Monthly Despatch

Prediction Markets - Regulatory, Market and Integrity Implications

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Executive Summary

- The global betting industry faces friction from prediction markets because of the direct clash with gambling regulation and the enhanced threat to integrity in racing and other sports.

- The legal operating status of prediction markets has some clarity in the US, but not elsewhere in the world. There is however disagreement in the US regarding the legal situation of prediction markets, and in the rest of the world, there has not been sufficient testing of the status in court, or public statements from gambling regulators.

- Prediction markets are a significant and emerging challenge for sports integrity, with core risks arising when such markets enable profit from underperformance, losing, or specific player-controlled incidents. Cross-border access, pseudonymous accounts, and crypto funding can make suspicious prediction market-fuelled betting materially harder to investigate than in well-regulated betting markets.

- It is essential that national regulators immediately assess the nature of prediction markets in their jurisdiction, decide if the activity constitutes betting under local laws and regulations, and clearly inform consumers as well as government policy makers of the status. Prediction markets are either legally authorised in each jurisdiction or they are not, and this must be clear to consumers, governments, and to operators.

Introduction

Prediction markets are platforms where people can bet on the outcome of future events by buying and selling shares in the outcomes, collectively forecasting the likelihood of events such as sports results, political elections, or entertainment awards.[1]

Prediction markets have existed for decades but have surged in the past five years because of the rapid expansion of financial market technology that has enabled the widespread development of such platforms as well as the large volume of transactions that they handle. The introduction of several online prediction market platforms has led to a swell in popularity, especially in the US in states where sports betting is not legal.

[1] Polymarket, What is a Prediction Market (https://docs.polymarket.com/)

History of prediction markets

In 1988, the Iowa Electronic Markets was established by two economists at the University of Iowa and launched the same year offering contracts on the outcome of that year's US presidential election. The Iowa Electronic Markets continues to exist as an academic research market where contract payoffs were based on real-world events such as political outcomes, companies' earnings per share, and stock price returns. [2]

In 2001, Ron Bernstein created Intrade in Ireland, and the platform was a leading prediction market during the 2008 and 2012 US election cycles.[3] Intrade closed its proprietary trading platform in early 2013 after the regulator of prediction markets in the US, the Commodity Futures Trading Commission (CFTC) successfully sued Intrade, claiming that it was a prediction market where users could make trades on political and world events.[4]

In 2014, Intrade's successor, Tradesports.com, was re-launched by Bernstein. Tradesports was modelled on financial stock markets, with customers buying or selling shares tied to specific outcomes in real sporting events, with the price of these shares dynamically changing based on what happens during matches. Berstein claimed that this was not betting but a game of skill that was exempted under the Unlawful Internet Gambling Act of 2006 as "fantasy sports."[5]

In the same year, PredictIt was launched as a non-profit educational project of the Victoria University of Wellington, New Zealand.[6] This platform initially operated for free for the purposes of academic research but in September 2025 PredictIt won approval from the CFTC to expand operations as a regulated derivatives exchange.

The use of platforms similar to prediction markets for sports is also not new, and at the start of the 21st century multiple betting exchanges were created for peer-to-peer trading between customers. Betfair and Betdaq were both formed in 2000, with Matchbook created in 2004, Smarkets in 2008 and Betconnect in 2011.

There is little operational difference between a betting exchange and a prediction market, but historically they have differed because of dissimilar regulatory approaches and distinct markets. Betting exchanges were self-professed gambling platforms created largely for sports content, and prediction markets were financial exchanges largely for real world events content.

[2] Iowa Exchange Markets (https://iem.uiowa.edu/iem/)
[3] Intrade, About Intrade (https://intrade.com/history)
[4] https://www.cftc.gov/sites/default/files/2018-07/enfintradepredictionmarketltdexchangenetworksummaryjudmentorder080315.pdf
[5] USA Today, Tradesports: Fantasy sports for real money in real time, 30 April 2014 (https://eu.usatoday.com/story/tech/2014/04/30/tradesportscom-fantasy-sports-real-time-real-money/8500489/)
[6] PredictIt (https://www.predictit.org/)

Prediction markets' mode of operation

Prediction markets operate by offering binary event contracts whose price reflects the market's collective estimate of the probability of an outcome. A typical contract will offer $1 (in whichever currency is used) if the event occurs, and $0 if it does not. The probability influences the price, so for example, a 25% probability of an event occurring would trade at $0.25. The probability is set by customers trading on the platforms, which gain a portion of their revenue from trading fees.

Prediction markets are functionally almost identical to betting exchanges, but with different legal status and terminology. Both are peer-to-peer platforms where users trade against each other. Both involve no trading risk for the operator of the platform, which make commissions from transactions and not from customers losing. Both involve prices set by the market and not the operator. Both involve taking opposing positions regarding outcomes – on a prediction market, these are yes or no, and on a betting exchange they are back (bet for) or lay (bet against).

