percent of the hands go up. I ask, how many of you know what a Same-Game Parlay is? 95 percent of the hands in the room go up. And it's all from social media.

Senator CURTIS. And I'm going to—sorry, I'm going to do the same thing.

Dr. LEVANT. Please.

Senator CURTIS. We're just so short on time. So Congressman McHenry, let's just put that aside for a minute. Just overall, why do we regulate gambling? As we all know gambling and would all agree to gambling in this room, why is it we regulate it?

Mr. MCHENRY. Because society has determined that this is not in society—well, elected officials have determined it's not in society's interest, and therefore put weights and measures around and protections.

Senator CURTIS. Great. And Dr. Levant, we know you're going to agree so I'm not even going to——

Dr. LEVANT. This is why we regulate it. It's a known addictive product, just like heroin. That's why we regulate it.

Senator CURTIS. And this is where I really want to point out the state of Utah and the state of Hawaii. We've made a conscious decision because of these impacts to not allow gambling of any kind in our state. And, you know, it won't surprise you to know from that perspective, I see this very differently than a lot of my other colleagues. So you can see why I take a close interest whenever platforms begin offering something that feels like gambling, that talks like gambling, that smells like gambling.

And several months ago, Senator Schiff and I introduced a bill. It's called The Prediction Markets are Gambling Act to stop the CFTC-regulated exchange from offering sports betting and casino-style contracts. And quite frankly, it's about—for me, it's about preserving the State's rights and protecting our State's ability to do that. Wish I had more time.

Just a real quick question for Mr. Miller. I'd like to build on that. I think this is a similar question you have. States and tribes have spent decades establishing their own approaches to gaming. Some allow it under strict regulation. Others, like Utah, choose not to allow it at all. These decisions reflect local values, consumer protections, and in many cases, significant economic interest.

So help me understand this. If products that closely resemble sports betting can be offered nationwide under a Federal regulatory framework, what does that mean for the ability of states and tribes to actually enforce the choices they've made?

Senator BLACKBURN. And if I can intervene, the gentleman is a minute and a half over. If you'll have that submitted.

Senator CURTIS. Very good. Thank you. Very appropriate.

Senator BLACKBURN. Thank you. Senator Baldwin.

STATEMENT OF HON. TAMMY BALDWIN,
U.S. SENATOR FROM WISCONSIN

Senator BALDWIN. Thank you. I'll go along those same lines, Senator Curtis. So the Commodity Futures Trading Commission prohibits registered entities from listing trades, agreements, contracts, transactions, or swaps that relate to gaming. The rule exists to protect consumers from fraud and preserve the integrity of sports competitions.

I understand that the Trump administration—under the Trump administration, the Commission does not intend to regulate or review prediction market platforms that offer sports betting. Yet Wisconsin tribes offering these exact same services operate under multiple State and Federal regulations.

Mr. Miller, can you walk us through the types of review and regulation that tribal gaming operations offering sports betting must go through in Wisconsin?

Mr. MILLER. Yes, Senator, thank you for the question. Tribal nations are recognized by IGRA and are governed under that Federal statute. But importantly, the tribes negotiate with the State government as a sovereign equal. They work to gain exclusivity. They work on terms. They work on ensuring that they abide by all of the same—all of the protocols that are important from a regulatory perspective, and that that is why that when prediction markets have come into Wisconsin recently, the attorney general there has acted, and we applaud that. We applaud the other 40 attorney generals that have also done that.

It's unfortunate that the CFTC has chosen to sue the state of Wisconsin because of that and really harm tribal sovereignty and the State's right to determine what sort of gambling exists in that state of Wisconsin.

Senator BALDWIN. Yes, and Mr. Miller, how does this regulatory framework compare to prediction market platforms offering essentially identical services?

Mr. MILLER. Well, as again, as I made in my opening statement, you know, we're one of the most highly regulated industries in the country, you know, from everything from, you know, internal controls, licensing, auditing, and being actively overseen by the State and tribal governments, this is quite—it stands in quite contrast with the prediction markets that are now entering into really every state, including those that Senator Curtis mentioned in the state of Utah and Hawaii that have chosen not to have gaming, either tribal or commercial.

Senator BALDWIN. Mr. McHenry, are your members willing to undergo review and regulation by State and Federal regulators that is comparable to what Mr. Miller just described for tribal gaming operations?

Mr. MCHENRY. They are fundamentally different products and fundamentally different business models. And what our member——

Senator BALDWIN. The answer would be no?

Mr. MCHENRY. Well, let me—if I would finish. They are willing and do submit themselves to State reviews just like everybody else regulated by the CFTC. And just like every other Federal financial product, and so that is similar for everything from grain futures to an event contract on who's going to win the next Governor's race.

And so everything in between is regulated the same, and taxes are paid at both the Federal and State level as a result of those contracts as well.

Senator BALDWIN. So the answer is no?

Mr. MCHENRY. Well, they're federally regulated, so if you wish—in our system, our federalism system, and according to Third Circuit ruling, that these are CFTC-regulated products under the Commodities Exchange Act and——

Senator BALDWIN. But your members would not be willing to undergo the type of review and regulation by State and Federal regulators——

Mr. MCHENRY. What I would submit is that they——

Senator BALDWIN.—that is comparable to tribal gaming?

Mr. MCHENRY. What I would say is our member companies have enhanced surveillance greater than any casino and greater than any sportsbook in the country. We do more market surveillance. We ban users on a proactive basis rather than a reactive basis. And we have a different business model that says no matter what happens with the contract, there's a small fee to the exchange, and the sportsbook is incentivized, as opposed to a sportsbook that is incentivized they profit off of losers, not off of winners.

Senator BALDWIN. Mr. Miller, any retort?

Mr. MILLER. Sure. You know, at the end of the day, there are a lot of conversations about what it is these entities are doing. At the end of the day, they're running sportsbooks at a national level without any of the regulatory constraints and frameworks that have been created either in Tennessee or in any of the other states that have chosen to legalize sports betting or any other gaming.

Senator BALDWIN. Thank you.

Senator BLACKBURN. Senator Schatz.

STATEMENT OF HON. BRIAN SCHATZ,
U.S. SENATOR FROM HAWAII

Senator SCHATZ. Thank you, Chair. Thank you all of you for being here. Mr. Sadin, in your work as an integrity monitor, are there some categories of bets more likely to threaten the integrity of the sport than others?

Mr. SADIN. Yes, I certainly would categorize a couple of different types of markets as more vulnerable or more susceptible to manipulation.

Senator SCHATZ. What are they?

Mr. SADIN. I would say, generally speaking, player props, micro-betting, in-game market circumstances in which an individual or singular person may have more impact than a group, that would——

Senator SCHATZ. And the micro-prop thing is insidious in the particular way that it can be manipulated a little more easily by a player or by anyone else, or a sort of an injury proposition bet or anything like that. And then the sort of the bigger you get, the harder it is to fix. Not impossible, of course, but even a player prop, say Terry Rozier gets six rebounds this evening, is a little harder to game than Terry Rozier shoots the ball or doesn't, right?

And so the more micro you get, the more insidious it is from an integrity standpoint, but also to Dr. Levant's point, it also sort of taps into the addictive, manic, algorithmically driven problem that we're dealing with. Is that fair to say?

Mr. SADIN. Yes, I think that's fair to say. It's nuanced and there's certainly a continuum, but generally speaking, that's accurate. I would say, just to be clear, that I still would be a strong proponent of wrapping regulation around those types of markets as opposed to pushing that activity offshore.

Senator SCHATZ. Oh, well, OK. So let's go to the offshore question. Mr. Miller, could you speak to the problem of illegal offshore sportsbooks and how they impact the integrity of sports in the United States? I know the answer to this question, which is basically they don't work with people like you, but go ahead.

Mr. MILLER. Well, thank you for the question, Senator. You know, it has been a challenge. I've been in this job now seven-and-a-half years. I think I've sent letters to every director of the FBI and the head of the Department of Justice asking this to be prioritized because it's very important. It's very easy for people of age and people underage, to access the offshore illegal marketplace.

And so there are—there is obviously a role for—important role for law enforcement at the Federal level, State Department, others that have the ability to actually put the pressure on some of these countries that house and facilitate illegal sports betting operations. And for us here, you know, it's $700 billion of money that goes out of the pocket of Americans into offshore online illegal betting operations without any of the consumer protections of the legal market.

Senator SCHATZ. Yes, we think we legislatively have a pathway here, and it doesn't solve every problem, and it certainly doesn't solve every problem as it relates to the challenges that individuals and society is facing with gambling. But if you empower the FTC to go after the payment processors, and then they would have a perfect right to go and say, hey, you may not work with these offshore shops if they're not complying with the Federal law having to do with micro prop bets.

So, Dr. Levant, thank you for your personal story. I was sort of staring at my phone as one does, I apologize. And as soon as you started to talk, I really—I really applaud your life's journey and your—and your life's mission now.

Dr. LEVANT. Thank you, Senator.

Senator SCHATZ. I want to—I want to keep talking about microprop bets. A study out of Australia found that sports bettors who bet on micro events, that of that cohort, 78 percent met the criteria for gambling that may cause significant harm to their lives. Tell me about why microprop bets are different?

Dr. LEVANT. Senator, they are fundamentally different, inherently dangerous, and frankly, defectively designed gambling products. The human brain is not built to absorb an addictive product every 10 seconds or less.

The bigger problem is the business model. In order for micro-betting to work, it involves the leagues selling their data for billions of dollars. It involves technology and AI companies, sportsbooks, and now prediction markets. They all want a piece of the pie. The only way to keep that pie going is to get the American public to gamble more often, more quickly, on more highly profitable, *i.e.,* addictive products. That's the quote I just read to you from Genius Sports.

That's the business model. And this is where Congress has to come in. This is not what the American public wanted when the Murphy case was decided. We loved our sports. Sports have become the equivalent of a nonstop slot machine because of these data deals. And the only way to protect the public is at the Federal level with minimum Federal safety standards.

Senator SCHATZ. Thank you, Dr. Levant. And we'll be—we'll be talking to Republicans and Democrats on this committee and their staff about our legislative proposals. And again, it's not going to solve every problem, but I think this particular problem is especially acute and needs to be dealt with immediately.

Senator BLACKBURN. Senator Cruz.

The CHAIRMAN. Thank you, Madam Chair. Prop bets are at the center of recent game-rigging allegations. For instance, bettors wagered that Terry Rozier would underperform during an NBA game, when Rozier took himself out of the game early, allegedly to help the bettors cash in. Other gamblers wagered that two Cleveland Indian pitchers would throw balls instead of strikes after the pitchers allegedly tipped off gamblers. Similar incidents have occurred in other professional leagues.

Mr. Miller, two questions. First, are there certain prop bets that sportsbooks should not offer because of the integrity risks they pose?

Mr. MILLER. Senator, thank you for the question. I would answer that question by saying that one, the regulated markets in each of the individual states have made determinations with regard to prop bets. I think you have seen a movement to limit and/or eliminate prop bets in the states, and believe that in those states, they are the best determined to make those determinations around which props should or should not be allowed.

The CHAIRMAN. So, second question.

Mr. MILLER. Yep.

The CHAIRMAN. Do you agree that if a league comes to a sportsbook and says a bet creates an integrity risk, the sportsbook should not offer the bet?

Mr. MILLER. I do agree with that.

The CHAIRMAN. Congressman McHenry, in a recent advisory, the CFTC suggested prediction markets should consider the input of a sports league before offering event contracts on its events. If a sports league tells a prediction market not to offer certain event contracts, such as those that resemble prop bets, should the prediction market honor that request?

Mr. MCHENRY. Yes, and they have.

