

[Securities Regulation Daily Wrap Up, FEDERAL PREEMPTION—D. Utah: CFTC sues to block Utah's event-contract enforcement , \(Oct. 28, 2026\)](#)

Securities Regulation Daily Wrap Up

By Suzanne Cosgrove

The agency's filing follows Utah's October 20 state enforcement action against prediction markets run by Kalshi and Susquehanna.

The CFTC has sued the state of Utah and Utah Attorney General Derek Brown in a bid to block Utah's efforts to shut down CFTC-registered contract markets using state laws. The lawsuit follows Utah's decision to file civil enforcement actions in state court against CFTC-regulated markets, including the Kalshi exchange ([U.S. v. State of Utah](#), No. 2:26-cv-01055 (D. Utah filed Oct. 26, 2026)).

The October 26 CFTC complaint, filed in the U.S. District Court for the District of Utah, alleges that the targeted event contracts are swaps under the Commodity Exchange Act and that Utah's effort is preempted. It requests declaratory relief and preliminary and permanent injunctions.

Utah's effort to restrict the functioning of CFTC-registered exchanges obstructs Congress's decision to federally preempt state law, the Commission says. "Utah seeks to shut down prediction markets across a wide variety of markets," said CFTC Chairman Michael Selig, [in a prepared statement](#). "Event contracts do not just serve hedging and investment purposes—they also provide the public with information about the outcome of future events. "

Complaint details. According to the CFTC complaint, Utah filed its state enforcement action on October 20 against Kalshi, Inc., KalshiEX LLC, Kalshi Klear Inc., Kalshi Klear LLC, Kalshi Trading LLC, Susquehanna International Group LLP, and Susquehanna Government Products LLLP.

Utah alleged that Kalshi's event contracts are unlawful gambling and seeks to prohibit covered contracts in the state, recover allegedly unlawful profits, and compensate Utah and its citizens. The challenge includes election-related contracts and transactions in categories that include elections, politics, culture, sports and mentions.

Further, Utah alleged that Kalshi continued offering illegal betting despite an August federal court order rejecting Kalshi's argument that it is not bound by Utah law. In September, the Tenth Circuit denied an emergency injunction that would have allowed Kalshi to keep operating in Utah pending appeal.

The state charged that Kalshi plays the same role as a sportsbook by facilitating bets (accepting and holding funds from bettors and paying out winnings) and retaining a portion of each bet as payment for its services. From a user's perspective, the trades offered by Kalshi are indistinguishable from bets offered by a traditional sportsbook, Utah said.

Framework defined. The CFTC says the contracts fit the Commodity Exchange Act's (CEA) swap definition because payments depend on events or contingencies with potential financial, economic, or commercial consequences. The agency's complaint identifies KalshiEX LLC as a CFTC-designated contract market and Kalshi Klear LLC as a CFTC-registered derivatives clearing organization.

Under the framework described in the complaint, a designated contract market must provide the CFTC with contract rules, analysis of terms and conditions, and certification that a product complies with the CEA and CFTC regulations before listing it.

For express preemption, the plaintiffs said 7 U.S.C. § 2(a)(1)(A) gives the CFTC exclusive jurisdiction, subject to statutory qualifications, over futures, options, and swap transactions traded on designated U.S. contract markets. They argue that this bars Utah from regulating the contracts they characterize as swaps.

Requested relief. The complaint asks the court to declare Utah law preempted, unconstitutional, and invalid under the Supremacy Clause as applied to transactions listed, offered, or executed on CFTC-regulated designated contract markets. The requested injunctions would prohibit Utah, Brown, and their successors, agents, and employees from investigating CFTC-regulated entities and their affiliates and partners for state-law violations, or enforcing Utah law against them.

“Congress entrusted the CFTC to be the federal regulator with sole responsibility to oversee these markets,” Selig said. “The CFTC has the expertise and responsibility to defend its exclusive jurisdiction over commodity derivatives, and that’s exactly what we’ll do.”

The CFTC has now sued some 10 states over their efforts to regulate or to bar prediction markets, with Utah just the latest example.

The case is [No. 2:26-cv-01055](#).

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