
Sports Betting Scandals Show the Perils of Prediction Markets

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Introduction

What do scandals in professional sports have to do with the Commodity Futures Trading Commission (CFTC)? A lot, as it happens. That’s because companies like Kalshi and Polymarket want to circumvent state laws that govern gambling on sports and that prohibit betting on elections by saying such activities should be regulated by the CFTC. Kalshi and Polymarket believe the CFTC will leave these activities largely unregulated—perhaps because the CFTC has no expertise in either election monitoring or sports gambling. Legalized election betting or sports gambling on CFTC-registered exchanges will have severe consequences for the integrity of our elections, the health of the betting public, and the ability of the CFTC to execute its core mission.

Betting on Elections is Contrary to the Public Interest

Both Major League Baseball and the National Basketball Association have experienced sports betting scandals within the last month. On October 23, federal authorities [arrested](#) Terry Rozier, a guard for the Miami Heat, and accused him of removing himself from a game so gamblers could win hundreds of thousands of dollars betting that Rozier would not reach certain statistical benchmarks in that game. On November 9, federal authorities [charged](#) Cleveland Guardians pitchers Emmanuel Clase and Luis Ortiz with fraud, conspiracy, and bribery stemming from an alleged scheme to rig individual pitches so that bettors could win hundreds of thousands of dollars by betting on whether the pitches would be balls or strikes. In Clase’s case, he allegedly received [kickbacks](#) from the bettors “that amounted to a fraction of the \$12 million he has made in his career and the \$6.4 million he was set to make in 2026.” Ortiz, with a \$782,000 salary, allegedly made [\\$7,000 for rigging one pitch and \\$5,000 for rigging a second pitch](#).

These scandals [stem](#) from the legalization of sports betting in the last decade. As Max Boot, a Washington Post columnist, recently [noted](#) with respect to both the MLB and NBA scandals,

Unfortunately, such scandals have become commonplace since the Supreme Court in 2018 overturned a congressional ban on sports betting in most states. In 2018, Americans legally wagered less than \$5 billion on sports. Last year, with sports gambling legal in 39 states and the District of Columbia, that spending skyrocketed to nearly \$150 billion. . . . With that much gambling money sloshing around sports, scandals are sure to follow.

It may not have seemed like it at the time of the Supreme Court’s decision, but [now](#) it seems as though scandals involving players taking money to help bettors win was [inevitable](#).

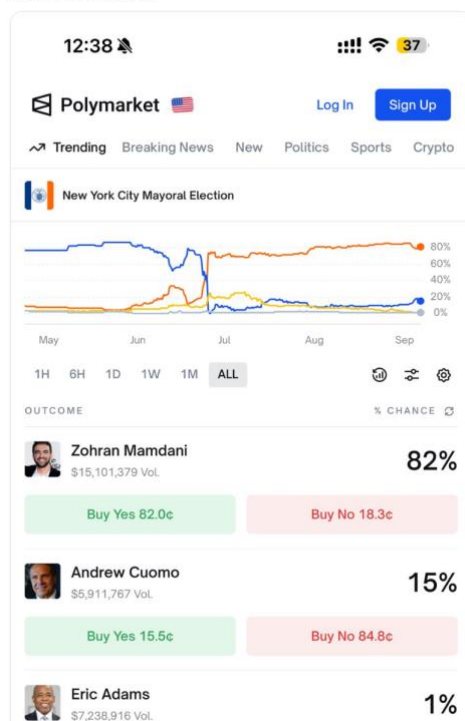
Since sports are mostly entertainment, the fact that these scandals threaten the integrity of sporting events may be of no great consequence to the general public, but they do foreshadow a much greater threat. That’s because firms like Kashi and Polymarket that operate “prediction markets” now offer the ability to bet on elections in the same way bettors can bet on sports.

Prediction markets are exchanges where people can [bet on event outcomes by purchasing event contracts](#). The bettor takes the position that either an event will or will not occur. If the bettor takes the right position, they win. The event contract is [priced](#) at a fraction of \$1, and a winning bet pays out \$1 for each contract. Prediction markets generally may or may not be valuable, but in the context of event contracts on elections they pose a number of [very serious dangers](#).

