Securities

Wisconsin Prediction Market Crackdown Endures CFTC Challenge (1)

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Summary by Bloomberg AI

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- A federal judge said Wisconsin can continue regulating sports prediction markets as gambling forums, dealing a blow to the US derivatives regulator.
- The judge denied the Commodity Futures Trading Commission a preliminary injunction that would have blocked state enforcement actions against companies like Kalshi Inc. and Crypto.com.
- The CFTC plans to appeal the decision and continue defending its jurisdiction over these markets, according to an agency spokesperson.

Wisconsin can continue regulating sports prediction markets as gambling forums, a federal judge said — dealing a sharp blow to the US derivatives regulator in a nationwide legal dispute over control of the multibillion-dollar industry.

The sports-related event contracts offered by companies like Kalshi Inc. and Crypto.com appear to fall within the scope of Wisconsin's commercial gambling statute, Judge William C. Griesbach said Wednesday, denying the Commodity Futures Trading Commission a preliminary injunction that would have blocked state enforcement actions against those companies.

The CFTC hasn't shown that it's likely to prevail in its argument that the federal commodity law's definition of a financial instrument used for hedging cover these event contracts, the US District Court for the Eastern District of Wisconsin judge said. Nor did the Trump administration demonstrate it would suffer irreparable harm without this temporary relief.

Only one federal appeals court so far has ruled on the issue dividing courts in preliminary decisions. The US Court of Appeals for the Third Circuit, in a 2-1 April decision, affirmed a preliminary injunction granted to Kalshi against New Jersey regulators.

While that split decision said Kalshi was likely to succeed in its argument that its sports event contracts fit the Commodity Exchange Act's definition of a swap, "the majority offered no limiting principle to the definition that, according to the dissent, taken to its logical extreme could lead to 'a rationality-defying outcome,'" Griesbach said.

Which Laws?

The CFTC's argument, that federally designated contract markets like Kalshi would risk violating federal law by complying with Wisconsin's statutes, fell flat.

The CFTC's grant of "exclusive jurisdiction" over swaps under the CEA applies to other agencies rather than other laws, the judge said.

And there's a distinction between permitting an activity and guaranteeing a right to it, Griesbach said.

"The federal commodities regulations cited by the CFTC may permit DCMs to offer event contracts, but they do not guarantee a right to offer such contracts or require DCMs to offer them, nor do they prohibit states from banning them altogether," he said.

"Disappointed to see the court's ruling in Wisconsin today," an agency spokesperson said. "The CFTC will appeal this decision and continue to vigorously defend our jurisdiction over these markets."

Wisconsin sued Kalshi, Robinhood, Coinbase, Polymarket, and Crypto.com in April, alleging they offered illegal sports betting.

Mixed Courts

The Wisconsin judge's decision comes just days after the CFTC prevailed in Minnesota federal court, securing a preliminary injunction to block enforcement of a state prediction market ban set to go into effect Aug. 1.

Prediction markets allow people to put money down on just about anything. Sports prediction markets in particular spurred a legal scramble over their regulation.

States say prediction markets are gaming forums subject to their laws. Prediction market providers counter that their event contracts are a form of hedging on federally regulated exchanges, placing them under the CFTC's exclusive jurisdiction.

The Wisconsin attorney general's office didn't immediately respond to an email seeking comment.

The case is United States v. Wisconsin, E.D. Wis., No. 2:26-cv-00749, 7/29/26.