

TESTIMONY OF
THE HONORABLE PATRICK McHENRY

Former Chairman, House Financial Services Committee
On Behalf of the Coalition for Prediction Markets

Before the U.S. Senate Committee on Commerce, Science, and Transportation's Subcommittee on
Consumer Protection, Technology, and Data Privacy

May 20, 2026

Chairman Blackburn, Ranking Member Hickenlooper, and distinguished Members of the Subcommittee: thank you for the opportunity to testify today. It is a pleasure to be back among former colleagues.

I appear before you on behalf of the Coalition for Prediction Markets, which includes U.S.-regulated companies like Kalshi, crypto.com, Robinhood, Coinbase and Underdog. My experience as the Former Chairman of the House Financial Services Committee is grounded in financial markets regulation, market structure, and market integrity – not in sports betting or traditional sportsbooks – and that is the lens through which I will speak today.

Throughout my time in Congress, I focused on policies that expanded participation in financial markets for everyday Americans, democratized access to financial tools historically reserved for institutions, modernized our laws to foster innovation and facilitate capital formation, and strengthened confidence in market integrity. My work with the Coalition for Prediction Markets is a continuation of those same principles. The question before us is not whether innovation should exist, but whether emerging market-based products will operate inside a transparent, federally regulated framework with robust consumer protections and oversight.

Casinos/traditional online sportsbooks and prediction markets are fundamentally different products, governed by different legal frameworks and subject to different regulatory structures. Conflating the two does little to advance our shared goal of protecting consumers.

In a casino or sportsbook, the house sets the odds and profits when customers lose. In a prediction market exchange, participants trade with one another, while the platform earns transaction fees for facilitating the market. As a result, the incentives are fundamentally different: prediction markets benefit from greater participation, liquidity, and more accurate information, not from consumers losing money. Participants trade directly with one another and can enter or exit positions at any time, reflecting the peer-to-peer, market-based nature of these products.

That distinction was recently reinforced by the Third Circuit Court of Appeals, which held that sports event contracts are governed by the Commodity Exchange Act and Dodd-Frank.

It is also important to recognize that sports event contracts are only one part of a much broader market, as categories like entertainment and politics grow quickly in share. These products are part of a broader trend toward democratizing access to financial and informational tools that were once limited to institutions and large market participants.

Coalition companies share the leagues' interest in protecting sports integrity and want to work collaboratively to address concerns and, where appropriate, share information and data that help protect the ecosystem. Customers must trust that suspicious activity will be identified and addressed appropriately.

Unlike many sportsbooks and unregulated operators, coalition members do not offer micro-bets that are particularly vulnerable to manipulation, such as wagers on the next pitch or next play. Notably, the sports integrity scandals that have made headlines in recent years – involving NBA and MLB players, insider information, and compromised game outcomes – occurred on traditional online sportsbooks, not on prediction market exchanges.

Coalition members are federally regulated and overseen by the CFTC, and operate under extensive compliance obligations, including real-time surveillance, trade reporting requirements, Bank Secrecy Act compliance, know-your-customer and anti-money laundering controls, and comprehensive rulebooks reviewed by federal regulators.

Just as securities and derivatives exchanges maintain surveillance systems designed to detect insider trading, market manipulation, and coordinated misconduct, federally regulated prediction markets are subject to extensive monitoring, reporting, and compliance obligations enforced by the CFTC. Regulated prediction market companies prohibit trading not only by individuals with material nonpublic information, but also by anyone capable of influencing the outcome of a contract – including players, coaches, referees, league employees, and even Members of Congress on political contracts – protections that go well beyond what federal securities laws require and beyond the standards applied to traditional sportsbooks.

Importantly, customers on our platforms are also subject to uniform federal protections that apply nationwide, exceeding the consumer protections of casinos and sportsbooks, which are governed by a patchwork of state laws.

While not the focus of this hearing, coalition members also share concerns about contracts tied to war, assassination, and acts of violence proliferating on unregulated platforms, and raise serious questions of public interest. These kinds of contracts are already prohibited under U.S. law, and our members do not offer them.

I want to conclude by reiterating that consumer protection and sports integrity matter deeply. We look forward to continuing to work with this Committee on bipartisan efforts to reinforce market integrity and protect consumers, safeguard sports integrity, and preserve American innovation. Thank you.