The CHAIRMAN. Over the past five years, several athletes have been caught manipulating their performance or giving insider information to sports gamblers. Independent integrity monitors often play a leading role in detecting this activity. When suspicious betting patterns emerge, monitors quickly circulate information among State regulators, sportsbooks, and leagues.

Mr. Sadin, you founded and lead one of these—you founded and lead one of these integrity monitors. Can you provide an example of how the current system has identified and caught game manipulation?

Mr. SADIN. Thank you for the question, Senator, and I'm happy to. I could share a couple of different examples, anonymized for obvious reasons. What I would say is that in the first circumstance, our analytical work identified what we call inverse line movement across correlated markets. Essentially what that means is first half, full game point spreads, those are correlated markets. You would expect them to move in tandem with one another. We identified a circumstance in which they were moving materially in opposite directions. We surfaced that circumstance by an alert to our broad sportsbook operator network and very promptly received feedback from about 10 to 12 different regulated sportsbook opera-

tors that said, we're also seeing pretty significant movement and potentially suspicious activity across those markets.

Our system automatically parses all of that feedback and consolidates it into a report that we then surface to the appropriate State regulators, to the appropriate sports governing body, and then obviously back to the impacted sportsbook operators. That's a circumstance in which we identified something, but there are dozens, hundreds, perhaps thousands of circumstances in which operators identify directly to us a circumstance they've highlighted, and then we disseminate it out across the ecosystem.

The CHAIRMAN. Do you have any suggestions for improving the system to make it easier to catch game manipulation?

Mr. SADIN. Generally speaking, I would probably refer back to my written statement, which is anything that would further collaboration, engagement, and transparency across the myriad stakeholders that operate in the space. So, from an integrity monitoring perspective, I would probably urge platforms to widen the parameters in which they deem suspicious activity may have taken place for reporting purposes. For ProhiBet, I think implementing a list of prohibited patrons on a proactive basis to ensure you're preventing transactions from prohibited individuals before they ever happened, is crucial.

And then, obviously, from an education standpoint, vanilla, same old training is not going to work. This is a new frontier. There are emerging vulnerabilities. There are bad actors that are constantly innovating. We need to make sure that curriculum is refreshed and constantly reinforced.

The CHAIRMAN. There is serious disagreement about whether the CFTC can unilaterally allow prediction markets to offer sports event contracts pursuant to the Commodity Exchange Act. Many simply see prediction markets as a workaround to State gambling laws. The courts are split. Ultimately, unless Congress acts, the Supreme Court may have to decide the issue.

Congressman McHenry, when Congress debated Dodd-Frank, some senators expressed concern that event contracts could become a vehicle for sports gambling. Isn't that in fact what has come to pass? The CFTC argues that sports event contracts fit the Commodity Exchange Act's definition of a swap because sports outcomes have economic consequences. But what is the economic consequence of, say, whether a pitcher will throw a ball or a strike?

Mr. MCHENRY. Well, like, getting a playoff game has a material impact on the economy around that stadium and that town. So you can see economic impact on whether or not you get a playoff game in your town, or the t-shirt manufacturer on the Super Bowl outcome. So there is economic connectivity for that.

But the debate around Dodd-Frank, in my experience in Dodd-Frank over on the lowly House side, we did not have any substantial discussion about the nature of swaps in my committee. But in the Ag Committee, both here in the Senate and in the House, there was a wide new definition for swaps. And that authority was given to the CFTC. And then the Chair of the CFTC, Gary Gensler, wrote rules that encompassed a wide array and definitions of swaps. As a result——

The CHAIRMAN. What about an answer to the specific question about what is the economic consequence of whether a pitcher throws a ball or a strike?

Mr. MCHENRY. It is up to the consumers to decide that under swaps—under a swaps definition. And it will be for the courts and the Congress to decide whether or not they like that. Under the Commodities Exchange Act, onion futures are banned. I don't think we have a serious debate about onions, but at the time they did. So we welcome Congress's input here and the rulemaking of the CFTC on these definitions.

The CHAIRMAN. Ranking Member Cantwell.

STATEMENT OF HON. MARIA CANTWELL,
U.S. SENATOR FROM WASHINGTON

Senator CANTWELL. Thank you, Mr. Chairman, and thank you to Senator Blackburn and Hickenlooper for doing this subcommittee.

And I think that last conversation is illuminating, and I'd like to follow up on it, but I'd like to remind everybody we had a financial collapse of our economy because we didn't do the job of regulating derivatives. And I remember somebody on the Senate floor actually saying, we can't regulate them, we don't know what they are. That's exactly when, and it had a conservative journalist who basically said the lack of clarity is fraud. If you can't understand it, then yes, there is something behind the situation.

So to this, I definitely want to say that fans must have confidence that games are being played fairly and honestly. So I agree with the Chairman on that. That's what makes competition great. And that is why Senator Cruz and I are conducting bipartisan inquiry into how the leagues, the sportsbooks, and the stakeholders are protecting the integrity of sports and teams.

But I believe that this integrity crisis goes beyond how we monitor players. In betting activities, we must also ask, why would a professional athlete making millions of dollars risk losing everything to place a bet? In many cases, it's the same answer: online betting platforms can be highly addictive.

So I'm glad our witness, Dr. Levant, is talking about that today. Whether you're a star athlete or a struggling college student, and once more—once they're hooked, they're designed to keep them coming back for more.

So the conversation that we just had had, Mr. Miller, I'm just trying to understand, because our former colleague here, Congressman McHenry, talked a little bit about the history, but in 2010, Congress amended the Commodity Exchange Act in the wake of that financial crisis I just said, and under Section 5, Congress authorized the CFTC to prohibit prediction markets from offering contracts that involved gaming and gaming activities, and in 2011, they issued Rule 40.11, which banned prediction markets from offering contracts involving gaming activities.

In doing so, they stated the rule was consistent with our congressional intent, and the CFTC prohibited sports betting contracts for more than 15 years under this rule. But all of a sudden, starting in 2025, prediction markets began offering sports gambling contracts.

So my state wants to know why the Indian gaming associations, who basically have lived by the rules in their state and lived by the rules of a regulated entity, are now all of a sudden competing with somebody that is not a regulated entity that's basically offering the same product?

So in 2025, the Indian gaming industry generated more than 680,000 jobs for rural Americans, and it has served as an economic livelihood. If the prediction markets are allowed to keep operating unchecked, does this pose an existential threat to both tribal sovereignty and to Indian country? And what can Congress do to better protect Indian gaming?

Mr. MILLER. Well, thank you, Ranking Member. Clearly, we share the same view. As someone who was around during Dodd-Frank, and recognizing that this was a response to a financial crisis that was created by lax regulation, or in fact no regulation, it's really hard to believe that anybody could pull from that the idea that we could create a national sportsbook run through the CFTC. It just—it's hard to even imagine that anybody could make the argument, but here's where we're here today.

In fact, there were Federal statutes on the books when Dodd-Frank was amended and created. IGRA, which established the framework for Indian gaming. PASPA, which actually, you know, was struck down in 2018, and the Wire Act. All Federal statutes that should have been at least looked at and modified if the CEA was going to be amended to create the Federal Department of Gambling. Of course it was not. It was never intended to be that.

And then finally, when in 2018, when the Supreme Court actually debated Murphy v. NCAA, even the Supreme Court didn't understand and/or recognize that there was a backdoor opportunity for the sports betting industry through prediction markets back in 2018. And so yes, there's real harm here. Chairman Bean, who is the, you know, one of your constituents who runs the Indian Gaming Association, you know, he and I are very aligned on this.

Indian country is scared. They believe that, you know, gaming has been a transformational economic opportunity for some of the people that have been treated worse than almost anybody else in this country's history. And gaming has created economic vitality and an opportunity for them. And that opportunity is very much at risk because of prediction markets.

Senator CANTWELL. Well, I just—I just looked it up because I wanted to make sure. I didn't get that quote quite right before. It was P.J. O'Rourke, and he said, complexity is fraud. His point was complexity—if it's so complex and you can't understand it, then complexity is the fraud.

So that's where we are today. No one can answer the question why we have two competing businesses here. Well, we have Indian gaming that is offering sports betting, and then another entity that's offering sports betting, but it's not regulated in the same way. So I think we got to get answers to that.

Mr. Levant, I know you've probably been asked this by our colleagues already, but what do we—what do we do about this larger issue? You know, there was recent data from Washington Health Survey shows the troubling trends with youth and gambling. That these include material increases in the number of 10th graders who

are saying they've engaged in gaming across states. And how does that online betting help—I mean, are people just being targeted at this young age?

Dr. LEVANT. People are being targeted relentlessly. And this discussion of prediction markets has done something that others would have predicted—small p—impossible, as Mr. Miller and I agreeing on an issue. The prediction markets take this, and not only infringing upon sovereign rights, tribal gaming, but 18-year-olds, and they're being told it's investment.

I've had six clients in my recovery group who have relapsed because they were told this is an investment. I'm not gambling, I'm making an investment. It's just so fundamentally wrong, and where I disagree with Mr. Miller is there's a huge need for Federal oversight because of what's happening with children and young adults and families with online sports gambling. But it's significantly worse now with prediction markets because they're acting under color of Federal law, targeting people as young as 18. They don't have to comply with things like self-exclusion. They're just doing whatever they want to do, and the harm is growing exponentially.

Senator CANTWELL. Well, I thank the Chair. I've actually gone over my time, but I'm asking him about the impact on youth. And the Chairwoman and I have worked diligently on a lot of legislation to protect young people online, so we'll add this to the list. So thank you so much. Thank you, Madam Chair.

Senator BLACKBURN. Senator Rosen.

STATEMENT OF HON. JACKY ROSEN,
U.S. SENATOR FROM NEVADA

Senator ROSEN. Thank you. I want to thank you, Madam Chair, and thank you to the witnesses for being here. You know, I'm just so concerned about all this circumventing the rules. As they say, a rose by any other name still smells as sweet. If it walks like a duck and quacks like a duck and looks like a duck, it's probably a duck.

So I want to talk about responsible gaming loophole, because licensed sportsbooks are required by State laws to implement responsible gaming programs, which include deposit limits, cooling-off periods, mandatory disclosures. Under the CFTC, no equivalent requirements apply to prediction markets.

Dr. Levant, I have a lot of questions, so if you would be brief on this. You're working with people with sports betting problems. Is there a fundamental difference between this problem, a sports bet versus an event contract? A rose by any other name is the same. And what is the risk by allowing prediction markets to circumvent meaningful mandatory consumer protections? They're just trying to get around the rules.

Dr. LEVANT. There's no discernible difference. In fact, people are using it as another form of gambling. And you're absolutely right, Senator, it skirts—it circumvents all the rules, including rules designed to keep people safe at the State level. Completely disregards them.

Senator ROSEN. Thank you. I appreciate that. And I want to talk again about circumventing the rules because most of the countries

only had legalized sports betting less than 10 years. But—excuse me. While most countries only legalized sports betting less than 10 years ago, Nevada has a long and, of course, storied history with regulated sports betting, legalizing it nearly 100 years ago.

Nevada was a pioneer, and now some of the strongest and most comprehensive State rules to promote safe and legal sports betting occur in my state of Nevada. Historically, Federal action on legal sports betting has often unintentionally pushed gaming underground and outside of legitimate regulated markets. Therefore, any Federal action must recognize the strong pre-existing State and tribal gaming regulatory regimes that ensure all sports betting, no matter what you call it, what it's branded as, and it's covered under current State and tribal law.

So, Ms. Thomas, the next few questions are for you. And I'm going to ask you to answer, and then I want—I have three questions, so we'll try to be as brief, I guess, as we can. What does full compliance with sports betting laws today look like in practice? And more specifically, what guardrails and compliance measures from licensing, background checks, to ongoing geolocation requirements, age verification for apps, are part of your State's regulatory regime?