Some prediction market platforms are licensed in the US as federal exchanges offering "events contracts" that are regulated by the CFTC because prediction market operators claim that these "events contracts" on sports, politics, weather, etc, are financial derivatives, rather than constituting betting.

The nature of prediction markets as betting exchanges poses the same threat to integrity in racing and other sports. Betting exchanges and prediction markets pose heightened sports integrity risk because they allow customers to bet on a losing outcome, creating a potential profit pathway and consequently, incentive to lose.

Prediction markets are popular because they demonstrate the efficient markets hypothesis at work, which assumes that in a truly efficient market, market prices will be the best predictor of an event occurring.[7] This, and the growing use of crypto as a settlement mechanism has made prediction markets more accessible to retail participants and has helped increase liquidity by enabling faster, borderless transactions. At the same time, prediction markets have broadened in scope, moving beyond traditional political and macroeconomic forecasts into sports-related event contracts.

In the US, regulatory developments have also supported this expansion, with the CFTC demonstrating a willingness to license certain platforms as federally regulated exchanges authorised to offer event contracts structured as derivatives rather than as gambling products. As a result, several major new platforms have developed, and established sports betting licence holders are following market leaders into prediction markets.

[7] Wolfers, J., & Zitzewitz, E. (2004). *Prediction markets*. Journal of Economic Perspectives, 18(2), 107–126.

Both Polymarket and Kalshi currently offer contracts on political events, economic indicators, weather events, and sports-related outcomes, and closely resemble wagering markets. Their ability to operate in the US rests on their federal derivatives exchange status, which has been the subject of legal dispute, particularly regarding the permissibility of political event contracts under the Commodity Exchange Act ("CEA") which is the is the federal statute in the United States that gives the CTFC the powers to regulate prediction markets.[8]

The legal status of prediction markets in the US creates significant conflict because they clash directly with gambling regulations and raise concerns regarding the integrity of horse racing and other sports. Because of these risks, action is needed now from gambling regulators around the world to state publicly that prediction markets are considered betting or gambling operators in the jurisdictions where consumers are located and thus should be licensed as appropriate.

The history of prediction markets over the past 25 years illustrates that as they are not new, there must be new reasons for the surging popularity. This report aims to answer this question, as well as how prediction markets have developed, and why they are a threat to established regulated betting as well as sports integrity.

How Two Major Prediction Markets Operate

To illustrate the operation of prediction markets it is useful to review the current major platforms, Polymarket and Kalshi. To remind, both Polymarket and Kalshi have a similar legal and regulatory status, operating as designated contract markets under the regulatory oversight of the CFTC and governed by the CEA.

The operational structure of both prediction markets is also similar. Polymarket and Kalshi list binary outcome markets, typically structured as "Event X happens" (YES) or "Event X does not happen" (NO). Each side trades between $0 and $1. If the event occurs, then YES settles at $1, and NO at $0. Conversely, if the event does not occur, then YES settles at $0 and NO at $1. The variable price reflects implied probability, so that if a YES prediction is trading at $0.63 this equals 63% implied probability.

The trading operations of both platforms are similar with trades occurring between $0 and $1 but clearing mechanisms for payments are different. Kalshi works with fiat currency whilst Polymarket works with crypto. Their legal status also differs, with Kalshi operating as a regulated financial exchange for event derivatives, while Polymarket operates as a crypto prediction market.

[8] https://www.gtlaw.com/en/insights/2026/4/prediction-markets-a-cftc-enforcement-update

Operational differences between Kalshi and Polymarket

Kalshi customer transactions are in US dollars deposited via traditional channels such as debit cards and bank accounts, although crypto deposits can be made and converted into fiat currency before account deposit. It operates an in-house clearing model under CFTC oversight, with funds held in segregated accounts and contracts cash-settled at expiration based on predefined objective data sources of the outcome of the prediction.

Kalshi offers users the opportunity to trade on a commodity the platform refers to as "event contracts", which are swaps whose payout are dictated by event occurrences (i.e. event predictions). These swaps are commodity derivatives, which allow traders to make predictions on the likelihood of certain events occurring and hedge their exposure to the negative ramifications of these events.[9] The operational and legal approach to clearing taken by Kalshi is based on futures contracts through a federally regulated derivatives exchange.

On the other hand, Polymarket customer transactions are denominated in USDC, a stablecoin which is pegged 1:1 to the US Dollar, and the platform operates on Polygon, a blockchain built on Ethereum. All transactions are denominated in USDC meaning that trades are shielded from the volatility associated with other cryptocurrencies. Polymarket also claims that Blockchain technology facilitates transparency, as all transactions are recorded publicly.[10]

Prediction Markets' Legal and Regulatory Framework Situation

The legal status of prediction markets in the US has been defined at a federal level although there continues to be disagreement on their legality at a state level. Outside of the US, the legality of prediction markets has not been tested in the courts but statements from gambling regulators on whether they should be regulated as betting operators are increasing.

