

Securities Regulation Daily Wrap Up, CFTC NEWS AND SPEECHES—D.

Minn.: CFTC sues Minnesota over state law banning certain prediction markets, (May 20, 2026)

By Suzanne Cosgrove

The CFTC seeks a preliminary injunction to stop the law from going into effect on August 1, as scheduled.

The CFTC filed a lawsuit against Minnesota seeking to block a new state law, signed by Minnesota Gov. Tim Walz on Monday, May 18, that would make operating or assisting in the operation of a prediction market in the state a criminal felony ([CFTC v. State of Minnesota](#), No. 0:26-cv-02661 (D. Minn. May 19, 2026)).



The prediction market legislation was part of a larger Minnesota public safety bill ([SF 4760](#)) signed into law by Gov. Tim Walz on Monday.

Specifically, the bill makes it a felony to, among other things, (1) “create a prediction market,” (2) “operate, manage, or control a platform or system intending that consumers will use the platform or system to make wagers in a prediction market,” (3) “intentionally facilitate the operation of a prediction market” by various means, and (4) “advertise or market financial or technological products that promote prohibited transactions.”

“This Minnesota law turns lawful operators and participants in prediction markets into felons overnight,” commented CFTC Chairman Michael Selig [in a release](#).

A fight over preemption. The Commission argues that federal law gives the CFTC exclusive jurisdiction over the regulation of commodity futures, options, and swaps traded on federally regulated exchanges, and that Minnesota’s ban criminalizes the operation of derivatives markets governed by federal law.

A comprehensive federal regulatory scheme “expressly and impliedly preempts the challenged provisions of SF 4760,” the court filing states.

While “event contract” is not defined in the Commodity Exchange Act or CFTC regulations, the CFTC has used this term since 2008 to describe derivative contracts, generally with a binary payoff structure, based on the outcome of an underlying occurrence or event.

The event contracts targeted by the bill are “swaps” under the CEA, and the “prediction markets” that offer these event contracts are CFTC-regulated Designated Contract Markets (DCMs), according to the CFTC complaint.

“Minnesota farmers have relied on critical hedging products on weather and crop-related events for decades to mitigate their risks,” Selig said. “Governor Walz chose to put special interests first and American farmers and innovators last.”

According to a report in the publication [Minnesota Reformer](#), Selig’s comments appeared to refer to a version of the bill that prohibits betting on weather events and catastrophes. A [revised version](#) of Article 8 of SF 4760 removes the ban on weather bets and includes certain other changes, including definitions of terms.

State by state. Although Minnesota is the first state to outlaw prediction markets, it is not the first to incite a legal battle with the CFTC. As reported previously, the CFTC has sued [several states](#), including New York, Arizona, Connecticut, Illinois and Wisconsin, and filed an amicus brief in the Ninth Circuit Court of Appeals, over the regulation

of prediction markets.

A federal court in Arizona on May 5 issued a preliminary injunction blocking Arizona from using its gambling laws to criminally charge prediction market platform KalshiEX LLC over its allegedly illegal gambling (*KalshiEX LLC v. Johnson*, No. CV-26-01715-PHX-MTL (D. Ariz. May 5, 2026)).

The CFTC, DOJ, and the Kalshi exchange had requested injunctive relief to halt Arizona criminal proceedings against Kalshi, saying Arizona was “unconstitutionally intruding” on the CFTC’s exclusive regulatory jurisdiction.

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