Iowa Tribe of Oklahoma

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Christopher J. Kirkpatrick
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581

Submitted via Federal eRulemaking Portal

Re Prediction Markets (RIN 3038-AF65) — Comments on Advance Notice of Proposed Rulemaking on Event Contracts, 91 Fed. Reg. 12,516 (Mar. 16, 2026)

Dear Secretary Kirkpatrick,

The Iowa Tribe of Oklahoma ("Tribe") respectfully submits these comments in response to the Commodity Futures Trading Commission's ("CFTC" or "Commission") Advance Notice of Proposed Rulemaking ("ANPRM") concerning prediction markets and event contracts. The Tribe strongly opposes any interpretation of the Commodity Exchange Act ("CEA"), 7 U.S.C. §§ 1–27f, that would authorize, legitimize, or otherwise accommodate sports-related event contracts to be listed, cleared, or traded on federally regulated exchanges.

These comments focus primarily on sports-related event contracts because those products are, in economic substance, sports wagering. They do not function as traditional financial instruments. Rather, they operate as wagers on the outcome of uncertain future events. As such, they directly threaten tribal sovereignty, undermine the framework established by the Indian Gaming Regulatory Act ("IGRA"), impair the value of tribal-state compact rights, divert governmental revenues from lawful tribal gaming enterprises, and intrude upon the authority of Tribal Nations and states to regulate gaming within their respective jurisdictions.

For the Iowa Tribe of Oklahoma, gaming revenue is governmental revenue. Tribal gaming supports essential governmental services, including healthcare, housing, education, infrastructure, workforce development, public safety, and cultural preservation. These revenues fund the practical exercise of sovereignty and enable the Tribe to provide services to its citizens and surrounding communities. Congress enacted IGRA to promote tribal economic development, self-sufficiency, and strong tribal governments.[1] Prediction markets offering sports wagering threaten these

[1] 25 U.S.C. § 2702(1).

purposes by diverting gaming activity and revenue away from lawful tribal enterprises into unregulated markets operating outside the IGRA framework.

I. Federal Indian Law Recognizes Tribal Sovereignty and the Governmental Importance of Tribal Gaming

In *California v. Cabazon Band of Mission Indians*, 480 U.S. 202 (1987), the United States Supreme Court recognized that Tribal Nations retain sovereign authority to regulate gaming on Indian lands absent clear congressional prohibition.[2] Congress responded by enacting IGRA in 1988—not to eliminate tribal gaming rights, but to preserve and structure them in a manner that promotes tribal economic development and governmental self-sufficiency.[3]

Under IGRA, Class III gaming occurs through a carefully balanced framework involving tribal law, federal oversight, and tribal-state compacts.[4] These compacts are not merely commercial agreements; they reflect negotiated arrangements between sovereign governments concerning exclusivity, licensing, regulatory authority, market participation, and long-term governmental expectations. Tribal gaming has become the most successful tribal economic development initiative in modern federal Indian law.

The Supreme Court has recognized the central role of gaming revenue in supporting tribal governance. In *Michigan v. Bay Mills Indian Community*, the Court explained that tribal gaming revenues are often the primary means through which tribes fund essential governmental services and exercise self-determination.[5] Justice Sotomayor emphasized that a key federal objective is to render tribes more self-sufficient and better positioned to fund their own sovereign functions rather than rely on federal appropriations.[6]

The federal courts of appeals have reinforced this principle. The Ninth Circuit has recognized that tribal gaming is "not only a source of substantial revenue for tribes, but the lifeblood on which many tribes have come to rely."[7] The court further acknowledged that gaming revenues support the real-world exercise of tribal sovereignty, including the provision of essential governmental services.[8]

These principles apply directly to the Iowa Tribe of Oklahoma. If prediction markets may offer the functional equivalent of sports wagering nationwide through federally regulated exchanges, the economic value of tribal gaming rights is diminished, compact expectations are undermined, and governmental revenues that fund essential tribal services are diverted. Such harm strikes at the core purposes Congress sought to advance through IGRA.