United States

In February 2026, the CFTC issued a statement reaffirming exclusive jurisdiction over the US commodity derivatives markets, including event contract markets otherwise known as prediction markets. According to the CFTC, states or other federal entities do not have the authority to regulate markets within the CFTC's exclusive jurisdiction, claiming that this comprehensive authority is defined in statute, including under the CEA.[11] This federal position has created tensions with some states concerning the legal status of prediction markets.

[9] Kalshi, Kalshi Compliance Information Document & FAQ for Finance Professionals (https://kalshi-public-docs)
[10] Polymarket, FAQs (https://help.polymarket.com)
[11] US CFTC, CFTC Reaffirms Exclusive Jurisdiction over Prediction Markets in U.S. Circuit Court Filing, 17 February 2026 (https://www.cftc.gov)

At the same time, the commencement of sports-wagering event contracts offered by Kalshi from April 2025 led to several legal challenges that continue to be heard in federal and state courts. To date, there have been court findings both for, and against, prediction market operators and many cases have yet to be resolved in the courts. Two such examples (Nevada and New Jersey) are highlighted below, outlining the highly contentious legal nature of prediction markets across the US.

Ongoing legal challenges to prediction market regulation in Nevada & New Jersey

In early 2025, a federal judge granted a preliminary injunction barring Nevada gaming authorities from enforcing state gambling regulations against Kalshi. However, in December 2025 that injunction was dissolved because certain Kalshi sports contracts "closely resembled" traditional sportsbook bets and therefore fall within Nevada's gaming laws and regulation.[12]

In March 2025, the New Jersey Division of Gaming Enforcement notified Kalshi that the company was offering unauthorized sports wagers in New Jersey in violation of the state's Sports Wagering Act. The regulator demanded that Kalshi immediately cease offering wagers and void any bets already placed. Kalshi challenged the regulator in court, alleging that its sports-wagering event contracts are regulated exclusively under the CEA and that this pre-empts New Jersey's sports-wagering laws.[13]

The New Jersey district court found in favour of Kalshi, granting them a preliminary injunction against the regulator and blocked the state from enforcing its earlier ban on Kalshi offering sports event contracts in the state. In turn, the regulator has appealed that decision to a higher court, the outcome of which has not yet been decided.

Other US states with active legal challenges against CTFC oversight of prediction markets

Arizona	Kentucky	Ohio
California	Maryland	Pennsylvania
Connecticut	Massachusetts	South Carolina
Florida	Montana	Tennessee
Georgia	New Mexico	Texas
Illinois	New York	Wisconsin

[12] JD Supra, Prediction Markets v. State Gaming Laws: The Kalshi Litigation Gamble, 13 February 2026 (https://www.jdsupra.com)
[13] KalshiEx, LLC v. Flaherty, No. 25-1922, 3rd Cir. 28 April 2025 (https://storage.courtlistener.com)

The CFTC claims to have exclusive jurisdiction as a federal regulator over prediction markets, but a total of 18 other (excluding Nevada and New Jersey) state gambling regulators or other parties are currently challenging CTFC federal oversight of prediction markets, instead arguing that prediction markets are gambling operators that should be licensed as such at the state level.

It is likely to take several years for the cases to work their way through the courts, and because of the fundamental disagreement between the CFTC and prediction market operators on one side and state gambling regulators on the other side the legal status is not likely to be resolved until it reaches the US Supreme Court.

Rest of the world

Outside the US, regulators have largely declined to treat prediction markets as a distinct financial innovation, and most gambling authorities classify them into existing gambling frameworks without handing them over to securities or derivatives regulators.

In Australia, the Australian Communications and Media Authority (ACMA), which enforces the Interactive Gambling Act 2001, clarified its position in February 2026, determining that prediction market platforms constitute illegal online gambling rather than financial trading tools. The regulator concluded that such services fall under Australia's gambling laws and cannot legally operate without an appropriate licence. It has also moved to enforce this position via ISP blocking and other measures used against unlicensed offshore gambling providers.[14]

In France, the Autorité Nationale des Jeux (ANJ), the national gambling authority, described prediction market platforms as "illegal in France and potentially risky to users", reiterating that they are unauthorised gambling sites under French law. The ANJ noted that Germany, Belgium, Romania, Switzerland, the Netherlands, Poland, Greece, Cyprus, Ukraine and Portugal have blocked access to Polymarket, arguing that the platform offers gambling services without the required licence.