Ms. THOMAS. Yes, thank you. So first of all, you have to be over 21 to wager, 21 or over. You have to have—sportsbooks must make available and enforce exclusionary measures for those who choose to gamble. And our office oversees a Statewide exclusion list to make sure that information is communicated. Credit card deposits are prohibited, extension of credit is prohibited. It is—we review all markets before they're offered, and leagues and teams can request that those are not allowed if they're risky.

Senator ROSEN. Really comprehensive.

Ms. THOMAS. Yes.

Senator ROSEN. Really comprehensive. So just a simple yes or no: Do you believe prediction markets—or prediction markets are not currently required to comply with any of the safeguards you described? Is that—would that be correct for the most part?

Ms. THOMAS. That is correct.

Senator ROSEN. I'm going to ask a similar question going forward. So what is required of legal sports betting companies to comply with anti-money laundering rules, responsible gaming safeguards, cybersecurity, and integrity monitoring?

Ms. THOMAS. It's extensive. All of those things are required. Both Federal reporting by the sportsbooks for anti-money laundering and State reporting for anti-money laundering and unusual and suspicious activity.

Senator ROSEN. So you're watching this to prevent criminal activity and other cyber incidents. So yes or no again, please, Ms. Thomas. Prediction markets are not currently required to comply with any of these safeguards as we just described: anti-money laundering, responsible gaming safeguards, cybersecurity, and integrity monitoring?

Ms. THOMAS. No, not to my knowledge.

Senator ROSEN. Not to your knowledge. Thank you. I'm going to ask a similar question again. How do operators today coordinate with State and tribal gaming regulators, our sports leagues—you've

touched on this—law enforcement, and integrity monitoring firms to identify suspicious activity and protect consumers?

Ms. THOMAS. We are in constant contact with all stakeholders: leagues, integrity monitors, our partners in other states including Nevada. We are very close with all of our partners, and we have to be in constant communication so we can share important information.

Senator ROSEN. You're very diligent in this. And so, yes or no again, Ms. Thomas. Prediction markets are not currently required to comply with any of these safeguards. Would that be correct to the best of your knowledge?

Ms. THOMAS. Yes, correct. Not to the best of my knowledge.

Senator ROSEN. Thank you. Mr. Miller, we talked a little bit—we talked about, as Senator Cantwell touched on, gaps in compliance, particularly in our tribal communities, but both for State and tribal. You know, when products that are functioning identical to legal sports betting, they're allowed to operate completely, completely outside of State and tribal laws and regulations. What protections, oversight mechanisms, and accountability structures do you believe they're able to circumvent? And would you say this is a fair and level playing field?

Mr. MILLER. Well, I think that—Senator, thank you for the question. I certainly don't believe it's a fair and level playing field. We believe that getting a gaming license, whether it be in Nevada or in any other state, is a privilege. It requires significant due diligence for suitability of that licensure, the regulations around the licensee and what they apply for, and then how they behave as a licensee.

We are all, as licensees, we are held to account by 8,400 regulators in the states and tribes all over this country, and I think that that itself shows that the system is—you know, it's iterative, it's continuing to get better, but the notion that somehow or another the prediction markets and the 500 people that work at the CFTC—the CFTC 500 people is less than the number of regulators in the state of Pennsylvania.

Senator ROSEN. Right.

Mr. MILLER. That somehow or another they could manage and facilitate a nationwide sports betting network is laughable.

Senator ROSEN. So you would agree that——

Mr. MILLER. I do.

Senator ROSEN. You just ask for a fair and level playing field?

Mr. MILLER. That's correct.

Senator ROSEN. Thank you. I'm going to ask you a little bit, Mr. Miller, about ongoing litigation. Oh, my time is up. Are you waiting for Senator Luján? Do you want me to keep going? I knew he was coming, so thank you. As soon as Senator Luján gets here, we'll defer to him, but——

Senator BLACKBURN. If the gentlelady will pause for a moment.

Senator ROSEN. Yes.

Senator BLACKBURN. Senator Hickenlooper and I each have some additional questions.

Senator ROSEN. OK.

Senator BLACKBURN. But I think Senator Rochester is planning to return and—no, OK. But Senator Luján is planning to return and Klobuchar. No? OK. All right, we will continue. Go ahead.

Senator ROSEN. Thank you, Madam Chair. I appreciate it. I knew he was on the way, so I was—I didn't realize I was this far over, but appreciate your consideration.

So, Mr. Miller, you know, Nevada is among many states that have been pulled into costly litigation with prediction markets to defend its right to regulate gaming within its borders. We want to regulate gaming within the state of Nevada. And so what does the nationwide litigation landscape look like today? And how long might it take for these questions to be resolved if it's left to the courts?

And in your view, what are the risks if Congress doesn't step in to reaffirm that states are the primary regulators when it comes to gaming and that Congress never intended the CFTC to regulate gambling nationwide?

Mr. MILLER. Well, thank you for the question. I clearly agree with you. Congress never—it was never Congress's intent to create a Federal Department of Gambling through the CFTC. The fact that we have, you know, federalism in this country, that states have the rights of self-determination, and tribal nations similarly. This is how we've created a system that works in America. 8,400 regulators working every day to make sure that there's integrity in the matches, that the consumers are protected, and that the state and/or tribe benefits from this.

And so as it relates to litigation, I think that we're in 9 of the 12 circuits and 41 State attorneys general have written the CFTC saying, stop it, knock it off, it's not your purview. And these are attorneys general that span the spectrum from the farthest left to the furthest right, all agreeing that the states have the right to do this. And they are spending extraordinary amounts of money in litigation against Kalshi, against the prediction markets, and now against the CFTC, who has inserted themselves as a party using taxpayer dollars to assert their control and dominance in a world that they quite frankly have no business being in.

Senator ROSEN. Well, this is my last and final question to follow up on this. The CFTC's current approach, prediction market platforms self-certify their own contracts for trading. It's like the hen—the wolf guarding the henhouse, right? And so that means they decide for themselves whether a new product complies with the law. They don't have to get any other audit, and the CFTC has 90 days to review.

Can you name any other Federal or State regulator that allows the entities it regulates to approve their own products in this way?

Mr. MILLER. I'd love to say the short answer is no. The short answer is no, but I've never—I have tried to find another agency at the local, State, or Federal level that allows participants that are regulated entities to self-certify that they're adhering to government protocol.

Senator ROSEN. Aren't you going to let—always let you give yourself the benefit of the doubt, I guess, right? Thank you. Appreciate it.

Mr. MILLER. Thank you.

Senator BLACKBURN. Senator Luján, you are recognized.

STATEMENT OF HON. BEN RAY LUJÁN,
U.S. SENATOR FROM NEW MEXICO

Senator LUJÁN. Thank you, Madam Chair. Mr. Miller, last week, four New Mexico tribes sued Kalshi alleging the company's illegal offering sports betting on tribal lands in violation of the Federal Indian Gaming Regulatory Act. Now, there's other lawsuits that have also been out there. My question is yes or no: Has Congress provided exclusive gaming rights for Indian tribes?

Mr. MILLER. They have.

Senator LUJÁN. And is it your belief that some of these sports betting and other predictive models are in violation of State and Federal gaming laws by operating on tribal land?

Mr. MILLER. I do believe that's true.

Senator LUJÁN. So is there agreement on the panel that Congress needs to do something to weigh in here? Mr. Miller?

Mr. MILLER. My view is Congress needs to reaffirm the rights of states and tribes.

Senator LUJÁN. Ms. Thomas.

Ms. THOMAS. I agree with Mr. Miller.

Senator LUJÁN. Mr. Sheldon—Sadin, I'm sorry.

Mr. SADIN. It's OK. You know, my perspective is anyone that's offering markets on sports, no matter what, should be engaging in some type of control to make sure the integrity of the sport is preserved.

Senator LUJÁN. Representative.

Mr. MCHENRY. I believe we have to see the CFTC rulemaking that's going on. And if Congress wants to step in and assert its authority, we welcome the conversation. But as for now, the courts and the Third Circuit in particular, has given prediction markets this capacity to offer these contracts.

Senator LUJÁN. Should these folks be able to advertise to kids?

Mr. MCHENRY. No, and the members of our coalition do not, number one, there's a solid ban at 18. Congress can debate what is the appropriate option for securities, for commodities, for whatever it is in society. We would like to be engaged in that conversation if Congress wants to do that. But for our markets, for prediction markets, they comply with market surveillance, AML requirements, know your customer requirements.

All of our members maintain an active ban list of folks that we have coordinated with leagues. We'd like to have relationships with all of them to ban folks that are insiders as designated by the people they work with or workaround. And we maintain that by using technologies like IC360, other surveillance techniques like geolocation.

And in particular, when it comes to tribal issues, I think it's very important that anyone who's engaged with tribes respect their treaty rights that have been longstanding in this country and have been and should be affirmed by the courts and Congress.

Senator LUJÁN. I appreciate your thorough response on that last one. I should have said, Mr. Chairman, but it's always good to see you, Patrick. Dr. Levant.

Dr. LEVANT. Congress most certainly—I think this hearing proves it—must certainly step in with prediction markets, but the Congress needs to go further. And this is where I come back to my disagreement with Mr. Miller and the AGA. It's ironic to me that the AGA is asking Congress for help with prediction markets, but yet telling you at the same time you have no role in regulating sports betting.

There needs to be minimum Federal safety standards enacted governing sports betting, which will also recognize the sovereignty of states to go further if they like. But this is too big, involving too many entities. There's no way to prevent harm without Congress stepping in and creating minimum Federal safety standards, sir.

Senator LUJÁN. I appreciate. I agree with that, sir. Now, Madam Chair, while I know this hearing is on the subject of sports betting integrity in America, there's one thing I wanted to raise today because it's sports betting proximate. And maybe there are some folks in this room that like to collect trading cards, baseball cards, soccer cards, Pokémon cards, cards of cards. There are even cards of members of the Senate and the House of Representatives.

The reason I'm raising this is I don't know how many of you—has anyone in this room heard about Whatnot? Whatnot.com? Anybody? I see a few yeses. Look, this is a company that's being sued right now over illegal lottery and gambling. And what they do is you buy into this website and they draw your name, they spin, whatever the hell that they do, and they let kids start doing this with credit cards. And people have gotten in debt. And I just certainly hope that when we choose to clamp down on protecting kids, that we do it in all these spaces.

This is ridiculous that people are getting addicted to this kind of nonsense, that kids are getting in debt, they're getting their parents in debt, they're driving up credit cards. And I certainly hope these people get put out of business with the kind of nonsense with what they're doing to prey on some of the most vulnerable people in America. I do not want to distract from this important hearing on what we're doing here.

But Madam Chair, I know this is an area of interest. We're talking about kids. I just certainly hope that we can dig in, we can ask the experts, and we can look at this, and that we don't forget about people like this that are also preying on kids as well.

So thank you for the indulgence for the time, and everyone that's here today, I really appreciate your time today.

Senator BLACKBURN. Well, you've raised an important point, and what we do have to realize is there are laws and there are rules in the physical space over certain activities, but in the virtual space, there are no laws or rules. And as I have many times said, product safety design exists in every single industrial sector in this country except in the virtual space.

If you buy a car, there are safety standards. They don't tell you how to drive the car, but they tell you the car is safe to drive. And what we are seeing is growth in these industries where the standards have not been put in place and the industries have taken off on their own, and then regulation is being discussed on the backside.

Dr. Levant, I said I would come back to you, and I do want to go to you on this issue of advertising to children. I know Mr. Miller says they don't. Congressman McHenry says they don't. But we know the dirty truth of a lot of this is they are on these websites that are targeting children and are trying to build databases of children: eyeballs, the number of eyeballs, the amount of time they capture them, the amount of time they're online. Then that is going to give them richer data. That richer data is worth more money.