II. Sports-Related Event Contracts Are Gambling in Economic Substance

The Commission should evaluate sports-event contracts based on substance rather than labels. Where participants risk money or value on uncertain athletic outcomes with the prospect of gain

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[2] *California v. Cabazon Band of Mission Indians*, 480 U.S. 202, 221–22 (1987).
[3] 25 U.S.C. §§ 2701–2721.
[4] 25 U.S.C. § 2710(d).
[5] *Michigan v. Bay Mills Indian Cmty.*, 572 U.S. 782, 810 (2014).
[6] *Id.*
[7] *Chicken Ranch Rancheria of Me-Wuk Indians v. California*, 42 F.4th 1024, 1032 (9th Cir. 2022).
[8] *In re Indian Gaming Related Cases*, 331 F.3d 1094, 1099–1100 (9th Cir. 2003).

depending on the result, the activity is gambling. Recent federal courts evaluating these products have recognized this reality. In *KalshiEX LLC v. Hendrick*, the court observed that sports-event contracts may be described in different ways, but "at bottom, they are sports wagers," and "everyone who sees them knows it."[9] Likewise, in *KalshiEX LLC v. Schuler*, the court concluded that the CFTC's inaction does not render such products lawful under the CEA.[10]

Federal law defines a "bet or wager" as staking or risking something of value on the outcome of a contest or sporting event with the expectation of receiving something of value based on that outcome.[11] Sports-event contracts fall squarely within that definition. A contract tied to the outcome of a game, a player's performance, a tournament result, or any similar contingency is indistinguishable from a traditional sports bet. The terminology used by prediction markets does not alter this conclusion. Labeling a wager as a "contract," "position," "market," or "derivative" does not change its fundamental character. The Commission should apply a substance-over-form analysis and recognize these products for what they are: gambling.

III. Existing Law Already Prohibits These Products

The Commission does not need new rules to address sports-event contracts. Existing law already provides the answer. Section 5c(c)(5)(C) of the CEA authorizes the Commission to determine that event contracts are contrary to the public interest if they involve unlawful activity, gaming, or similar conduct.[12] The Commission implemented this authority through Regulation 40.11, which prohibits registered entities from listing contracts that involve, relate to, or reference gaming or activity unlawful under state or federal law.[13]

The legislative history confirms Congress's intent. Senator Blanche Lincoln, principal sponsor of the relevant Dodd-Frank provision, explained that Congress intended to prevent gambling through futures markets. She specifically identified contracts based on sporting events such as the Super Bowl, Kentucky Derby, and Masters Golf Tournament as examples of impermissible products that serve no commercial purpose and would be used solely for gambling.[14]

Accordingly, the Commission need not reopen settled issues through rulemaking. What is required is enforcement of existing law, issuance of interpretive guidance, and robust pre-listing review, not accommodation of gambling products through federal financial markets.

IV. Sports Contracts Lack Bona Fide Economic Purpose

Traditional derivatives markets exist to serve legitimate economic functions, including hedging risk, facilitating price discovery, and enabling efficient allocation of resources. Sports-event contracts do not serve these functions. They do not hedge commodity prices, manage supply-chain risk, facilitate capital formation, or contribute meaningful price discovery tied to economic activity. Instead, they exist primarily to enable speculative wagering on uncertain future events.

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[9] *KalshiEX LLC v. Hendrick*, 2025 WL 3286282, at *8 (D. Nev. 2025).
[10] *KalshiEX LLC v. Schuler*, 2026 WL 657004 (S.D. Ohio 2026).
[11] 31 U.S.C. § 5362(1)(A).
[12] 7 U.S.C. § 7a-2(c)(5)(C).
[13] 17 C.F.R. § 40.11(a)(1).
[14] 156 Cong. Rec. S5906–07 (2010).