The ANJ likens prediction markets to speculative crypto trading and warns that they combine the addictive characteristics of online gambling with the volatility of crypto-asset markets, but without the consumer-protection mechanisms present in the licensed French gambling sector.[15]

In February 2026, the Dutch National Gambling Authority (KSA) ordered Polymarket to cease targeting Dutch consumers on the basis that it is an unlicensed gambling operator, and imposed a penalty on Adventure One QSS Inc., which offers games on the Dutch market under the Polymarket brand name, for operating without a licence. The KSA also called on Polymarket to cease its activities immediately, and if it failed to do so the company would be fined €420,000 per week, with a maximum of €840,000. The KSA stated that although Polymarket states that prediction

[14] Focus AsiaPacific, Australian regulator classifies prediction markets as illegal gambling in probe into Polymarket, 11 February 2026 (https://focusgn.com)

[15] ANJ, Prediction market platforms: Illegal in France and potentially risky to users, 25 February 2026 (https://anj.fr)

markets do not fall under the category of gambling, it views Polymarket's operations as illegal gambling.[16]

In New Zealand, the Department of Internal Affairs (DIA), which oversees gambling regulation, stated in early 2026 that offshore prediction market platforms such as Kalshi and Polymarket are "not authorised to provide their prediction markets" in the country because they are defined as gambling under New Zealand law.[17] DIA officials have said publicly that these services are illegal gambling, not financial trading tools, and that the Department's enforcement focus will be on the operators rather than individual users..[18]

In Singapore, the Gambling Regulatory Authority reportedly ordered local internet service providers to block access to Polymarket in early 2025, with Singaporeans attempting to access the website receiving an 'Access Blocked' notice which also states that they have "attempted to access an illegal gambling site hosted by an unlicensed gambling service provider."[19]

While not explicitly banned in Taiwan, prediction markets facilitated betting on the outcome of a local election outcome.[20] In December 2024/January 2025 the police arrested 28 people for betting on the outcome of the presidential election online using Polymarket despite the Taiwan domain name registrar confirming that local access to Polymarket had been blocked in December 2024.[21]

In the UK, the Gambling Commission clarified in February 2026 that real-money prediction markets aimed at the public would be regulated as gambling products, not as specialist financial instruments. It explained that platforms enabling users to trade on the outcome of events are functionally akin to betting exchanges, that such businesses would fall within the definition of a "betting intermediary" under the Gambling Act 2005 and therefore require a Gambling Commission licence to operate lawfully in Great Britain.[22]

Regulators in Portugal, Ukraine, Hungary, Belgium and Romania are also reported to have blocked or blacklisted Polymarket and/or similar prediction market services, typically relying on their powers over unlicensed remote gambling.[23]

Across these jurisdictions there is evidence of a converging non-US approach to the legal and regulatory status of prediction markets, where they are generally treated as gambling/betting products, particularly where they involve sports, politics or other non-financial events. Operators are increasingly being told that they must obtain an online gambling licence and comply with local gambling regulations if they wish to serve users in these markets. Where they do not, regulators characterise them as illegal or unauthorised gambling and move to block access or issue

[16] Netherlands Gambling Authority, Order subject to penalty for illegal gambling offer Polymarket, 17 February 2026 (https://kansspelautoriteit.nl)
[17] iGaming Expert, Kalshi and Polymarket ordered to withdraw from New Zealand, 20 February 2026 (https://igamingexpert.com)
[18] RNZ, Why betting on top online prediction markets is now illegal in New Zealand, 26 February 2026 (https://www.rnz.co.nz)
[19] Asia Gaming Brief, Singapore's Gambling Regulatory Authority orders block of Polymarket access, 13 January 2026 (https://agbrief.com)
[20] https://www.lexology.com/library/detail.aspx?g=57259dea-35ff-4c03-bc6a-810b565eb0f5
[21] Taiwan News, More arrests for betting crypto on Taiwan election via blocked website, 2 January 2024 (https://www.taiwannews.com.tw/)
[22] UK Gambling Commission, Prediction markets - here's what you need to know, 4 February 2026 (https://www.gamblingcommission.gov.uk)
[23] NextIO, European countries unite against prediction markets, 24 February 2026 (https://next.io)

enforcement notices. None of the cited non-US regulators have recognised prediction markets as a separate legal category, and thus such markets have been classified within pre-existing gambling law.

There is consequently a binary approach to the regulation of prediction markets within the US, compared with the rest of the world. In the US, event-contract markets are being categorised under derivatives regulation while outside the US, the dominant regulatory stance is one where prediction markets are primarily viewed as facilitating online wagering.

Differing perspectives to prediction market regulation

Differing legal interpretations on whether prediction markets constitute betting in the US and elsewhere in the world mirror the differences between prediction markets and betting. While there are similarities in both activities, such as staking money on uncertain future outcomes with payouts determined by whether your prediction is correct and the use of prices or odds as a mechanism that reflects collective beliefs about probability, the differences between the two are far greater.

Firstly, betting scopes is a major distinction between prediction markets and sports betting operators (although there has been a secondary interest in politics betting markets for many years). Traditional betting operators have been focussed on horse racing and other sports. Prediction markets cover almost anything, including politics and sports.