So the issue of where children engage with these activities is a part. Senator Luján just mentioned it. Senator Cantwell just mentioned it. Senator Curtis is looking at this issue. And that presence of gaming or prediction markets on those sites and trying to pull those children into that and then algorithmically being pulled further. You've spoken to that in the issue of addiction. So when it comes to advertising to children, what has your research shown you and what is the engagement?

Dr. LEVANT. Senator, what we're seeing and when we hear—I'm going to call them gambling companies inclusive of prediction market companies—when they say we don't advertise to children, they're speaking about advertising on primetime TV, on network television. That's not where kids are getting their entertainment. Children are getting their entertainment online, on their phones, on Instagram, unfortunately on TikTok, on a variety of platforms. That advertising is completely unregulated and it is inundated.

Social media is inundated with various levels of gambling advertising. One of the most sinister is something the gambling industry calls affiliates. People they pay to talk about their platforms, to post about their platforms. The pop-up ads are relentless, and they're completely unregulated. States can't address that. Congress has to address that. Because once these companies go on social media, they are going to, as night follows day and day follows night, they're going to pull in the eyes of children and young adults.

And once those eyes have hit and the algorithms have been triggered, it will continue without any safeguards. So what we're talking about is delivery of advertising of a known addictive product to children long before the risk-reward system of the human brain is fully formed. That doesn't happen until you're about 25 or 26. So by its very definition, what they are doing is endangering children for their benefit. It certainly doesn't benefit the kids. That is problematic.

Senator BLACKBURN. Mr. Sadin, what do you see in your research about the advertising? How are you seeing these kids engaged?

Mr. SADIN. Yes, thank you for the question, Senator. I don't have a tremendous amount of visibility into the demographic types that are engaging in this type of product. For us, our central goal is regardless of sort of who you are, where you are, you are ensured to be protected on these platforms with respect to the integrity of sports. And so, if you are a participant, if you are a prohibited participant, if you have some access to inside information, if you somehow have the ability to exert undue influence, then you're being tracked, and then you're being proactively permissioned to ensure you're not transacting in markets.

Senator BLACKBURN. I also want to ask you a little bit, and we talked a little bit about this yesterday, fair play and the match fixing that is going on. I wonder what your take is and how instructive you think what you've seen in that is to the broader sports and to the microtargeting that is going on?

Mr. SADIN. I mean, I think generally speaking, individuals who are closest to the level of play, the sport themselves, are the ones that are most vulnerable, the ones that are at the most risk, right? So, whether that be collegiate stakeholders, student athletes, administrators, trainers, coaches, equipment managers, et cetera, they are the ones that are the most vulnerable to bad actor harm and threats and approaches.

And so, I think getting them educated to make sure that they know how to deal with those types of threats and vulnerabilities is essential.

Senator BLACKBURN. Congressman McHenry, I think there has been a lot of discussion around the CFTC as the sole regulator, but we know there are lawsuits that are in the states. I think Tennessee has an active lawsuit right now. So I believe that our State regulators and our State attorneys general have a role to play in protecting consumers from harm. So you pivot toward only the CFTC. So how are your members engaging? Because if you don't have this comprehensive coverage at the Federal level, the protection does lie with the states. So why would they not engage with the states to make certain that consumers are protected?

Mr. MCHENRY. Because they adhere to higher standards than what is the average State standard. Give you one example. In the states that have legalized gambling, there are a dozen that do not ban advertising to children. So at the State level, it's not—it's imperfect as well. You have 35 states that allow sportsbooks in their state regime.

What we have with the CFTC is a requirement for know your customer, anti-money laundering, market surveillance. The regulator approves contracts before they go on the market. Then within 24 hours, they can unwind those contracts if they think there's fraudulent activity. They have the ability to ban certain types of contracts. You have the CFTC engaged with the leagues on data sharing. You have products like IC360 that our members use to ensure that they police against insider trading and fraudulent activity.

We do have very high standards for the members that are part of our coalition. So to say that there's no Federal standard in this realm is not true. In the general realm that you're describing, the broader digital realm, you're absolutely right. It is a very complicated space. But for these regulated prediction markets, what they're doing is using new technology to access a very old type of exchange of a swaps market that has been around for 100 years. Has been regulated at the State level, then to the Federal level with the creation of the CFTC.

So this is a time-honored set of things with new contracts offered with a new piece of technology. And with that, we do have struggles of how it develops, and the rulemaking regime that is ongoing at the CFTC is very important to get right so we do have the best consumer protection available and possible.

Senator BLACKBURN. Thank you. Senator Hickenlooper.

Senator HICKENLOOPER. Thank you, Madam Chair. Dr. Levant, I've got a couple questions for you. The obviously 35 states, including Colorado and Tennessee, prohibit gamblers from borrowing money to make wagers. And these rules exist to protect consumers so they don't end up trapped in a cycle of debt and dealing with their addiction and paying off loans. Kalshi recently asked the CFTC for approval to offer its consumers these same admittedly risky loans so they can place bets using money they don't have. This week we sent a letter to the CFTC urging them to reject Kalshi's application.

Based on your experience working with people affected, you know, by problem gambling, is it dangerous for consumers to borrow money to bet on prediction markets?

Dr. LEVANT. It's extremely dangerous. No one should be borrowing money to gamble with. Period. In addition to that, I will tell you who does borrow money to gamble: Addicts borrow money to gamble, and people prone to addiction borrow money to gamble.

Senator HICKENLOOPER. Thank you. I agree with that. Let me also ask you, since I've got you on the mic, comeback programs, often referred to as VIP retention or win-back, generally are used to reactivate lapsed accounts. They do so by flagging accounts for aggressive re-enrollment, often highlighting their previous big wins, that same addictive juice that is almost—for some people is almost unavoidable, or irresistible, I should say.

When utilized on players who have proactively blocked themselves from the app, which they call self-exclusion, these tactics are, you know, highly controversial. I think in some cases they are—they are illegal. I mean, self-exclusion should be, to my understanding, irreversible, and it should last six months or to a lifetime, whatever someone makes that decision. Shouldn't they be protected from this type of advertising?

Dr. LEVANT. Self-exclusion, unfortunately, is a state-by-state-by-state matter. We don't have a Federal self-exclusion. I will share with you two real-life events. One just happened last week. A client who had gone on a one-year self-exclusion, took this person quite a while to get to the point to have the courage to go on the one-year self-exclusion. And at 40 seconds past the hour of the exact one year, this client received an e-mail that was offering them a welcome back opportunity and a welcome back bonus. And when I looked at the fine print on the offer, it was tailored to their player number that they had had before.

I will also—and I'm happy to make this available to the committee—I brought with me today the copy of an e-mail that a client of mine received. This client was not on self-exclusion, but they had been a very active gambler and for six weeks didn't make a bet. They were in treatment, they didn't make a bet. About six weeks later, they received an e-mail from what is labeled the DraftKings VIP Comeback Series. And it starts with, "I've got some exciting news for you. Your account has caught our eye, and we're thrilled to extend an invitation." And it goes on from there. That is as predatory as it gets.

And if this were another addictive product, if this were alcohol or tobacco, we'd shut it down instantly if a bar was exhibiting that

type of predatory behavior. In gambling, they call them VIP programs. Yet another reason Congress needs to step in and create minimum Federal safety standards and stop this from happening, because it's ruining lives, it's ruining families.

Senator HICKENLOOPER. Well, I think the ultimate—the goal should be that the industry reaches out and helps us establish those standards instead of avoiding that.

Dr. LEVANT. I suppose in nirvana, yes, but as I pointed out earlier Mr. Miller and his organization, on their website, they specifically state that the Federal involvement in sports gambling is—I believe the words are—a non-starter. So when an industry demonstrates an unwillingness to regulate itself, and it's an addictive product, most respectfully, that's where Congress has to step in.

We've seen this before with tobacco. We've seen it with the opioid industry. We have an opportunity to get in front of this now. We can't wait for the industry to do it.

Senator HICKENLOOPER. I won't speak for the Chair, but I think this hearing qualifies as a starter. Ms. Thomas, thank you for all your work on this. And many states like Tennessee have created regulations on gambling advertisements to ensure that consumers are protected. Can you please outline—and here we are talking about some of these again, Dr. Levant referred to this as predatory advertising—can you just describe some of the advertising guardrails and positive impact that they've had on consumers?

Ms. THOMAS. Yes, thank you. So first of all, I believe that the issue he was speaking to goes to not only advertising but a responsible gaming problem.

Senator HICKENLOOPER. Absolutely.

Ms. THOMAS. And in our state, we require our operators to provide a written responsible gaming plan, training outline, the mechanics by which they oversee that, RG, and data about who and how many—not who, but how many they've excluded and what steps they've taken. Part of their plans—and I can tell you that every operator in Tennessee, as part of their plans, has in there that they will not market to anybody who was ever on an exclusion list. So that is a very positive thing.

Otherwise, by statute, we have—obviously, we can't advertise to minors, our office receives all advertising terms and promotions. There is disclosure about 1–800-GAMBLER and 1–800-RESET, which are gambling helplines, and individuals can call those and be directed to assistance within Tennessee.

I also would like to touch on the fact that we spoke about a lot of predatory behavior targeting really young minors, 10th graders, I think the Chairman said. I see so much of that with illegal sportsbooks, and our office has spent so much time and effort targeting those, and especially working with Google and Apple to get any illegal apps off the store so that they can't target minors.

Senator HICKENLOOPER. Well, thank you, and I'll yield back to the Chair, but I feel that all five of you are willing and engaged to make—to fix some of these serious glaring problems, and look forward to working with the Chair to provide us a sense of urgency. These are real people's lives that are being negatively impacted right now.

Senator BLACKBURN. And I thank all of our members that have been here today, and I thank our witnesses. You've been an excellent panel. This does allow us to start to build where we should move in regulation and also looking at the division between what should be Federal and what should be State and preserving those States' rights in order to move forward with this.

I will have to say Chairman Cruz, who's no longer here, talked about how big the football Friday nights are in Texas. But I would like to point out for the record that Texas finally gave in and joined the SEC, which is the greatest football conference. So they finally saw the light, and they're going to join with the SEC.

I do want to remind you all that members of the panel are going to have until May 27 to submit questions. I will remind you that you need to respond to those within 7 business days. So that's going to give you till the close of business on June 10 to submit your responses to the questions for the record.

You've done a superb job in helping us establish this baseline. We are grateful for your time. At this time, hearing adjourned.

[Whereupon, at 12:05 p.m., the Subcommittee was adjourned.]

A P P E N D I X

PREPARED STATEMENT OF DEREK LONGMEIER, PRESIDENT OF THE BOARD OF DIRECTORS, NATIONAL COUNCIL ON PROBLEM GAMBLING

Dear Chairwoman Blackburn, Ranking Member Hickenlooper, and Members of the Committee:

Thank you, Chairwoman Blackburn and Ranking Member Hickenlooper, for holding this important hearing. I write on behalf of the National Council on Problem Gambling (NCPG), the sole national advocate for those suffering from problem gambling and their loved ones, to submit this testimony regarding sports betting, game integrity, and problem gambling in the United States.

NCPG's mission is to lead awareness and advocacy efforts to reduce gambling harm. Our vision is to advance wellbeing by minimizing harm from gambling problems. Since NCPG was founded in 1972, we have remained neutral, neither for nor against legalized gambling, and completely nonpartisan. NCPG members include 36 state affiliate chapters and a wide variety of individuals and organizations—from counselors, prevention specialists and researchers to people in recovery from gambling problems as well as treatment clinics, gambling operators and vendors, regulatory authorities, sports leagues and state human services agencies. We speak on behalf of those who suffer from a gambling addiction and for those in recovery who must remain anonymous.