Courts have long distinguished legitimate derivatives from wagers disguised as financial products. In *Board of Trade v. Christie Grain & Stock Co.*, 198 U.S. 236 (1905), the Supreme Court upheld futures markets because they were tied to genuine commercial functions. By contrast, transactions lacking bona fide economic purpose and serving only speculative wagering interests fall outside the traditional justification for derivatives regulation.[15] Sports-event contracts fall squarely into that latter category. They create risk rather than manage it. They do not serve commercial needs. Their primary function is entertainment-driven speculation. Rebranding such products as financial innovation does not create economic utility where none exists.

V. Sports Contracts Present Serious Public Interest Risks

Even if sports-event contracts were not already prohibited, they would be contrary to the public interest. Unlike commodity markets, sports outcomes may be influenced by a limited number of actors, including athletes, coaches, referees, and others with access to nonpublic information. A single decision-maker may materially affect the outcome of a sporting event and, therefore, the value of a contract tied to that event. This creates acute risks of insider misuse, manipulation, corruption, and integrity concerns.

These risks are inherent in sports wagering and have historically been addressed through specialized gaming regulation. Tribal and state gaming systems include licensing requirements, suitability review, surveillance, internal controls, patron protection measures, and anti-money laundering safeguards designed to mitigate these risks. Prediction markets offering sports-event contracts replicate the risks of gambling while avoiding the safeguards required of lawful gaming operators.

The Commission has previously acknowledged that it is not a gaming regulator and lacks the statutory mandate or specialized expertise to address gambling-specific harms.[16] Allowing such products would effectively transform the Commission into a de facto national gaming regulator without congressional authorization. Prediction markets also create consumer confusion by presenting gambling products as financial instruments. Retail participants may incorrectly perceive these products as investments rather than wagers, increasing the risk of financial harm, particularly among younger or inexperienced users.

VI. Tribal Sovereignty, State Authority, and Federalism

Regulation of gambling has long been recognized as a core exercise of state police power.[17] States retain authority to determine whether, and under what conditions, gaming may occur within their jurisdictions. Tribal Nations likewise retain inherent sovereignty over gaming on Indian lands subject to IGRA. The balance between tribal sovereignty, state authority, and federal oversight is carefully structured through IGRA and tribal-state compacts.

If prediction markets may offer sports wagering nationwide through federally regulated exchanges, that balance is disrupted. Such activity would allow private entities to conduct the economic equivalent of sports betting without complying with tribal law, state law, or compact requirements.

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[15] *Bd. of Trade v. Christie Grain & Stock Co.*, 198 U.S. 236 (1905).
[16] 89 Fed. Reg. 48,968, 48,982–83 (June 10, 2024).
[17] *Ah Sin v. Wittman*, 198 U.S. 500 (1905).

This would constitute a federal end-run around established gaming frameworks and would undermine both tribal sovereignty and state authority without clear congressional authorization.

VII. Requested Commission Action

Accordingly, the Iowa Tribe of Oklahoma respectfully requests that the Commission:

1. Reaffirm that sports-related event contracts are prohibited under the CEA and Regulation 40.11;
2. Decline to adopt rule changes that would legitimize or accommodate sports-related event contracts;
3. Issue interpretive guidance confirming that sports-event contracts constitute gaming;
4. Take enforcement action against entities listing or clearing sports-related event contracts;
5. Use pre-listing review tools aggressively, including suspension or review of self-certified contracts raising gaming concerns;
6. Require prior approval, not self-certification, for categories of contracts that may involve gaming;
7. Conduct meaningful government-to-government consultation with Tribal Nations before taking final action affecting tribal gaming interests or revenues; and
8. If any gaming-like products are considered, require geo-fencing, age verification, and robust consumer protections.

Conclusion

Sports-related event contracts are gambling. They are wagers on uncertain athletic outcomes packaged as financial products. They lack bona fide economic purpose, threaten tribal governmental revenues, undermine tribal sovereignty, impair the framework established by IGRA, and create risks that fall outside the Commission's statutory role and expertise. Existing law already prohibits these products. The Commission should enforce that law, preserve the distinction between legitimate financial markets and gambling activity, and reject any proposal that would allow prediction markets to function as unregulated sportsbooks.

Respectfully submitted,



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