Secondly, the consumption context differs, with betting generally seen as entertainment while prediction markets claim an intellectual reputation for being useful forecasting tools to be used by researchers and policymakers for real-world probability estimates.

Thirdly, pricing mechanisms differ, with fixed odds bookmakers employing risk management teams to set odds (prices) which vary based on the risk exposure of the book for the operator, not on the wisdom of the market. Prediction markets involve buyers and sellers trading contracts and the price floats to wherever the market clears, which makes prediction markets reflective of aggregated beliefs.

Fourthly, profit models vary, with bookmakers building a margin into betting odds to profit from this spread, regardless of outcomes. Prediction markets typically take a small transaction fee, and the prices themselves are meant to be unbiased probability estimates.

Lastly, sports betting involves placing a bet on the outcome of a competition or part of a game, whilst prediction markets involve trading probabilities. This is an important distinction because it can lead to some morally questionable trades which are seemingly based on inside information. For instance, in February 2026 a trader on Polymarket made US$553,000 on a trade relating to Iran's then Supreme Leader, Ayatollah Ali Khamenei, hours before his death from an Israeli air strike. Authorities in Israel also charged two people for using classified information to place bets on Polymarket about upcoming attacks on Iran in June 2025. And in January this year, an anonymous Polymarket trader made hundreds of thousands of dollars from bets ahead of the arrest

of Venezuelan leader Nicolás Maduro.[24] The next section examines this issue in more detail, as well as outlining the specific threat to horse racing from such markets.

Horse Racing and Other Sports on Prediction Markets

Integrity risk

Sports corruption investigations across Europe, Asia and Australia over the past two decades have highlighted several recurring themes. Many cases have involved betting markets in which participants can profit from pre-arranged underperformance or player-controlled actions. Examples include a yellow card in football, a horse failing to win a race, a football team losing by at least a specified margin, or a tennis player retiring at a particular stage of a match so that bets on the opponent are successful.

A consistent feature of betting-related corruption is that the participants most vulnerable to approach are often lower-paid athletes and officials, frequently below the top professional tier, younger participants who may be groomed by corrupt actors, and those nearing retirement who may seek to supplement their earnings.

The most common form of corruption involves deliberate underperformance. In practice, it is generally more difficult to guarantee that a team or athlete will win, but considerably easier to ensure that they lose or fail to achieve a particular outcome. This is why proposition bets, betting exchanges and prediction markets are particularly significant from an integrity perspective, as they can provide a straightforward and convenient means of betting on a team or individual to underperform. These products can therefore create especially high-risk betting opportunities and are often among the first markets exploited in cases of match-fixing or race-fixing.

Turnover risk

The scale of turnover on prediction markets increases the associated integrity risk. However, operators use different methodologies to calculate market volume, which can make comparisons with traditional sportsbook turnover or regulated betting exchange turnover difficult and, at times, misleading. A more comparable approach is to focus on the bettor's stake only, excluding the risk or liability, assumed on the opposing side of a trade. This produces a figure more closely aligned with the stake placed in a conventional back bet.

On that basis, according to HoldCrunch's sportsbook-equivalent handle methodology, more than US$1.1 billion was staked on sports through Polymarket and Kalshi during the first week of March 2026 and both companies were estimated to account for approximately 34% of the US online sports betting market during that period.[25] Both operators have made clear that they intend to grow by

[24] NPR, Prediction market trader 'Magamyman' made $553,000 on death of Iran's supreme leader, 1 March 2026 (https://www.npr.org)

[25] HoldCrunch, using sportsbook-equivalent handle methodology (holdcrunch.com)

targeting a global audience and appear to be competing to become the leading global prediction market platform.

Based on the platform materials reviewed at the time of writing, Polymarket appeared to offer relatively low-friction onboarding for certain non-US users, including an email-only sign-up process in some circumstances, and by accepting crypto deposits, subject to its geographic restrictions. Kalshi, while applying KYC requirements to both US and non-US customers, has also begun accepting crypto deposits and has announced access for users in approximately 140 countries[26]. Growth in sports-related turnover on prediction markets has the potential to increase integrity risks, because larger markets present increased opportunities for financial gain from corrupt or improper betting conduct. Given global expansion, particularly in jurisdictions where regulated betting markets are either undersupplied or subject to restrictive regulation, prediction markets' combination of substantial turnover and the ability to profit from outcomes not occurring, or from participants losing, may increase their attractiveness to corruptors.

Exchange & Cryptocurrency risk

There are important lessons learned from the introduction of betting exchanges and customer-to-customer betting in the early 2000s which highlight other prediction market risks. In the UK during the 2000s, the arrival of betting exchanges created significant integrity challenges for the racing industry, with British racing initially unprepared for the emergence of markets that allowed customers to bet on horses to lose, resulting in several high-profile arrests, negative publicity and reputational challenges for the sport. Regulated betting exchanges provided a degree of transparency, because the identities and background information of account holders placing suspicious bets were known to the operator and information could be shared to support investigations.