Problem Gambling and its Overlap with Sports Integrity

Problem gambling or gambling addiction is characterized by increasing preoccupation with and loss of control over gambling and continued gambling despite serious negative consequences. Gambling addiction (or gambling disorder) is a recognized mental health condition in the Diagnostic and Statistical Manual of Mental Disorders, 5th Edition. Gambling problems are highly co-occurring with substance abuse and other mental health problems. In fact, gambling addiction has the highest rate of suicide of any addiction, and the estimated annual social cost to families and communities from gambling-related addiction, bankruptcy and crime is $14 billion.

NCPG has concerns about the impact of gambling on the health of athletes, as nearly all of the limited research that exists indicates that elite athletes are more likely to be at risk for gambling addiction.[1] This is not surprising given that data consistently shows athletes are gambling at high rates, often on sports. One study from Europe found that 57 percent of professional athletes gambled on sports in the past year.[2] In addition, athletes tend to be competitive, and more willing to take risks, which are known risk factors for developing a gambling problem.[3]

Preventing and treating gambling addiction among players protects their health and preserves the integrity of the game. Multiple instances of professional athletes intentionally compromising game integrity have stemmed from the athlete having a serious gambling problem and needing to make extra money to feed their addiction or relieve them of obligations to their bookie.[4] Professional sports organizations, as well as the NCAA, should, therefore, provide comprehensive gambling addiction prevention and education programs to all players and team personnel. In addition, however, both the state and Federal government have a role to play in ensuring citi-

[1] Håkansson A, Durand-Bush N, Kenttä G. Problem Gambling and Problem Gaming in Elite Athletes: a Literature Review. Int J Ment Health Addict. 2021 Dec 1:1–17. PMID: 34867124; PMCID: PMC8634748.

[2] Grall-Bronnec M, Caillon J, Humeau E, Perrot B, Remaud M, Guilleux A, Rocher B, Sauvaget A, Bouju G. Gambling among European professional athletes. Prevalence and associated factors. J Addict Dis. 2016 Oct-Dec;35(4):278–290. Epub 2016 Apr 25. PMID: 27111296.

[3] Curry, T. J., & Jiobu, R. M. (1995). Do motives matter? Modeling gambling on sports among athletes. *Sociology of Sport Journal, 12*(1), 21–35.

[4] *See e.g.,* ESPN News Services, Lawyer: Jontay Porter was 'in over his head' with Gambling Addiction, available at: *https://www.espn.com/nba/story/_/id/40300820/fourth-man-arrested-betting-scheme-involving-jontay-porter*

zens are exposed to responsible gambling education and have access to resources should they develop a gambling problem.

Gambling and Problem Gambling are Not Just State Issues

Since the Supreme Court struck down the Professional and Amateur Sports Protection Act (PASPA) in 2018, 39 states and the District of Columbia have legalized sports betting either at brick-and-mortar locations or online and on mobile devices. This has proven to be the largest and fastest expansion of gambling in our Nation's history. All but two of the Senators on this Subcommittee have legal sports betting in their state, whether it be in-person or mobile, whereas none did in 2018. For all Senators on this Subcommittee, whether their state has legalized sports betting or not, your constituents are now exposed to ads for sports betting frequently on broadcast television, radio and podcasts, online, and in print. In addition, sports event contract derivatives offered on prediction markets have emerged over the past year-and-a-half as more than a fringe activity for those who choose to gamble, and are currently legal nationwide, even in states that have not legalized sports betting. Betting, using traditional sports books and now prediction markets, is an engrained component of college and professional sports.

The unprecedented expansion of sports betting and the recent emergence of event contract derivatives on sporting events highlights that gambling is a national issue, no longer just a state one. Problem gambling is also a national public health issue. While the Federal government is now regulating sports betting via prediction markets overseen by the Commodity Futures Trading Commission (CFTC)—there is no Federal spending outside of the military context whatsoever on preventing or treating gambling addiction, programs that could help players before they get into a situation where they intentionally compromise game integrity. Put another way, states receive no support for combatting the disease of gambling addiction from any Federal health agencies. This is why passing the bipartisan Providing Opportunities for Individauls in Need of Treatment and Support (POINTS) Act is the single most important action Congress can take to address the negative impacts of expanded sports betting and legalized gambling in general.

Unregulated Legal Gambling

NCPG takes no stand and makes no argument as to whether trading event contract derivatives on sports does or does not *legally* constitute gambling. However, from our over 50 years of experience in the field, expertise in problem gambling, and conversations with researchers, clinicians, and individuals in recovery, we are certain that trading event contract derivatives for most retail customers is *functionally* gambling. Trading event contract derivatives includes the three elements of gambling. These are: Consideration (customer must use money or something of value to participate), Chance (the result of the contract is not 100 percent certain as the event has not occurred), and Prize (the customer will earn more money or value than they risked if they are successful).

Any activity that is functionally gambling, including trading event contract derivatives, can cause gambling harm to individuals and their loved ones. It makes no difference to NCPG what the activity is legally called, whether it be trading or gambling, we know that it is functionally gambling and, therefore, must be regulated with substantially similar protections to what we see states and tribal governments implement with respect to traditional gambling. NCPG is neutral as to the legalization of gambling, but we are not neutral as to the regulation of gambling. Thus, we urge Congress to ensure this activity is thoroughly regulated to protect all customers.

In April, NCPG submitted a 12-page public comment to the CFTC's proposed rulemaking for prediction markets.[5] In it, we detailed the consumer protections that we believe must be included in any gambling app, whether it be traditional sports betting regulated by a state or prediction market trading regulated by the CFTC. NCPG believes the CFTC must include requirements in the rules for robust responsible gambling standards that prioritize customer health for all platforms offering event contract derivates to retail customers. The CFTC should look to NCPG guidelines of best practices for Internet gambling operators and regulators known as the Internet Responsible Gambling Standards (IRGS). Although originally written for traditional gambling, the IRGS is almost entirely applicable to event contract derivatives and prediction markets, and NCPG is currently working to make the document completely applicable. These recommendations include things like the encouragement and ability for customers to set personalized time and budget limits and

[5] See here: *https://comments.cftc.gov/PublicComments/CommentList.aspx?id=7654&ctl00_ctl00_cphContentMain_MainContent_gvCommentListChangePage=1*

easy-to-access time-out and self-exclusion programs. Other topics covered include but are not limited to: a corporate commitment from the operator to responsible gambling; easy access to help via the National Problem Gambling Helpline™ (1–800–MY–RESET), responsible advertising that does not target vulnerable populations, and setting the age to participate at 21 years old. The IRGS serves as a roadmap for the CFTC, Congress, and prediction market platforms to prioritize customer health and ensure the activity is offered, promoted, and conducted responsibly. We encourage you to read the full public comment submitted to the CFTC.

The widespread promotion and access to prediction markets will lead to gambling problems for some individuals. Participation puts an individual at risk for developing a gambling problem. Given this, we urge Congress to ensure trading event contract derivatives is regulated using the IRGS in order to prioritize player health and safety.

Problem Gambling is in Every State and Congressional District

Available evidence points to increases in gambling problems among Americans. Although there has not been a nationwide gambling addiction prevalence survey in decades, most states that have conducted prevalence surveys are seeing their rates of gambling problems increasing. For example, in Indiana, a 2022 survey found that 2.3 percent of adults were classified as having a gambling disorder.[6] The same survey just two years later found that the number of adults classified as having a gambling disorder had increased to 3.4 percent.[7] In addition, in states where studies have not been able to conclude whether overall prevalence rates have increased, they are finding high rates of gambling problems overall. A 2023 study in New Jersey found that "the overall rate of high-risk problem gambling, which best correlates to gambling disorder, was just under 6 percent, nearly three times the rate in a majority of population surveys in the United States and abroad."[8]

As we have learned from my home state of Ohio's gambling prevalence surveys, there is a correlation between increased access to gambling and increased rates of problem gambling. In 2012, prior to the legalization of casinos and racinos, 5 percent of Ohioans were considered at-risk for developing a gambling problem.[9] Then, in 2022, after casinos and racinos had been legalized, and there was expansion of gambling through the legalization of daily fantasy sports, e-bingo slot machines, and keno, the survey showed that 19.8 percent of Ohio adults were at-risk for developing a gambling problem.[10] This represents approximately 1.8 million Ohio adults. Importantly, the 2022 Ohio Gambling Survey, conducted by the Ohio Department of Behavioral Health, was completed before the launch of legal sports wagering in the state. Since that survey, Ohio's gambling landscape has continued to rapidly expand through legalized sports wagering, offshore unregulated betting sites, and now the emergence of event contract derivatives offered on prediction market platforms. We eagerly await the 2027 Ohio Gambling Survey to see the current rates for those at-risk for a gambling problem.

NCPG works closely with treatment providers and individuals in recovery from gambling addiction and continue to hear their concerns about the rise of gambling-related problems. NCPG's 2024 National Survey on Gambling Attitudes and Gambling Experiences (NGAGE) revealed troubling trends, including that the risk for gambling problems is concentrated heavily among young male online sports bettors. In 2024, 24 percent of fantasy sports bettors and 17 percent of traditional sports bettors met at least one criterion for problematic gambling behavior.

While sports betting and prediction markets continue to garner recent public attention, NGAGE shows most Americans did not place a sports bet in the past 12 months. It remains important to recognize that problematic gambling behavior extends well beyond sports. The most significant predictors of risk identified in 2024 include participation in many different gambling activities, agreeing that gambling is a good way to make money, participation in sports betting (either traditional sports betting or fantasy sports), and being male and/or under the age of 35. How-

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[6] Jun, M., Lay, M., Reynolds, D., & Lee, J. (2023). Adult Gambling Behaviors in Indiana—2022. Bloomington, IN: Prevention Insights.

[7] Jun, M., Lay, M., Reynolds, D., & Lee, J. (2025). Adult Gambling Behaviors in Indiana—2024. Bloomington, IN: Prevention Insights.

[8] Nower, L., Stanmyre, J.F. & Anthony, V. (2023). The Prevalence of Online and Land-Based Gambling in New Jersey. Report to the New Jersey Division of Gaming Enforcement. New Brunswick, NJ: Authors.

[9] Survey Available at: *https://dbh.ohio.gov/static/Portals/0/assets/FamiliesChildrenandAdults/Get%20Help/Problem%20Gambling/2012SurveyofAt-RiskandProblemGamblingPrevalenceamongOhioans.pdf*

[10] Survey Summary Available at: *https://dbh.ohio.gov/static/learnandFindhelp/gethelpnow/problem-gambling/2022-Ohio-Gambling-Survey-Highlights_10182023.pdf*

ever, we cannot determine the degree that these factors cause problem gambling, especially as they are often highly correlated to one another. These complex factors demand a broader national response, something the Federal government should lead on.

Public Health Response

Public health is the science of protecting and improving the health of communities and populations to reduce disease and improve health in communities. A public health approach uses a combination of science and social techniques and involves partnerships with communities, health and social services, industry, academia, and the media. We must look intently but critically at other countries' policies to ensure our solutions are embedded in our Nation's cultural, political, and economic systems. In the same way it has become part of our cultural ethos not to drink and drive, we can make gambling in a responsible way the norm. We recognize that state and tribal governments have historically overseen gambling in accordance with legal precedent. At the same time, emerging technology has created a way to gamble that is currently overseen by the Federal government. NCPG will continue partnering with all levels of government and all other stakeholders as we all work towards solutions that minimize gambling-related harm.

States Have Not Sufficiently Invested in Problem Gambling Services

Many state governments have never invested in their problem gambling programs or broad public health infrastructure. In May 2024, the National Association of Administrators for Disordered Gambling Services (NAADGS) reported that $134M in public funding had been invested in state problem gambling programs in 2023, a historic high. Yet, that still represents only 50 cents per capita. To put it another way, for every dollar states have generated from commercial gambling, .0009 cents were invested in problem gambling services. It is critical that every state has robust and well-funded gambling addiction prevention, education, and treatment services.

