

Fumbling the Ball: Why the CFTC Should Sack Super Bowl Gambling Contracts

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Super Bowl betting is nothing new. Millions of Americans already wager on the game through sportsbooks like BetMGM, DraftKings, FanDuel, etc. But now, a troubling trend is bringing sports betting into federally regulated financial markets under the guise of derivatives trading. Kalshi has [self-certified](#) its Super Bowl event contracts, making them available for trading, while Crypto.com [recently withdrew](#) its initial event contracts, which [were stayed](#) by the Commodity Futures Trading Commission (CFTC), and [recertified](#) a new Super Bowl-related event contract.

Robinhood also attempted to expand access by offering Super Bowl event contracts through Kalshi's regulated exchange. Recognizing the risks of turning federally regulated markets into gambling platforms, the CFTC intervened, formally [requesting Robinhood to withdraw access](#) to these contracts. This was a critical move in preventing further entanglement between derivatives markets and sports betting. Yet, despite this regulatory pushback, firms like Kalshi and Crypto.com continue to test the limits, blurring the line between legitimate financial instruments and gambling.

Nevertheless, the CFTC is questioning Kalshi and Crypto.com on [how their sports-based contracts comply with financial regulations](#). Historically, the CFTC has treated sports betting as [off-limits for regulated exchanges](#), reinforcing that such contracts fail to meet the [economic purpose and public interest standards](#) required under the law. Still, these firms continue marketing sports betting as the ["next frontier"](#) of finance.

If the CFTC fails to take decisive actions, it risks opening the floodgates to speculation untethered from any legitimate economic purpose, effectively turning financial markets into federally regulated sportsbooks. This dangerous precedent could reshape financial regulation for years to come, paving the way for trading on everything from sports to entertainment awards without the consumer protections or oversight that apply to traditional gambling.

1. Event Contracts Violate the Commodity Exchange Act (CEA)

The CEA establishes specific rules to prevent the misuse of regulated financial markets. Section 5c(c)(5)(C) of the CEA, prohibits certain agreements, contracts, or transactions if they meet both of the following criteria:

1. The contract involves gaming or other prohibited activities, such as assassination, terrorism, war, or unlawful actions under federal or state law.

2. The contract is determined by the CFTC to be contrary to the public interest.

This two-part test requires the CFTC to determine whether a contract involves gaming and whether it is contrary to the public interest. If both criteria are met, the contract must be rejected.

Gaming Analysis

[Football is a game](#), and betting on its outcomes is [considered gaming](#). The term “gaming” is widely understood to include [sports betting](#), and these NFL-related contracts are structured exactly like traditional wagers. They allow participants to bet on whether a team will win a championship, mirroring conventional sports bets where individuals gamble on game results. Given this structure, these contracts qualify as “gaming” under the CEA.

Public Interest Test

The second requirement under the CEA is determining whether the contracts are “contrary to the public interest.” The purpose of the CEA, [as outlined in Section 3\(a\)](#), is to regulate markets that provide economic benefits such as managing price risks, discovering prices, or sharing price information through fair and secure trading systems. Congress emphasized that the CEA’s goals are to [maintain market integrity, resilience, and fairness](#).

Super Bowl betting contracts fail this test. They are not designed to manage price risks or serve as a pricing mechanism—instead, they are purely [speculative tools with no economic benefit](#) to broader markets. Approving these contracts would misuse CFTC-regulated markets, allowing them to be repurposed for gambling instead of their intended economic role. If the CFTC permits these contracts to continue, it would compromise public interest and weaken its mission to uphold the integrity of U.S. financial markets.

Proponents of these event contracts may argue that sports event contracts can serve a legitimate economic purpose by providing businesses with tools to hedge against financial risks associated with sporting events.

While hedging is fundamental to derivatives markets, its application to sports outcomes is tenuous at best. Unlike traditional commodities or financial instruments, the [outcome of a sports event does not have a direct economic value](#) that impacts the broader market. The primary motivation for engaging in such contracts is [speculative](#) rather than hedging against a quantifiable economic risk. By allowing these contracts to persist, the CFTC would legitimize gambling in financial markets, undermining market integrity and diverting the agency from its core regulatory mission.

2. A Backdoor Attempt to Allow Gambling in Financial Markets

Super Bowl event contracts are not legitimate financial tools. They are wagers. Financial derivatives exist to hedge against quantifiable economic risks, such as fluctuations in commodity prices or interest rates. Sports outcomes, however, do not create systemic financial risks that require hedging. Instead, these contracts merely allow speculation on game results, effectively turning federally regulated markets into gambling venues.

Permitting these contracts would set a dangerous precedent, encouraging the expansion of gambling-based instruments into regulated financial markets. This gradual erosion of financial market integrity could [transform exchanges into speculative casinos](#) rather than institutions for risk management and price discovery.

Beyond their speculative nature, sports event contracts introduce the potential for manipulation. Unlike traditional derivatives tied to measurable economic factors, these contracts depend on a game with [human decision-making and refereeing](#), both of which are [susceptible to controversy](#) and influence. The risk of insider information or match-fixing—[already a concern in traditional sports betting](#)—raises serious questions about fairness and transparency in markets where such contracts would trade.

Historically, when [speculative or gambling-like instruments](#) have been introduced in financial markets, the consequences have included reduced investor trust, market instability, and regulatory challenges. The 2008 financial crisis, for example, was [exacerbated by unregulated speculative instruments](#) that blurred the lines between legitimate hedging and outright gambling. The CFTC must draw a clear line to prevent this erosion of its core mission.

3. The CFTC Lacks the Expertise to Regulate Gambling

The CFTC [oversees derivatives and commodities markets](#), ensuring market integrity, transparency, and stability. Its regulatory framework is designed to manage financial instruments like futures and options, not gambling activities. [Gambling regulation](#), however, involves consumer protection, fraud prevention, and ethical oversight—responsibilities traditionally handled at the state level by agencies with the expertise to enforce these rules.

Because the CFTC's expertise lies in financial markets, it is neither equipped nor intended to evaluate the ethical or social implications of gambling. Expanding its role to include gambling regulation would strain the agency's already limited resources and create regulatory inefficiencies, diverting attention from its core mission of fostering transparent and stable derivatives markets.

Furthermore, Commissioner Caroline D. Pham, now Acting Chair, has [emphasized the importance of federalism](#) in gaming regulations, noting that the U.S. Constitution [reserves powers to the states unless explicitly delegated to the federal government](#). Gambling regulation [has long been a state-level responsibility](#), allowing states to tailor laws that best suit their local economies, cultures, and values. Some states have [embraced gaming as a revenue source](#), while others have chosen more [restrictive approaches](#).

If the CFTC steps into gambling regulation, [it risks encroaching on well-established state authority](#), creating unnecessary federal overreach into an area that is not only outside its expertise but also [beyond its rightful jurisdiction](#). Rather than expanding its role into gaming oversight, the CFTC should reaffirm its mandate to regulate markets that serve a legitimate economic [function](#).



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