The threat posed by prediction markets today may be greater. Prediction markets can involve anonymous or pseudonymous accounts, crypto funding, and customers located far from the sporting event concerned. This can make evidence-gathering and enforcement materially more complex, with suspicious betting, placed on a prediction market through anonymous or pseudonymous accounts, funded with crypto and located in another jurisdiction, much more difficult to investigate than similar betting placed through a regulated domestic betting exchange where customer identity is known and records can be readily shared.

[26] Kalshi hits $5 billion valuation amid international expansion (https://news.kalshi.com/)

Proposition bet risk

Different forms of betting and different market types present different levels of risk. The number of proposition bet markets has increased significantly since the expansion of regulated betting markets in the US. By offering markets on individual player performance or specific in-game incidents, these products can create opportunities to profit from deliberate underperformance by a single athlete, often through a single bet.

Proposition betting has featured prominently in several high-profile sports and racing investigations and has been disproportionately represented relative to its share of total turnover. Historically, many such suspicious incidents have involved bets placed with operators that carried the liability themselves and therefore had a direct commercial incentive to monitor those markets closely from a risk and exposure perspective.

Proposition bet risk can be heightened on prediction markets, where the operator's financial interest is tied to transaction volume rather than the outcome of any individual wager. In well-regulated jurisdictions, betting regulators commonly require licensed operators to report suspected breaches of sports rules to relevant sports governing bodies.

While there appears to be some monitoring of US sports, it remains unclear whether prediction market operators have the capability to monitor global sports markets for rules violations and the misuse of inside information at a level comparable to that of well-regulated betting operators, particularly given their global customer base. Examples could include an English second tier football player betting on the opposing team, or a jockey effectively laying their own horse (betting on their horse to lose). Where robust integrity frameworks are not in place, prediction markets may materially increase the risk to sporting integrity.

How prediction markets could hinder effective sports integrity investigation

As noted above, the global nature of prediction markets can create significant challenges for sports integrity investigations. Their cross-border reach, as well as the use of pseudonymous or anonymous accounts, and the use of cryptocurrency for funding can increase the complexity of investigating suspicious betting activity. In a well-regulated betting market, suspicious bets are more likely to be linked to identified customers, with operators holding customer records and supporting account information.

In contrast, where betting activity is conducted through pseudonymous crypto-funded accounts, investigations may require greater specialist expertise, additional time, and substantially more resources, for the reasons outlined in the table below:

Investigation factor	Anonymous / pseudonymous crypto betting	Well-regulated betting operator
Customer identity & KYC records	Unknown / sometimes not requested. Possibly identifiable through wallet address / related on-chain activity.	Verified identity information held by the operator
Banking information	Unavailable where deposits are made directly from crypto wallets.	Bank account details, payment card records held by the operator
Betting transaction history	Blockchain transactions may be visible but may require specialist expertise to interpret.	Complete betting history and records held by the operator
IP address logs and device data	Often limited / unavailable to investigators.	Detailed IP logs retained, showing where the accounts were accessed. Devices data also available, including device type and browser.
Links to other accounts	Limited although cluster analysis might reveal links.	Linked accounts identified through KYC data, IP logs, device information, cookies & payment methods.
Ability to freeze funds	Payments can be withheld before funds have been transferred to other wallets.	Account balances can be frozen and withdrawals suspended.
Suspicious betting reporting	Often very limited.	Suspicious activity reporting to gambling regulators and sports bodies required as condition of licence
Cooperation with investigators	Limited, especially whereas the operator is often based offshore or operates outside a clear licensing framework and is not compelled by a licence to do so.	Cooperation is required as condition of licence
Sports betting rules check	Unclear	customer screenings against restricted participant lists and check sports rules for betting breaches.

Any betting integrity monitoring undertaken by prediction market operators is likely to rely heavily on automated systems designed to identify unusual or suspicious trading patterns. To ensure the effectiveness of such automated systems, alerts must be subject to manual review by integrity specialists with detailed knowledge of the relevant sport, to assess whether further investigation is warranted. This may require substantial investment in the operator's integrity teams, including betting analysts with a comprehensive understanding of individual sports and their rules, and is particularly relevant where operators offer customer to customer betting on a wide range of markets across multiple jurisdictions.

The size and continued growth of sports markets on prediction market platforms may also create opportunities for experienced bettors to trade on inside information in ways that do not necessarily trigger automated alerts, such as sudden spikes in market volume or rapid price movements, while still allowing them to profit from the misuse of inside information. For example, a person with access to confidential team information, such as a club doctor or physiotherapist who knows that a key player is injured and unlikely to participate, may be able to trade before that information becomes public and before the market adjusts, or may disclose that information to others for betting purposes. In some cases, the systematic misuse of this type of inside information may only be identified through proactive monitoring, rather than by relying solely on alerts triggered by highly suspicious activity.