Public Health is a shared responsibility between the states and Federal government. Yet, there are currently no Federal funds dedicated to addressing gambling addiction in the United States outside of the military context, despite the Federal government profiting significantly from taxes on both gambling winnings and sports bets. NCPG has long said that all who profit from sports betting are ethically obligated to devote a percentage of their profits to gambling harm reduction, and the Federal government is no exception—the Federal government profits from legalized sports betting. Since the 1950s, the Federal government has levied an excise tax of 0.25 percent on all money wagered on sports in the United States, equating to one penny in tax for every 4 dollars wagered. According to NCPG estimates based on publicly available data, the Federal excise tax on sports betting currently generates $200–300 million a year. That money does not go towards specific programs or services but is simply deposited into the general fund.

Congress Can Pass Federal Funding

NCPG strongly supports HR 7875, The Providing Opportunities for Individuals in Needs of Treatment and Support (POINTS) Act, introduced by Erin Houchin (R–IN), Andrea Salinas (D–OR), Mariannette Miller-Meeks (R–IA) and Troy Carter (D–LA). The POINTS Act is the first bipartisan bill introduced in Congress to devote resources to preventing and treating gambling addiction in nearly 15 years. The bill provides critical funding to problem gambling programs that are the foundation of responsible gambling initiatives. The bill is funded by dedicating a portion of the Federal sports betting excise tax to grants aimed at prevention, education, treatment, and recovery. The POINTS Act returns to states and tribes a third of the sports betting excise tax revenue. By dedicating these funds to mitigating the costs of gambling addiction, NCPG estimates that every dollar spent to prevent and treat gambling problems will save state governments at least two dollars in gambling-related criminal justice, bankruptcy, and healthcare costs.

One of the most significant benefits of the POINTS Act is the potential for increased access to treatment for individuals struggling with gambling addiction. By allowing states to apply for funding for state health departments they will be better able to address gambling addiction through programs that best resonate with their unique communities. The POINTS Act will help ensure those in need have access to the support and resources necessary to buttress responsible gambling programs. The POINTS Act does not increase taxes; it simply sets aside a funding stream for problem gambling prevention and treatment.

NCPG believes that passing the POINTS Act is the most important first step that the Federal government can take to enshrine gambling addiction as a matter of public health. It would provide the first-ever dedicated Federal funding for programs to prevent and treat gambling addiction. By raising the bar in states that apply for

and receive grants, it would give athletes, as well as all individuals, better opportunities to learn about problem gambling and have access to help before they make a disastrous decision.

Harm Also Comes from Black Market Sites

Even as legal sports betting expands at the state and Federal level, there is still a vast amount of gray and black-market gambling and sports betting occurring in each and every state, resulting in considerable confusion among consumers. Young men (including athletes) on college campuses are often bombarded with offers to gamble on these sites. Many of these sites advertise in traditional media and use celebrities to promote them. We call on Congress to ensure all sites that offer gambling products are regulated, as well as to crack down on illegal black-market sites.

Conclusion

It is clear to us that the expansion of gambling at the state level, and now the Federal level, has not been uniformly accompanied by appropriate—or in some cases any—funds to prevent or treat gambling addiction. As a result, the existing public problem gambling prevention and treatment services are insufficient in most states and nonexistent in many. This impacts athletes across the Nation who are dealing with a gambling problem and results in those athletes being more likely to look at compromising game integrity as a solution to their problems.

The evidence that expanded sports betting has led to increased harm on a national scale is clear. This rapid expansion and its accompanying harm demands a public health response based on prevention, treatment, and research partnerships amongst all stakeholders and everyone who profits from legalized gambling. This includes the Federal government. It is essential for Congress to come together and pass the bipartisan POINTS Act. This practical and commonsense legislation is the single most important action Congress can take to address the negative impacts of expanded sports betting and legalized gambling in general. In addition, Congress should work to ensure emerging platforms, like trading event contract derivatives, are thoroughly regulated to prioritize consumer health. On behalf of the 9 million Americans directly suffering from gambling-related harm and the millions more who are indirectly affected, including family members, coworkers, and friends, we ask the Committee to enact lifesaving change by supporting the passage of the first-ever Federal funding stream to prevent and treat gambling addiction.

UNITED STATES SENATE
WASHINGTON, DC

March 5, 2026

Hon. MICHAEL SELIG, Chairman,
Commodity Futures Trading Commission,
Washington, DC.

Dear Chairman Selig:

We write to urge the Commodity Futures Trading Commission to prohibit event contracts tied to U.S. military operations and investigate whether any insider trading has occurred in connection with recent military strikes against Iran.

Event contracts are derivatives that provide anyone with the chance to wager on whether something will occur. Under the Dodd-Frank Act and the CFTC's rules, event contracts that "involve, relate to, or reference assassination or war" are prohibited. This category includes event contracts that predict whether a U.S. adversary will no longer be in office, such as Ayatollah Khameini in Iran, Nicolas Maduro in Venezuela, or Miguel Diaz-Canel in Cuba. Because these leaders are so entrenched and protected by vast military forces, their continued leadership is perceived to be completely insulated from removal except by armed intervention. As a result, event contracts referencing their ouster "involve or relate to" war.

These contracts are so dangerous to the national security of the United States and so offensive to U.S. values that they far outweigh any legitimate risk-management purpose. Traders with inside information that specific geopolitical events will occur or who can directly influence such events can easily buy event contracts. Given the high potential for insider trading, a surge in buying activity and a rapid price increase can signal that the reference event will occur. Such a pattern could tip off our adversaries that U.S. intervention is imminent. By contrast, speculation in traditional financial instruments that may be linked to geopolitical instability, such as oil, gold, and currencies, do not send direct and specific signals that an attack in

one specific country is imminent. And the ability to trade event contracts tied to violent geopolitical events could create financial incentives for someone to actually commit violence for profit.

Activity in prediction markets regarding the war with Iran that began on February 28 demonstrates how event contracts tied to U.S. military operations are morally repugnant and provide no social benefit. On offshore platform Polymarket, which is not regulated by the CFTC, at least six wallets made more than $1 million in profits in just hours by betting that the U.S. or Israel would strike Iran by that date. According to reporting by *Bloomberg,* this activity is the "hallmark" of insider trading. An investigation is already underway by Israeli authorities. On CFTC-regulated platform Kalshi, traders bet whether Ayatollah Khameini would be "out as Supreme Leader" by that date. Kalshi was still promoting the Khameini market as its "featured market" throughout the day of military strikes, encouraging speculation on war or death. After Khameini died, the platform "clarified" that payouts under the contract would be limited and announced that some trading fees would be refunded. Despite these efforts, many traders still apparently profited from price appreciation after the strikes had started but before Khameini's death was confirmed. The contract resolved when Khameini died, providing strong evidence that this is a death market and that traders profited directly from speculation on war.

Insiders face little risk of penalty under the CFTC's current enforcement program. The insider trading laws for commodities markets are underdeveloped compared to analogous laws in securities markets. To date, the CFTC has not brought a single enforcement case involving prediction markets. All the CFTC has done is issue a press release highlighting two minor infractions that were addressed internally under Kalshi's own terms and conditions, one involving $246.36 in illicit profits and another involving $5,397.58. That signals a lax oversight regime and will not deter insider trading.

To address dangerous national security, market integrity, and immoral outcomes, the CFTC must enforce the law and immediately halt trading in event contracts tied to U.S. military operations. Given the high potential for insider trading and evidence that insider trading did in fact occur in the "Iran strike" contract on Polymarket, we urge the CFTC to investigate this matter on platforms that the agency regulates and ultimately bring big cases to punish significant wrongdoers.

We would appreciate your immediate action on this important matter and look forward to your prompt reply.

Sincerely,

JACK REED,
United States Senator.

JOHN HICKENLOOPER,
United States Senator.

UNITED STATES SENATE
WASHINGTON, DC

COMMODITY FUTURES TRADING COMMISSION
May 18, 2026

Hon. MICHAEL SELIG, Chairman,
Commodity Futures Trading Commission,
Washington, DC.

Dear Chairman Selig:

We write to urge the Commodity Futures Trading Commission (CFTC) to prohibit prediction markets from allowing margin trading in connection with event contracts, particularly for retail lending.

On March 23, the National Futures Association granted approval for an affiliate of Kalshi called Kinetic Markets LLC to offer its customers margin trading as a futures commission merchant (FCM). Kalshi still needs approval from the CFTC before offering this product. The CFTC should not permit Kalshi, or any FCM or designated contract market (DCM), to offer margin trading on event contracts. Margin trading allows trading without full collateral. In other words, it allows a bettor or investor to essentially borrow from the house and lose or gain more money than they bet or invest. If the CFTC permits prediction markets like Kalshi to allow margin trading, it would expose investors and the economy to significant risk and undermine the longstanding restrictions placed on betting by state gaming commissions.

Sports betting makes up a large portion of prediction markets. A staggering 90 percent of event contracts listed on Kalshi's platform involve sports betting. For Polymarket, sports betting makes up 40 percent of event contracts.

All platforms that permit consumers to bet on sporting events should be subject to the same regulatory requirements. A sports betting venue should not be able to escape the requirements imposed on it by a state gaming commission simply by operating a prediction market registered with the CFTC as a DCM. An event contract listed on a prediction market that pays out when a particular sports team wins a game is economically equivalent to a bet on the same team that is placed at a casino or other gaming facility. State gaming commissions have spent decades developing regulations covering consumer protection and economic risk. Prediction markets pose the same risks to consumers and the economy as traditional gambling and should be subject to the same requirements.

This is particularly true with respect to limitations on the provision of credit to consumers. Thirty-five states limit the credit that gaming facilities may provide. In some states, such as Colorado and Tennessee, gaming facilities are prohibited from providing any credit to consumers to finance sports betting. Other states, like Rhode Island, permit a gaming facility to provide a consumer with a line of credit to finance sports betting only if the consumer meets certain criteria, including thresholds for annual income, debt-to-income ratio, prior credit history, and average monthly bank balance. There is nothing about the structural difference between event contracts traded on Kalshi versus traditional betting to justify permitting leverage for one but not the other.

States limit the provision of credit by gaming facilities to prevent consumers from taking on debt that they cannot pay back. These rules ensure that bettors' losses are capped at the amounts that they use to fund their accounts. Betting on a credit card can cause customers to get trapped in a cycle of debt. Interest can quickly accrue and balances can compound, resulting in customers losing even more money than they bet. So, too, can betting with margin obtained from a FCM or DCM. Even small price movements can lead to margin calls and ultimately cause positions to become liquidated. Just like with a credit card, margin can put the trader on the hook for more money than they put down.

Significant levels of consumer debt, particularly in connection with sports betting, are not only dangerous for consumers, they are also detrimental to the broader economy. Online sports betting leads to higher credit card balances, more frequent account overdrafts, and fewer investments, particularly among already financially vulnerable households.[1] This problem will only grow if the CFTC permits prediction markets to offer margin loans to consumers in connection with sports betting on their platforms. Ultimately, the country will bear the burden when consumers default on their debt and become less economically productive due to a poor credit history and lack of savings.

Moreover, prediction markets currently offer margin at levels that are far riskier than permitted for traditional retail financial products. Polymarket recently announced its intention to offer perpetual futures contracts, which will provide investors with up to 10x leverage. This is significantly more than the 2x leverage that is typically permitted for leveraged ETFs to retail investors in the securities markets. The SEC recently denied applications for high-leverage ETFs offering 3x and 5x leverage, less than half of the leverage that Polymarket plans to offer consumers. The highly leveraged products on prediction markets are dangerous for consumers. If prediction markets are permitted to offer margin trading to retail bettors and investors, it would expose consumers to financial risks that market regulators have long determined to be unsuitable for retail products.

