

United States Senate

WASHINGTON, DC 20510

May 18, 2026

The Honorable Michael Selig, Chairman
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st St. NW
Washington, DC 20581

Dear Chairman Selig:

We write to urge the Commodity Futures Trading Commission (CFTC) to prohibit prediction markets from allowing margin trading in connection with event contracts, particularly for retail lending.

On March 23, the National Futures Association granted approval for an affiliate of Kalshi called Kinetic Markets LLC to offer its customers margin trading as a futures commission merchant (FCM). Kalshi still needs approval from the CFTC before offering this product. The CFTC should not permit Kalshi, or any FCM or designated contract market (DCM), to offer margin trading on event contracts. Margin trading allows trading without full collateral. In other words, it allows a bettor or investor to essentially borrow from the house and lose or gain more money than they bet or invest. If the CFTC permits prediction markets like Kalshi to allow margin trading, it would expose investors and the economy to significant risk and undermine the longstanding restrictions placed on betting by state gaming commissions.

Sports betting makes up a large portion of prediction markets. A staggering 90 percent of event contracts listed on Kalshi's platform involve sports betting. For Polymarket, sports betting makes up 40 percent of event contracts.

All platforms that permit consumers to bet on sporting events should be subject to the same regulatory requirements. A sports betting venue should not be able to escape the requirements imposed on it by a state gaming commission simply by operating a prediction market registered with the CFTC as a DCM. An event contract listed on a prediction market that pays out when a particular sports team wins a game is economically equivalent to a bet on the same team that is placed at a casino or other gaming facility. State gaming commissions have spent decades developing regulations covering consumer protection and economic risk. Prediction markets

pose the same risks to consumers and the economy as traditional gambling and should be subject to the same requirements.

This is particularly true with respect to limitations on the provision of credit to consumers. Thirty-five states limit the credit that gaming facilities may provide. In some states, such as Colorado and Tennessee, gaming facilities are prohibited from providing any credit to consumers to finance sports betting. Other states, like Rhode Island, permit a gaming facility to provide a consumer with a line of credit to finance sports betting only if the consumer meets certain criteria, including thresholds for annual income, debt-to-income ratio, prior credit history, and average monthly bank balance. There is nothing about the structural difference between event contracts traded on Kalshi versus traditional betting to justify permitting leverage for one but not the other.

States limit the provision of credit by gaming facilities to prevent consumers from taking on debt that they cannot pay back. These rules ensure that bettors' losses are capped at the amounts that they use to fund their accounts. Betting on a credit card can cause customers to get trapped in a cycle of debt. Interest can quickly accrue and balances can compound, resulting in customers losing even more money than they bet. So, too, can betting with margin obtained from a FCM or DCM. Even small price movements can lead to margin calls and ultimately cause positions to become liquidated. Just like with a credit card, margin can put the trader on the hook for more money than they put down.

Significant levels of consumer debt, particularly in connection with sports betting, are not only dangerous for consumers, they are also detrimental to the broader economy. Online sports betting leads to higher credit card balances, more frequent account overdrafts, and fewer investments, particularly among already financially vulnerable households.¹ This problem will only grow if the CFTC permits prediction markets to offer margin loans to consumers in connection with sports betting on their platforms. Ultimately, the country will bear the burden when consumers default on their debt and become less economically productive due to a poor credit history and lack of savings.

Moreover, prediction markets currently offer margin at levels that are far riskier than permitted for traditional retail financial products. Polymarket recently announced its intention to offer perpetual futures contracts, which will provide investors with up to 10x leverage. This is significantly more than the 2x leverage that is typically permitted for leveraged ETFs to retail investors in the securities markets. The SEC recently denied applications for high-leverage ETFs offering 3x and 5x leverage, less than half of the leverage that Polymarket plans to offer consumers. The highly leveraged products on prediction markets are dangerous for consumers. If prediction markets are permitted to offer margin trading to retail bettors and investors, it would expose consumers to financial risks that market regulators have long determined to be unsuitable for retail products.

The CFTC should prohibit prediction market platforms from providing margin loans to their users because it would undermine the credit limitations imposed by states, resulting in harm to


¹ Scott Baker et. al, National Bureau of Economic Research, *GAMBLING AWAY STABILITY: SPORTS BETTING'S IMPACT ON VULNERABLE HOUSEHOLDS* (Nov. 2024), <https://www.nber.org/papers/w33108>.

consumers and the economy. Even if the CFTC limits margin trading, any amount of permissible margin trading would supersede decisions made by states with more restrictive limitations. The CFTC should leave it to state governments to continue to determine the appropriate amount of credit, if any, that consumers may receive when engaging in sports betting and other gaming activities on prediction markets or in casinos.

Sincerely,



John Hickenlooper
United States Senator



Jack Reed
United States Senator