College sports

College sport presents a distinct integrity risk, as young athletes can be especially vulnerable to exploitation through inside information, match manipulation, or grooming by corrupt bettors. Kalshi's sports turnover on college events continues to grow, especially basketball, which is estimated to account for approximately almost a third of Kalshi's total sports turnover of just under US$300 million in backers' stakes during the first week of March 2026.[27]

The low financial rewards available to college athletes, together with their youth, increases their vulnerability to approaches seeking to manipulate sports events for betting purposes. Potential integrity risks may arise from proposition-style bets linked to specific incidents during an event, or from spread-related markets, in which a team with little prospect of winning may be approached to lose by a specified margin so that bets on the spread are successful.

This risk is not unique to prediction markets and applies to other operators offering proposition bets and similar market types. However, the scale of turnover and the exchange-style model may increase the integrity risk where these markets are offered on prediction market platforms.

Integrity risk examples in a US context

The practical reality of these threats was illustrated in November 2025, when the NCAA banned six men's college basketball players following betting investigations into allegations that they had manipulated games to ensure bets were successful. One player stated that he had deliberately underperformed, including intentionally missing scoring opportunities. He said that he had recently become a father, was not paid to play, and was attempting to obtain money to support his child[28].

[27] HoldCrunch, using sportsbook-equivalent handle methodology (holdcrunch.com)
[28] https://www.goodmorningamerica.com/video/127588107

The concerns raised, together with the NCAA's subsequent action, closely reflect the established pattern of sports' most vulnerable to corrupt approaches: low-paid participants combined with significant betting interest. Proposition bets and other market types that allow parties to profit from underperformance increase integrity risks by making manipulation more accessible and easier to monetise. Even where markets are monitored closely, they may still be attractive to athletes who are influenced by corrupt bettors, particularly where the conduct may be perceived as something less than "fixing the whole match".

It is also relevant that the minimum age for sports betting in the US varies by state, typically between 18 and 21, whereas the minimum age to trade on prediction markets is generally 18. This difference may create an additional incentive for college-age users in states with a minimum sportsbook age of 21 to access college sports markets through prediction market platforms.

Integrity threats to horse racing posed by prediction markets

Horse racing provides an important example of why exchange-style betting models can increase integrity risks. When regulated betting exchanges first emerged in the UK in the early 2000s, there were multiple incidents of highly suspicious lay betting on horses to lose. Such incidents led to police arrests and several high-profile investigations involving jockeys and trainers. The allegations commonly involved arrangements for horses not to win, or not to finish in a placed position, to ensure that lay bets placed on betting exchanges were profitable.

The suspicious betting activity, the race outcomes, and the resulting investigations generated significant national media attention and reputational damage for the sport. In many of these cases, lay betting was a central feature of the investigation.

A subsequent security review by the UK horse racing regulator led to the creation of a new integrity unit based on the UK police national intelligence model. The unit was led by former police personnel, supported by betting analysts, and given enhanced investigative powers. Successful investigations and prosecutions contributed to a reduction in the number of major cases, although the threat did not disappear and investigations into suspicious betting and race manipulation continued.

There are parallels between those developments and the growth of prediction markets today, although the current integrity challenge may be greater. Prediction market operators are positioning themselves as global betting platforms, offering a wide range of products across multiple jurisdictions. Concerns arise where such platforms offer extensive global sports markets without equivalent evidence of sufficiently resourced monitoring across those products, while also permitting pseudonymous accounts, crypto funding, and operating across sports and jurisdictions in which knowledge of applicable betting rules and restricted participants may be limited.

Experience from racing demonstrates that corruption risk does not disappear even after successful sports disciplinary cases. Rather, the threat can remain persistent and requires substantial ongoing investment in both automated systems and specialist human expertise to assess, investigate, and communicate suspicious betting incidents effectively.

Horse racing markets identified on Polymarket in 2025 are set out in the table below. It shows that while horse racing markets were not offered daily, prediction market activity extended across several major racing jurisdictions, including the US, the UK and Australia. It also demonstrates that, while volumes varied considerably by race, some events attracted meaningful levels of trading activity. Reported volumes are based on figures displayed on Polymarket market pages.

Country	Race	Reported Volume (US$)
USA	Kentucky Derby	1,239,196
USA	Preakness Stakes	17,587
USA	Belmont Stakes	48,589
USA	Sovereignty to Win Triple Crown	10,529
USA	Jockey Club Gold Cup	4,717
USA	Breeders' Cup Classic	202,941
UK	Queen Anne Stakes	21,423
UK	Prince of Wales' Stakes	10,952
UK	Ascot Gold Cup	9,276
UK	Queen Elizabeth II Stakes	17,754
Australia	Melbourne Cup	39,476
Australia	The Everest	8,975
Australia	Townsville Cup	41,499

The table indicates that horse racing markets on prediction platforms are already international in scope and capable of generating material liquidity around major races. This is significant from an integrity perspective because exchange-style markets allow participants to profit from failure or underperformance as well as success. In horse racing, that feature has historically created particular integrity challenges.

