United States Senate

WASHINGTON, DC 20510

July 17, 2026

Hon. Tim Scott
Chair
Committee on Banking, Housing, and Urban Affairs
United States Senate
Washington, D.C. 20510

Hon. Elizabeth Warren
Ranking Member
Committee on Banking, Housing, and Urban Affairs
United States Senate
Washington, D.C. 20510

Hon. John Boozman
Chair
Committee on Agriculture, Nutrition, and Forestry
United States Senate
Washington, D.C. 20510

Hon. Amy Klobuchar
Ranking Member
Committee on Agriculture, Nutrition, and Forestry
United States Senate
Washington, D.C. 20510

Dear Chair Scott, Ranking Member Warren, Chair Boozman, and Ranking Member Klobuchar:

We write with urgency regarding the continued lack of proper regulation over prediction markets and the resulting circumvention of state and tribal gaming regulatory frameworks. The *Digital Asset Market Clarity Act* (CLARITY Act) and *Digital Commodity Intermediaries Act* (DCIA), as currently drafted, will only serve to exacerbate these issues by further removing regulatory accountability for decentralized finance (DeFi) betting protocols that deploy unvetted prediction and wagering markets, directly infringing on instances of tribal gaming exclusivity and state police powers. As negotiating efforts between the U.S. Senate Committee on Banking, Housing, and Urban Affairs and U.S. Senate Committee on Agriculture, Nutrition, and Forestry continue, we submit that failing to address these concerns through forthcoming legislation would constitute a direct conflict with the basic tenets of tribal sovereignty, dereliction of U.S. trust and treaty obligations to tribes across the country, and a violation of states' police powers.

The rapid expansion of sports event contracts through prediction markets and online casino-style gaming poses an existential threat to tribal sovereignty by undermining the revenue that tribes rely on for government services. The legal and jurisdictional framework governing all gambling operations, including sports wagers, on tribal lands is established pursuant to the *Indian Gaming Regulatory Act* (IGRA). Upon its passage in 1988, IGRA's stated purpose was "to provide a statutory basis for the operation of gaming by Indian tribes as a means of promoting tribal economic development, self-sufficiency, and strong tribal governments."[1] The framework established by IGRA created a regulatory environment that helped make tribal gaming revenue one of the largest contributors to tribal government services such as healthcare, public safety,

[1] Indian Gaming Regulatory Act, Pub. L. No. 100-497, 102 Stat. 2467 (1988).

education, housing and social services.[2] For instance, since the 1990 census, the real income of Native people living on a reservation has grown by 63%, and the poverty rate for reservation families with children was down to 27% by 2018, compared to more than 47% in 1989.[3] Following IGRA's passage, the number of U.S. census tracts with an American Indian Tribal casino operation surged from near zero in 1989 to nearly 600 by 2019, leading to skyrocketing gaming revenues for tribes.[4] Eventually, tribes also entered the legalized sports betting market in 2018 following the Supreme Court's decision in *Murphy v. National Collegiate Athletic Association*.[5]

Currently, prediction markets are misusing federal commodity and derivatives rules to offer nationwide sports and event wagering, completely ignoring state and tribal gaming licenses and regulations. These platforms claim to derive their operational authority from the Commodity Futures Trading Commission (CFTC), which has asserted its exclusive jurisdiction to oversee and regulate all prediction markets and continues to erroneously classify these products as financial swaps or derivatives rather than gambling. Any further Congressional grant of exclusive CFTC jurisdiction over digital asset markets without ample guardrails for prediction market contracts will reinforce the CFTC's claimed exclusive authority over event contracts and permanently circumvent the hard-won regulatory and economic protections established under IGRA and states' police powers. Moreover, as currently drafted, the DCIA contains explicit exemptions from CFTC regulatory jurisdiction, and the CLARITY Act contains parallel exemptions from federal securities oversight for platform developers and non-custodial DeFi infrastructure providers that would effectively allow prediction markets to offer online casino-style gaming and sports betting across the United States, entirely bypassing the localized tribal-state regulatory systems required by IGRA.