The CFTC should prohibit prediction market platforms from providing margin loans to their users because it would undermine the credit limitations imposed by states, resulting in harm to consumers and the economy. Even if the CFTC limits margin trading, any amount of permissible margin trading would supersede decisions made by states with more restrictive limitations. The CFTC should leave it to state governments to continue to determine the appropriate amount of credit, if

[1] Scott Baker et. al, National Bureau of Economic Research, *GAMBLING AWAY STABILITY: SPORTS BETTING'S IMPACT ON VULNERABLE HOUSEHOLDS* (Nov. 2024), *https://www.nber.org/papers/w33108.*

any, that consumers may receive when engaging in sports betting and other gaming activities on prediction markets or in casinos.

Sincerely,

JOHN HICKENLOOPER,
United States Senator.

JACK REED,
United States Senator.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. MARIA CANTWELL TO BILL MILLER

Prediction Markets

Online sportsbooks like FanDuel and DraftKings are required to comply with state gambling laws, which typically include a variety of consumer protections like advertising restrictions, requiring users to be at least age 21, and mandatory self-exclusion lists. But prediction markets, like Kalshi and Polymarket, contend their sports "event contracts" are federally regulated financial swaps that do not need to follow state gambling laws.

Question 1. Are there any practical differences between sports bets at online casinos and sports event contracts on prediction markets?

Answer. There is no meaningful difference. And Americans agree, with 81 percent believing that "sports event contracts" are gambling. In either offering, individuals place money on the outcome of sporting events or player performances with the opportunity to profit if their wager is correct. "Sports event contracts" mirror traditional sportsbook offerings, including futures, single-game outcomes, player props, and multi-leg style products.

CFTC Authorities

Under the Commodity Exchange Act, the CFTC is authorized to ban prediction markets from offering "gaming" or any "activity that is unlawful under any Federal or State law."

Nevertheless, the CFTC is thus far choosing to allow prediction markets to offer sports event contracts that appear indistinguishable from sports betting.

Question 1. Do you believe that the CFTC has the current statutory authority to prohibit sports betting on prediction markets?

Answer. Congress expressly granted the CFTC authority under the Commodity Exchange Act to prohibit event contracts involving "gaming" or activities unlawful under Federal or state law. Further, the Commission adopted Rule 40.11 to implement that directive and stated that the prohibition on gaming-related contracts was intended to prevent gambling through the futures markets and protect the public interest.

For years, the Commission itself recognized that "sports event contracts" raised concerns under Rule 40.11, and as recently as 2025, the CFTC acknowledged publicly that "sports event contracts" may constitute gaming and initiated review processes on that basis.

In 2024, Kalshi itself declared in Federal Court that congressional intent was clear that sports betting should NOT be treated as a derivative:

> "An event contract thus involves "gaming" if it is contingent on a game or a game-related event. The classic example is a contract on the outcome of a sporting event; as the legislative history directly confirms, Congress did not want sports betting to be conducted on derivatives markets."

Question 2. Do you think the CFTC should use that authority to prohibit these offerings?

Answer. Yes. "Sports event contracts" are functionally indistinguishable from sports betting and have created a national backdoor sports betting market. Sports wagering should only occur with state and tribal licensed operators.

Our analysis shows that the Prediction Markets have siphoned more than $1 billion in sports betting tax revenue from states and tribes. This lost revenue funds critical projects in local communities and will continue to balloon if prediction markets are allowed to continue evading state and tribal taxes and regulations.

Question 3. If so, why do you think the CFTC is choosing not to exercise its existing authority to rein in sports betting on prediction markets?

Answer. The CFTC has shifted significantly from its prior interpretation and enforcement approach regarding gaming-related event contracts. Rather than maintaining the longstanding understanding that gaming contracts are prohibited under

Rule 40.11, the Commission has increasingly treated so-called "sports event contracts" as permissible financial products despite substantial objections from state regulators, tribes, attorneys general, sports leagues, and members of Congress. The Commission has also undertaken rulemaking and litigation positions that suggest it is attempting to redefine the scope of its authority in this area rather than defer to Congress or the courts to resolve the issue.

Tribal Gaming

As I discussed at the hearing, the Indian gaming industry supported more than 680,000 jobs last year and provides economic support for countless families. The American Gaming Association and the Indian Gaming Association recently sent a letter to Congress calling for legislation that would make clear that sports betting cannot take place on prediction markets "under the guise of event contracts."

Question 1. What can Congress do to better protect tribal gaming from prediction markets?

Answer. Congress can reaffirm that sports betting and casino-style gambling may not be conducted through CFTC-regulated prediction markets under the guise of event contracts.

The existing state and tribal gaming framework reflects decades of work at the state level based on Federal law, including the Indian Gaming Regulatory Act, which recognizes tribal sovereignty and carefully balances the relationship between tribes, states, and the Federal government. Prediction market platforms offering nationwide sports betting products undermine those frameworks and tribal exclusivity agreements without providing the protections, accountability, or oversight required of regulated gaming operators.

Prop and Micro Bets

The sports-betting scandals at the center of the Committee's bipartisan investigation all involve prop bets—such as whether an individual pitch will be a ball or strike.

In addition to posing significant integrity risks, research has shown these bets are among the most addictive and pose particular risks to younger Americans.

Question 1. Does the AGA acknowledge that prop and micro bets pose unique risks to consumers, especially younger Americans?

Answer. Certain prop and micro betting products can present heightened integrity and responsible gaming considerations due to their rapid frequency and focus on highly specific in-game events or individual player actions. That is precisely why these products are offered within heavily regulated state and tribal gaming systems that include integrity monitoring, age restrictions, responsible gaming tools, self-exclusion programs, advertising standards, and ongoing oversight by dedicated gaming regulators working alongside operators, leagues, and law enforcement. The AGA supports ongoing discussions between regulators and leagues on what wagers are being offered and those that should be prohibited.

Importantly, these decisions should be made within established state and tribal regulatory frameworks specifically designed to oversee gaming—not through a system where operators can self-certify "sports event contracts" and bring them to market without the extensive review, consumer protections, and regulatory scrutiny required in legal gaming markets.

Question 2. Are there any legislative reforms the AGA presently supports to help mitigate the known risks posed by these types of bets?

Answer. The AGA supports maintaining sports wagering within the established state and tribal regulatory framework, where regulators already possess broad authority to approve, restrict, or prohibit certain wager types based on integrity, consumer protection, or responsible gaming concern. Those regulators continually evaluate these products in consultation with operators, leagues, and integrity monitors, and they have demonstrated they will take action when concerns arise.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. BEN RAY LUJÁN TO BILL MILLER

Question 1. What responsible gambling practices need to be mandatory to protect customers online and help to prevent problem gambling?

Answer. Responsible gaming protections are a critical component of legal online gaming and sports betting. Operators are required to implement robust age and identity verification, geolocation controls, self-exclusion programs, deposit and wagering limit tools, employee training, prominent responsible gaming messaging, and access to problem gambling resources. Operators also maintain procedures for iden-

tifying potentially risky player behavior and providing customers with tools and resources to manage their play.

The AGA and its members maintain responsible gaming and responsible marketing codes that incorporate many of these principles. Importantly, state and tribal gaming regulators also impose extensive responsible gaming requirements through licensing conditions, regulations, and ongoing compliance oversight.

Question 2. Should all industry members be held to the Internet Responsible Gaming Standards such as those developed by the National Council on Problem Gambling?

Answer. The AGA strongly supports robust responsible gaming standards and believes the National Council on Problem Gambling has played an important role in advancing responsible gaming best practices and public awareness.

Many of the principles reflected in the NCPG's Internet Responsible Gaming Standards are incorporated into the AGA's Responsible Marketing Code, as well as into the regulatory requirements imposed by state and tribal gaming regulators across the country. These include employee training, responsible gaming tools, self-exclusion programs, consumer education, and policies designed to protect vulnerable individuals. The AGA also supports continued investment into research and academic reviews of responsible gaming and problem gambling programs and messages. State and tribal regulators are best positioned to determine how these standards are applied and enforced within their jurisdictions.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. AMY KLOBUCHAR TO SCOTT SADIN

Sports Betting and Game Integrity

Some integrity experts have cautioned that some highly specific wagers tied to individual player actions during games may be especially vulnerable to manipulation because a single player can potentially influence the outcome without affecting the overall game result.

Question 1. From your perspective, are certain categories of proposition bets or event contracts inherently harder to protect from insider abuse?

Answer. Senator Klobuchar—thank you for the question.

I agree with the framing of your concern that highly specific markets tied to individual player actions may be more vulnerable to manipulation because a single player can potentially influence the market outcome without affecting the overall contest result. IC360 would consider the single point of failure and the psychological effect of spot-fixing in this scenario as indicia of heightened risk. We believe that increased attention, surveillance and integrity-related engagement should occur around these markets.

I would add, however, that market vulnerability is often a nuanced analysis that encompasses additional characteristics. Through IC360s monitoring and investigative work, we have come to think about integrity vulnerabilities across three core behavioral and economic pillars that we deem to be systemic variables.

The first pillar captures some of what you have described: a single-actor point of failure in which a market can be entirely compromised by the conduct of one individual and therefore carries lower operational barriers to manipulation than markets requiring coordinated action.

The psychological accessibility of spot-fixing raises a second foundational risk factor because small, discrete in-game actions allow a compromised actor to execute a corrupt action while rationalizing that they are not jeopardizing their team's success. That psychological accessibility makes spot-fixing a primary recruitment vehicle for organized integrity threats.

While not relevant in the scenario you outlined, economic and seasonal variation is a third foundational pillar for identifying market vulnerability. This vulnerability scales inversely with athlete compensation and competitive relevance, with lower-tier contests and leagues in the latter stages of seasons (after competitive relevance has potentially been lost) reflecting heightened risk.

The vulnerabilities you raised are real and significant, and our analytical framework treats it as such—but it sits within a broader risk picture that warrants the same attention.

Question 2. Are there safeguards you believe are currently missing for these kinds of bets or contracts?

Answer. The integrity framework I described in my testimony is, in our experience, functioning. However, as with any maturing system, there are areas in which broader and deeper participant engagement would strengthen the protections al-

ready in place. Rather than safeguards I would describe as missing, I would offer three areas in which increased engagement across the existing collaborative infrastructure could yield incremental value.

The first is the willingness of licensed operators to surface a broader and more inclusive set of integrity signals to their independent monitors, and to engage consistently and in a timely manner in responding to the alerts that are circulated across the ecosystem. Although many operators are deeply engaged in this work today; more consistent engagement across the broader operator population, in our view, would yield meaningful integrity benefits.

The second is broader stakeholder participation in the prohibited-bettor screening framework. Such infrastructure gives sports leagues, operators, and regulatory bodies visibility into the population of individuals subject to role-based wagering and transaction prohibitions—athletes, officials, coaches, and other personnel—and helps ensure those individuals are not transacting in markets where they may possess inside information or have consistent access to exert undue influence.

The third is consistent and robust integrity education for the prohibited-individual population itself. Many consequential outcomes across our integrity-related work can be traced back to a moment of recognition by a person closest to competition. That recognition depends on prior awareness of the rules that apply to them, the patterns of bad actors, and the consequences of violating prohibitions. Sustained investment in education across that population, across sports and across competitive levels, is, in our view, foundational.

Each of these can be advanced through deeper engagement from the same participants who, today, comprise the existing integrity framework.

I appreciate the Subcommittee's continued attention to these issues and welcome the opportunity to provide any additional detail that may be useful.