The experience of early regulated betting exchanges suggests that racing turnover can grow quickly, and if that pattern is repeated on prediction market platforms, the integrity risks may increase accordingly.

Conclusions

Horse racing and other sports

This report identifies prediction markets as a significant and emerging challenge for sports integrity. The core risk arises where markets enable profit from underperformance, losing, or specific player-controlled incidents. Cross-border access, pseudonymous accounts, and crypto funding can make suspicious betting materially harder to investigate than in well-regulated betting markets.

The exchange-style model can create an additional integrity risk because the operator does not assume liability on individual bets in the same way as a traditional sportsbook. As a result, these markets require a particularly high level of integrity scrutiny, including proactive monitoring of suspicious activity and specialist manual assessment of betting patterns.

In horse racing, the historical experience of betting exchanges shows that markets allowing profit from losing or underperformance can create real integrity risks unless accompanied by strong monitoring, specialist expertise, and effective information-sharing.

Prediction market operators offering sports products at scale are likely to require integrity safeguards comparable to those expected of well-regulated betting operators and betting exchanges.

Sports betting and regulation

Prediction markets represent a structural re-packaging of sports betting under a different regulatory system. The consumer experience, pricing dynamics, and integrity risks closely resemble existing wagering systems but what differs is the legal framing.

For policymakers and racing, as well as other sports authorities, the critical task is to prevent 'regulatory arbitrage' that undermines consumer protection, betting market integrity, and the financial sustainability of racing and other sports.

There is a clear danger that prediction markets and sportsbooks will converge, with prediction market platforms excluding the integrity controls that have been inbuilt into regulated betting on racing and other sports. This can result in regulatory arbitrage, with sportsbooks claiming to be prediction markets to avoid existing regulatory and financial commitments.

Prediction markets have been to date legally defined and licensed as derivatives offering "events contracts" on sports, politics, weather, etc, in the US under the regulatory authority of the CFTC. Outside the US, prediction markets have been labelled by many national gambling regulators as a form of betting or gambling that would require operators to hold a gambling licence, or they have not yet been subject to public definition by the authorities.

This difference in interpretation requires clarification in every jurisdiction so that it is clear to consumers if a prediction market is legally allowed to operate. This is occurring in the US, where there are multiple legal cases making their way through courts as state authorities challenge the federal status of regulated prediction markets.

Currently, the only legal/regulatory perimeter on prediction markets is in the US, which is not appropriate for consumer protection in all other countries. If prediction markets are allowed to operate, either as a derivatives offering or as a betting product, then they require transparency of resolution rules, features to reduce risk of gambling harm, and formal dispute mechanisms.

In addition, prediction markets should also have suspicious trading monitoring, consequent obligations to share such information with the appropriate regulatory authorities in every country where they operate, and formalised information-sharing mechanisms with sports and racing authorities. If prediction markets are publishing data from sports, then appropriate IP rights agreements should be in place, and for horse racing, similar contributions to the levy that exist in many jurisdictions to support the continuation of racing.

These mechanisms exist for betting on racing and other sports and should be replicated for prediction markets. The required regulatory provisions would effectively position prediction markets within the scope of gambling regulators if financial regulators do not have the same controls. Despite the ongoing legal arguments about whether prediction markets are derivatives or betting, gambling regulators have the strongest suite of established controls that can best protect consumers and also integrity in racing and other sports.

Despite the current limited scale and volume on racing, the trajectory of prediction markets suggests increasing expansion into the sport, with its frequent events and quantifiable outcomes making it structurally attractive to prediction market platforms.

However, racing differs from other sports in three crucial respects. Firstly, in most racing jurisdictions, racing funding is highly dependent on wagering. Secondly, racing integrity has a particular vulnerability to insider influence. Thirdly, to counter this integrity threat, racing has long-standing and formalised integrity management systems. Accordingly, prediction market expansion into racing without financially contributing to it as well as integrating into racing's established integrity systems may undermine the long term sustainability of the sport.

It is essential that national regulators immediately assess the nature of prediction markets in their jurisdiction, decide if the activity constitutes betting under local laws and regulations, and consequently clearly inform consumers as well as government policy makers of this outcome. Prediction markets are either legally authorised in each jurisdiction or they are not, and this must be made clear to consumers, governments, and to operators.

Disclaimer

This report reflects policy and integrity risk analysis based on publicly available information. It does not make findings regarding compliance, legality, or operational practices of any individual platform.