The most alarming aspect of political event contracts is [their threat to electoral integrity](#). Just as sports leagues fear the consequences of widespread betting on their games, the public should be concerned about the impact of widespread election betting on how we view and conduct elections. The financial gain involved in betting on elections could incentivize unethical behavior, such as the spread of disinformation or the exploitation of insider knowledge.

Perhaps most significantly, election betting could lead to scandals similar to those in pro sports. Two months before the recent election for New York’s mayoralty, Bill Ackman [posted on X](#) that Eric Adams should drop out of the race, which he thought would improve Andrew Cuomo’s chances. Ackman then noted that there was a financial incentive for Adams to do just that:

And to fund your future, you could place a large bet on Andrew Cuomo and then announce your withdrawal from the race. There is no insider trading on Polymarket.



Source: X, Sept. 6, 2025

Although some say candidates [will not change their behavior](#) based on the ability to profit by doing so, it seems more likely when you consider that the pitchers in MLB's betting scandal had lucrative contracts and yet endangered their careers and their freedom for a relative pittance. We must prevent our elections from becoming just as susceptible to betting-induced manipulation.

Unregulated Sports Betting Endangers the Public

Event contracts on sporting events may not be a threat to democracy, but they are a threat to the public. That's because there is an [epidemic of sports gambling addiction](#) in this country. And the problem will [only get worse](#) if event contracts on sporting events are allowed to trade on federally regulated exchanges. Unlike state-regulated gaming, which often includes age restrictions, addiction resources, and limits on exposure, event contracts on sporting events could be marketed nationwide with few restrictions. This could open the door to widespread speculation on sports without any of the safeguards that typically apply to gambling.

Sports gambling addiction is already especially prevalent [among young men](#). But at least most states say 21 [is the legal age for wagering](#). By saying that they are offering event contracts and not sports gambling, Kalshi is able to [allow younger people](#) to wager than can regulated sportsbooks.

The problem is that Kalshi's argument that it is not offering sports gambling defies reality. The New York Times recently did a story about Kalshi and prediction markets. It noted that, for all practical purposes, Kalshi offered the [same experience](#) as sportsbooks like FanDuel:

If you wanted to, for example, wager \$100 on a Dallas Cowboys victory this weekend, your experience on FanDuel and Kalshi would look remarkably similar:

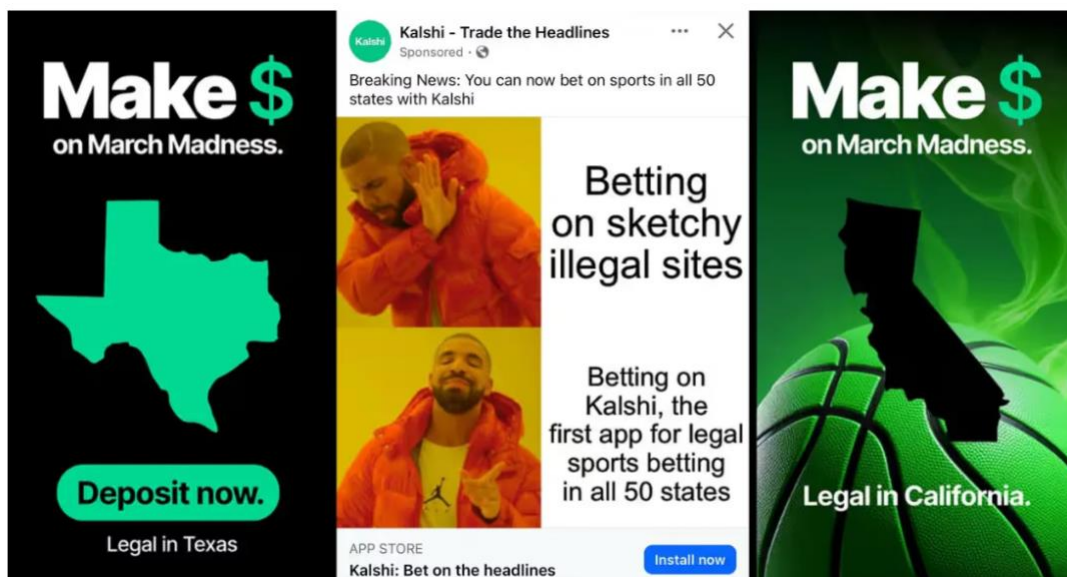
					
DAL Cowboys			Pro Football		
NY Jets			Spread		
SUN 1:01PM ET			Money		
Stats ▾ More wagers >			Total		
			DAL		
			NYJ		
			Oct 5 @ 1:00pm EDT		
			More markets		

Source: New York Times, October 5, 2025

Perhaps this is why bettors themselves [consider Kalshi betting](#). Kalshi should not be able to escape the regulations that apply to sportsbooks simply by calling their bets event contracts. That it can, and that it now partners with the National Hockey League, is [cause for concern](#), as described in a recent New York Times article about the partnership between the NHL and Kalshi:

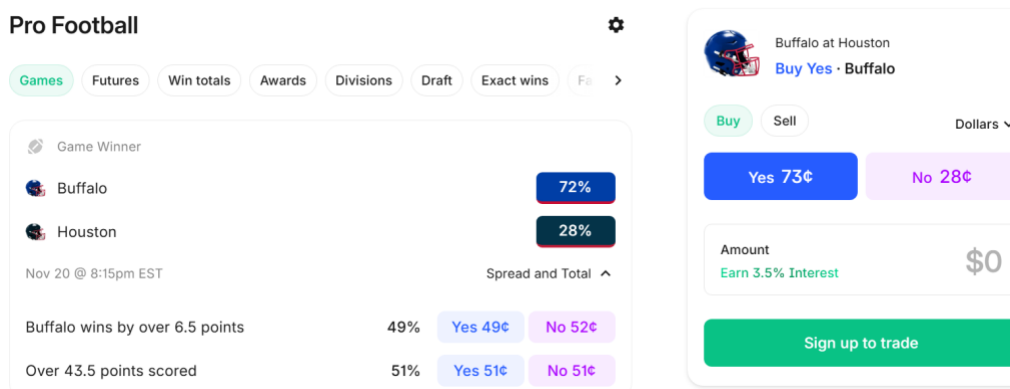
Government officials in the U.S. and Canada, along with gaming association officials and anti-match fixing experts, were alarmed. That a major North American sports league had partnered with what they view as effectively unlicensed and underregulated betting companies was fresh new territory they had hoped to avoid. “I think it’s a little big crazy,” said Chris Kronow Rasmussen, a director of financial crime prevention at Advisense and adjunct professor of sports betting integrity at the University of New Haven. “They don’t call it sports gambling but prediction markets. But basically it’s the same.”

The lack of regulations threaten the sporting events themselves, as regulated sportsbooks like FanDuel and DraftKings [monitor for suspicious activity and work with sports leagues to catch bad actors](#), but the real threat is to the general public. In addition to furthering sports gambling addiction, the public is unlikely to understand, given how Kalshi [markets](#) itself, that it is not subject to the same regulations as traditional sportsbooks. For example, Dustin Gouker [cataloged the times](#) Kalshi has said its platform is for gambling and found this social media post:



Source: Dustin Gouker, Ten Times Kalshi Said People Could Bet On Things, Substack, April 3, 2025

Anyone seeing this post would think Kalshi is a sportsbook like any other, and with good reason. Kalshi now may be altering the language it uses to avoid terms like betting and gambling, but the fact remains that is what it offers. What people can do on its platform remains the same. This is what Kalshi [offers](#) with respect to tonight’s NFL game between Buffalo and Houston:



Source: Kalshi, November 19, 2025

If Kalshi offers the public the opportunity to win money by wagering on the winner of the game, whether the Bills will cover the spread, and whether the teams will reach the “over” in terms of total points scored, then it should be subject to the same regulations that protect the public and that apply to sportsbooks that offer the public the opportunity to do the exact same thing. Kalshi should not be able to [make a mockery](#) of the state gambling laws that protect the public.

