



Trump administration backs Kalshi and Polymarket as states move to ban prediction markets

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NEW YORK (AP) — The Trump administration is throwing its support behind the prediction market operators Kalshi and Polymarket in a critical legal battle between the growing prediction market industry and states that wish to ban these platforms.

The move by Michael Selig, the recently appointed chairman of the Commodity Futures Trading Commission, could have enormous implications for how sports betting is regulated in the country and, if Kalshi and Polymarket were to prevail, could erode the ability for states to effectively regulate gambling.

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Any friendly decision the CFTC makes on this industry could end up financially benefiting the president's family as well. President Trump's son, Donald Trump Jr., has invested in Polymarket through his venture capital firm and is a strategic advisor for Kalshi.

The CFTC currently regulates prediction markets, and that federal oversight allows Kalshi and others to operate in all 50 states, even those where gambling is illegal. Several states have sued Polymarket and Kalshi, alleging that the companies effectively operate casino or gambling operations in violation of state gambling laws, and have ordered them to shut down or stop operating in their states.

In an opinion piece in the *The Wall Street Journal*, Selig wrote, "The CFTC will no longer sit idly by while overzealous state governments undermine the agency's exclusive jurisdiction over these markets by seeking to establish statewide prohibitions on these exciting products." Polymarket and Kalshi and other prediction markets allow participants to buy and sell contracts tied to the probable outcome of an event. Customers can wager on everything from whether it will rain in Los Angeles tomorrow to who will win the NBA championship to whether the U.S. and Iran will go to war. The contracts are typically priced between one cent and 99 cents, which roughly translates into what percentage of those customers believe that event will happen.

While customers can bet on anything, roughly 90% of Kalshi's trading volume goes toward wagers on sports, while roughly half of Polymarket's trading is tied to sports. Kalshi said it saw more than \$1 billion in volume trade on the Superbowl.

The biggest of the lawsuits comes from Nevada, where the Nevada Gaming Control Board sued or issued enforcement actions against Kalshi and Polymarket, saying they are operating unlicensed sports betting operations in the state. A federal judge agreed with the NGCB and issued a temporary restraining order against Kalshi from operating in the state.

In response, Kalshi has appealed the case to the U.S. Court of Appeals for the 9th Circuit, which is why the CFTC is weighing in through what is known as a "friend of the court" briefing.

As the regulator of commodities, futures and derivatives, the CFTC has historically overseen markets like oil futures, agricultural products, gold, and other financial products. At roughly 700 employees, the CFTC is much smaller than the Securities and Exchange Commission, with roughly 5,000 employees. But as the CFTC has become the favored regulator of cryptocurrency companies and prediction markets proponents, it has taken on a much larger role in financial markets in the last five years.

By stepping into the lawsuit, the Trump administration is taking an unusually broad definition of commodities and futures. Selig has shifted his position from what he told Senators at his confirmation hearing, where he said that it would be best for the CFTC to defer to the courts on the core legal issue facing Kalshi and Polymarket.

Last week Selig announced the the regulator would create an "Innovation Advisory Committee" to help the CFTC draft regulations on issues such as cryptocurrencies and prediction markets. The **35-member panel** includes the CEOs of Polymarket, Kalshi, Coinbase, Robinhood, FanDuel and DraftKings. While there's some representation from traditional finance, the panel has no representation from consumer advocates or public interest groups.

Selig now says that prediction markets effectively do the same thing as other futures contracts, where customers can hedge against bad weather or changes in energy prices, and they are not betting against the house, which is what happens with sports book companies. The states that have taken legal action against Kalshi and Polymarket argue that while these companies do offer customers the ability to bet on future events, the vast majority of their business is sports betting. Further, most prediction markets allow customers 18 years or older to use their platforms, while state gambling is limited to those 21 years or older.

Selig now says states cannot preempt federal regulators.

"To those who seek to challenge our authority in this space, let me be clear, we will see you in court," Selig said in a video statement.

Some members of the GOP pushed back on Selig's announcement, including the Governor of Utah, which has some of the strictest gambling laws in the country.

"Mike, I appreciate you attempting this with a straight face, but I don't remember the CFTC having authority over the "derivative market" of LeBron James rebounds," said Gov. Spencer Cox, in a statement on Twitter. "These prediction markets you are breathlessly defending are gambling — pure and simple."

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