Accordingly, we urge the adoption of two amended protections through any forthcoming legislation: 1) an IGRA and tribal-state compacts savings clause; and 2) prohibitions on CFTC-registered entities from listing prediction contracts that resemble sports bets or casino-style gaming products.[6] This should include an explicit statement that nothing shall preempt, repeal, or limit tribal authority under the IGRA, along with clear assurances that CFTC-regulated prediction or digital commodity markets cannot be used to circumvent existing tribal-state gaming compacts. It should also limit any carve-outs for digital asset platforms by prohibiting online sports wagering or event-based prediction markets in jurisdictions where tribes hold gaming rights. Any exemptions for DeFi must be limited solely to the spot market regulatory

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[2] Patrice H. Kunesh, "The Prediction Market Boom Is Posing an Existential Threat to American Indian Gaming," Brookings, January 20, 2026, https://www.brookings.edu/articles/the-prediction-market-boom-is-posing-an-existential-threat-to-american-indian-gaming/.

[3] Joseph P. Kalt, "Self-Government, Taxation, and Tribal Development: The Critical Role of American Indian Nation Business Enterprises" (Policy Brief, Harvard Kennedy School Project on Indigenous Governance & Development, October 7, 2024).

[4] Travis Shoemaker, "Tribally Owned Casinos May Improve Economic Conditions on Reservations and Lower Unemployment for Nearby People of All Races," U.S. Census Bureau, November 20, 2025, https://www.census.gov/library/stories/2025/11/tribal-casinos.html.

[5] *Murphy v. National Collegiate Athletic Association*, 138 S. Ct. 1461 (2018).

[6] *See* Addendum.

provisions added by this bill (e.g., new sections 4k(7), 4u, and 5i) and not extend to existing derivatives regulatory provisions. This will prevent derivatives, event contracts, sports bets or casino style games from evading regulation by migrating onto unregulated DeFi platforms. If Congress fails to address these concerns imminently, prediction markets will continue to violate tribal sovereignty and states' rights, while the CLARITY Act and DCIA provide for fully unregulated online gaming platforms, further eroding the federal framework intended to guarantee a primary pillar of tribal sovereignty.

Sincerely,

Martin Heinrich
United States Senator

Alex Padilla
United States Senator

Tina Smith
United States Senator

Maria Cantwell
United States Senator

Richard Blumenthal
United States Senator

Jacky Rosen
United States Senator

Mark Kelly
United States Senator

Patty Murray
United States Senator

Tammy Baldwin
United States Senator

Adam B. Schiff
United States Senator

Brian Schatz
United States Senator

Gary C. Peters
United States Senator

Addendum

SEC. ____. RULE OF CONSTRUCTION RELATING TO CERTAIN STATE AND TRIBAL LAWS

(A) Section 5c(c) of the Commodity Exchange Act (7 U.S.C. 7a–2(c)) is amended by adding at the end the following:
“(6) RULE OF CONSTRUCTION.—
“(A) Applicability of Federal, State and Tribal Gaming Law.
"(i) Notwithstanding any other provision of this section, no agreement, contract, transaction, or swap relating to the outcome of or team or individual performance or statistics within any sporting event or athletic competition or any casino-style game may be listed or made available for clearing or trading on or through a registered entity.
"(ii) Nothing in this Act shall be construed to preempt the Indian Gaming Regulatory Act, Unlawful Internet Gambling Enforcement Act of 2006, Wire Act or any State or tribal law, rule, regulation, ordinance or resolution that regulates or prohibits any agreement, contract, or transaction relating to any sporting event or athletic competition or any casino-style game.”.

(B) Nothing in this Act, or any amendment made by this Act, may be construed to preempt, repeal, limit, supersede, or otherwise affect the application of any Federal law, including the Indian Gaming Regulatory Act (25 U.S.C. 2701 et seq.), state law, or tribal law relating to gaming or gambling.