RESPONSE TO WRITTEN QUESTION SUBMITTED BY HON. BEN RAY LUJÁN TO SCOTT SADIN

Question. The Senate recently passed a resolution banning itself from engaging in prediction markets. The House introduced a similar resolution. Yes or no, should all government officials across all three branches should be similarly prohibited from engaging in prediction markets?

Answer. Senator Luján—thank you for the question.

The specific prohibition you describe raises governance questions on which I would defer to the Subcommittee and its colleagues.

From an integrity-monitoring standpoint, the broader principle is that in any regulated market—financial markets the most familiar analog—individuals with regular access to material non-public or confidential information should operate within a framework of policies, procedures, and surveillance designed to prevent the misuse of that access.

We have found that the integrity case for applying a protective framework is strongest when the at-risk population is clearly identifiable. This is particularly true for groups of individuals who have regular access to confidential information relating to a particular set of markets. We actively assist in building and enforcing these exact prohibitive frameworks across the integrity ecosystem.

I appreciate the Subcommittee's continued attention to these issues and welcome the opportunity to provide any additional detail that may be useful.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. MARIA CANTWELL TO HON. PATRICK MCHENRY

Online sportsbooks like FanDuel and DraftKings are required to comply with state gambling laws, which typically include a variety of consumer protections like advertising restrictions, requiring users to be at least age 21, and mandatory self-exclusion lists. But prediction markets, like Kalshi and Polymarket, contend their sports "event contracts" are federally regulated financial swaps that do not need to follow state gambling laws.

One of your Coalition's biggest sponsors, Kalshi, marketed itself as making "sports betting legal in all 50 states."

Prediction Markets

Question. How can your Coalition now claim prediction markets offer meaningfully different products when Kalshi's own statements acknowledge it offers "sports betting"?

Answer. The mechanics are fundamentally different. In a sportsbook, the house sets the odds and profits directly when customers lose. On a prediction market exchange, contracts are certified to the CFTC and participants trade them against one another. Both contracts and trading are subject to extensive regulations, and exchanges earn small transaction fees regardless of the outcome. Unlike a sportsbook, it has no incentive to see users lose. That is a different business model with different incentive structures and different regulatory obligations.

The Third Circuit Court of Appeals has held that sports event contracts qualify as swaps and are governed by the Commodity Exchange Act and Dodd-Frank, rather than gaming products subject to state law. Coalition members are federally regulated by the CFTC, and comply with applicable Bank Secrecy Act and KYC/AML obligations, and conduct real-time market surveillance, which is the full suite of obligations applicable to serious financial exchanges. Exchanges are required by law to prohibit and police illegal, manipulative or abusive trading activity. The trading of sports event contracts is a meaningfully different activity operating under a meaningfully different legal framework.

Question. Do you believe that the CFTC has the current statutory authority to prohibit sports event contracts on prediction markets if it wanted to?

Answer. A number of courts, including the Third Circuit Court of Appeals—the highest court to have weighed in on the matter—have held that sports event contracts are swaps governed by the Commodity Exchange Act. The CFTC has applied its existing regulatory structure to licensed prediction market exchanges, and is currently engaged in a rulemaking process to establish more detailed standards to govern these markets. The CFTC's rulemaking process is the appropriate venue through which to resolve questions about which contract types should be permissible. We support that process and welcome its outcome.

Washington State Attorney General's Lawsuit Against Kalshi

In the State of Washington, all legal gambling must take place through Tribal casinos. In March 2026, Attorney General Brown sued Kalshi for operating and advertising online gambling in the state. Beyond violating our gambling laws, the complaint also highlighted alarming consumer protection concerns.

This includes evidence Kalshi specifically targeted college students under age 21. For example, the complaint contains evidence that Kalshi paid college student influencers to promote their platform—and at one point even tried to recruit a 15-year-old videogame influencer to promote their brand.

Question. Does your Coalition think it's acceptable for prediction markets to target 15-year-olds to promote their platforms?

Answer. No. All persons under 18 are prohibited from participating on coalition member platforms, and coalition members do not target minors in their marketing. Any advertising that inadvertently reaches minors through other channels is targeted toward legal adults who can lawfully access these platforms.

U.S.-based, federally regulated companies are accountable in ways that unregulated platforms are not. If the concern is protecting young people, the answer is a strong Federal framework with enforceable standards, not driving users to unregulated platforms where no protections exist.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. AMY KLOBUCHAR TO HON. PATRICK MCHENRY

Consumer Protections

In your testimony you stated that consumer protection matters deeply to the Coalition for Prediction Markets.

Question. What steps are Coalition members taking to address the risks to consumers posed by gambling addiction?

Answer. We take addiction concerns seriously. Coalition members have adopted a range of measures to support responsible use and protect consumers who may be at risk, including:

- Self-exclusion tools and deposit/spending limits that allow users to set boundaries on their own activity;
- Regarding sports event contracts, coalition members do not offer in-play microbets tied to individual pitches or plays, which are events more susceptible to manipulation and addiction concerns;
- Partnerships with problem gambling and responsible trading resources—including Kalshi's membership in a new Financial Services Category established by

the National Council on Problem Gambling, which is specifically tailored to the dynamics of financial trading rather than traditional gambling;

- Categorical prohibition on participation by anyone under 18, with additional monitoring and guardrails to enforce that ban, such as a portal for parents to verify their information is not being improperly used by a minor to trade on an account;
- Data sharing and coordination, where appropriate, with responsible gaming organizations to develop best practices tailored to the prediction market context.

It is also important to acknowledge the structural difference in business models. In a traditional sportsbook or casino, the house's revenue equals its customers' losses—the platform has a financial incentive to keep losing customers engaged and to push addictive behavior. In a prediction market, the platform earns a small transaction fee regardless of outcome and does not profit from user losses.

Any financial platform with significant retail participation carries risks, and we are committed to continuing to develop resources and safeguards appropriate to our platforms. We welcome engagement with this Committee on what additional standards should apply.

Question. Does the Coalition have standards or guidelines for proactive measures its members should take to step in when it identifies users displaying addictive behavior?

Answer. To expand on our previous answer, coalition members have implemented a range of proactive measures, including monitoring for behavioral patterns that may indicate problematic use and providing users with tools to manage their own activity, such as spending limits, cooling-off periods, and self-exclusion options.

Kalshi's partnership with the NCPG is specifically oriented toward creating a proactive framework for identifying and responding to problematic trading behavior—recognizing that, as financial markets have democratized and attracted more retail participants, the industry has a responsibility to develop resources that meet users where they are.

We would also note that a uniform Federal framework is the right vehicle for establishing clear, enforceable industry-wide standards in this area. Currently, state-by-state regulation results in significant inconsistency: for example, under the state-by-state sportsbook system, protections for self-excluded users are unevenly enforced and often depend on which state someone happens to live in.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. BEN RAY LUJÁN TO HON. PATRICK MCHENRY

Question. The Senate recently passed a resolution banning itself from engaging in prediction markets. The House introduced a similar resolution. Yes or no, should all government officials across all three branches be similarly prohibited from engaging in prediction markets?

Answer. We support clear and consistent rules prohibiting government insiders from trading on material nonpublic information in any market. Coalition member companies already prohibit trading by anyone capable of influencing the outcome of a contract, including Members of Congress on political contracts, protections that go well beyond what Federal securities laws require.

On the broader question of whether elected officials and government employees should be prohibited from participating in prediction markets at all: that is a policy judgment for Congress and the relevant branches to make, and we defer to those bodies on how to structure the rules.

Question. Is there anything in current Federal law (the Commodity Exchange Act, CFTC regulations, or any other statute) that would prohibit a prediction market from listing event contracts on a high school football game or a Little League World Series baseball game?

Answer. Coalition members do not currently offer contracts on high school or youth sports events. We would support the CFTC explicitly addressing this in rulemaking to provide clear, codified guidance.

Question. Do you believe that it is appropriate to list prediction contracts on high school sports or events where the participants are under 18?

Answer. Coalition members do not offer such contracts. We would support the CFTC codifying a prohibition on such contracts as part of its rulemaking, and we encourage that outcome.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. JOHN HICKENLOOPER TO HON. PATRICK MCHENRY

In the hearing, I highlighted for you how the CFTC's self-certification process works. I explained that under the CFTC Regulation 40.2,[1] once exchanges declare that their contracts comply with the Commodity Exchange Act (CEA) and Core Principles, if the CFTC does not object, the market can go live in *one day*. In summary, it is common knowledge that the CFTC's self-certification process allows federally registered prediction markets to *bypass* lengthy government approval before launching new event contracts.

Furthermore, as stated on the CFTC website[2], because the CFTC allows exchanges to self-certify, the agency places heavy emphasis on post-launch oversight *rather than* pre-approval.

You claimed during the hearing that the CFTC's process for regulating prediction markets is sufficient because it is the same process the CFTC uses to review the rest of the commodities marketplace.

However, the CFTC's self-certification process for designated contract markets (DCM) was designed for markets with very different characteristics than the prediction markets. The self-certification process used by DCMs to list derivatives contracts was designed for transactions entered into by sophisticated institutional investors with limited information asymmetry. This is very different from the retail-oriented sports betting that occurs on the prediction markets. The CFTC also needs sufficient time to ensure that no market manipulation has occurred. 24 hours may be enough time to identify suspicious economic trends in commodity futures markets, where market data is readily available. But it is more difficult to effectively monitor sports betting markets, where an individual or small group may easily manipulate the outcome and evidence of such manipulation can be hard to find.

Self-Certification Concerns

Question. Mr. McHenry, can you please explain in detail why you believe that 24 hours is sufficient time for the CFTC to determine that an event contract is not readily susceptible to manipulation? Please also explain how the CFTC's existing self-certification process adequately protects retail investors who do not have the information or negotiating power that typically exists for the institutional investors that traditionally participate in CFTC-regulated markets.

Answer. The self-certification framework is the same process used across the commodities and derivatives markets and is paired with continuous post-listing oversight. The CFTC retains full authority to review and unwind contracts after launch. If the concern is that the agency lacks adequate staffing to exercise that oversight effectively, that is an argument for providing additional funding for the CFTC, not for transferring jurisdiction to state gaming commissions that have never regulated a financial derivative product. The Coalition supports a fully staffed and adequately resourced CFTC, and we look forward to working with Congress on legislative proposals, including the bipartisan Prediction Market Act of 2026, to strengthen the agency's capacity.

Question. Mr. McHenry, you also stated during the hearing that 24 hours is sufficient for the CFTC to review an event contract because the CFTC has regulatory authority to remove or unwind contracts after the fact if they identify fraudulent activity. However, given the volume of event contracts, the large number of retail market participants, and the speed with which event contracts resolve, there is concern that, in practice, the CFTC would not have time to remove or unwind contracts if it identified fraudulent activity. In the last two years, how many event contracts listed on prediction markets has the CFTC removed or unwound after identifying fraudulent activity?

Answer. The specific data on the number of contracts removed or unwound by the CFTC in the last two years is information the CFTC itself is best positioned to provide, and I would encourage the Committee to direct that question to the CFTC.

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[1] *https://www.ecfr.gov/current/title-17/chapter-I/part-40/section-40.6*

[2] *https://www.cftc.gov/IndustryOversight/ContractsProducts/iongoing rulemaking is specifically designed to address how the regulatory framework should be calibrated across the commodities and derivatives markets and in light of ndex.htm*

The regulatory framework is not premised solely on the CFTC's post-listing removal authority. Coalition member companies maintain real-time market surveillance systems, file daily suspicious activity reports with the CFTC, conduct know-your-customer and AML screening, and have preemptively blocked categories of participants, including athletes, coaches, referees, and league employees, from trading on contracts tied to their sports. These are proactive, front-end controls, not just after-the-fact remedies.