The CFTC Has No Expertise in Election Betting or Sports Gambling

In any event, the CFTC has no business regulating event contracts on either elections or sporting events. The CFTC is not the Federal Election Commission, and the states regulate gambling on sports. Indeed, the CFTC’s own rules prohibit event contracts on assassination, war, gaming, or other actions deemed illegal under federal or state law. Many state laws prohibit betting on elections. And sports gambling obviously implicates gaming. The CFTC is supposed to regulate derivatives contracts that have real economic value, such as to hedge against price fluctuations in commodities or financial assets; election betting and sports gambling have [no such function](#).

Before the change in administration, the CFTC followed its own rules and took the position that election event contracts were not permissible. In doing so, Rostin Benham, CFTC Chair at the time, [explained the reasons](#) why regulating election betting was outside the CFTC’s mandate:

For almost two decades, registered and prospective registered entities alike have attempted to develop and list products that would elude the definition of gaming and essentially reduce key facets of the democratic process to a source of revenue for some, fascination and entertainment for others, and, critically, an unmandated duty for the CFTC. The approval of political event contracts of the type presented in the Order would require the CFTC to exercise its oversight and enforcement authorities in the manner of an election cop. Our new authorities would per se include monitoring elections, candidates, and countless participants in the political machinations that proliferate in the media and cyberspace in an effort to prevent manipulation and false reporting within the political system—something that the CFTC currently lacks the mandate to do.

These reasons for prohibiting election event contracts on CFTC-regulated exchanges remain just as valid today. Indeed, the recent betting scandals in professional sports show just how right the CFTC was to be worried about manipulation once betting enables parties to profit from such schemes. The concerns will remain valid unless and until Congress alters the CFTC's mandate.

The case for prohibiting event contracts on sporting events on CFTC-regulated exchanges is even clearer. In addition to the CFTC's rules prohibiting event contracts on gaming, Congress discussed the possibility of event contracts on sporting events when it gave the CFTC authority over event contracts generally. In discussing the CFTC's authority to prohibit event contracts that were contrary to the public interest, Senator Lincoln said that the intent of the provision was to "prevent gambling through futures markets." Senator Feinstein asked if the CFTC would "have the power to determine that a contract is a gaming contract if the predominant use of the contract is speculative as opposed to a hedging or economic use?" Senator Lincoln [said](#):

That is our intent. The Commission needs the power to, and should, prevent derivatives contracts that are contrary to the public interest because they exist predominantly to enable gaming through supposed "event contracts." It would be quite easy to construct an "event contract" around sporting events such as the Super Bowl, the Kentucky Derby, and Masters Golf Tournament. These types of contracts would not serve any real commercial purpose. Rather, they would be used solely for gambling.

As discussed above, this is exactly how event contracts on sporting events are being used. Such contracts are outside the CFTC's remit. The states regulate sports gambling, and the protection of the public demands they be allowed to do so regardless of the name or form of that gambling.

Conclusion

The evidence is compelling that legalizing sports betting was a [mistake](#). Studies show that betting on sports [causes](#) households to save less, personal bankruptcies to go up, and domestic violence to increase. Recent betting scandals in pro sports also show that the sheer money involved in legalized sports betting threatens [the integrity of sporting events](#).

We must heed the lessons of legalized sports betting. The consequences of widespread election betting could have far more serious ramifications for our democracy and our society as a whole. As for betting on sports, now that it is legal, it must be subject to more regulations, not less.

All this means that the CFTC should not allow event contracts on either political contests or sporting events. The CFTC's [role](#) is to regulate the complex financial instruments that trade in the U.S. derivatives market. In light of its chronic [underfunding](#), it already struggles to fulfill that mission. Expanding the CFTC's role to include oversight of election betting and sports gambling would stretch its limited resources even further and [divert focus from its core mission](#). This is unnecessary, since election betting and sports gambling have nothing to do with the CFTC. The proponents of prediction markets should not be able to escape regulation by saying that they do.



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