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**UNITED STATES DISTRICT COURT
DISTRICT OF NEVADA**

North American Derivatives Exchange, Inc.
d/b/a Crypto.com | Derivatives North
America,

Plaintiff,

v.

Kirk D. Hendrick, in his official capacity as
Chairman of the Nevada Gaming Control
Board; George Assad, in his official capacity
as a Member of the Nevada Gaming Control
Board; Chandeni K. Sendall, in her official
capacity as a Member of the Nevada Gaming
Control Board; the State of Nevada on
relation of the Nevada Gaming Control
Board; Aaron D. Ford, in his official capacity
as Attorney General of Nevada,

Defendants.

Case No.:

**COMPLAINT FOR PERMANENT
INJUNCTION AND DECLARATORY
RELIEF**

INTRODUCTION

1
2 1. North American Derivatives Exchange, Inc., d/b/a Crypto.com | Derivatives North
3 America (“CDNA”) seeks declaratory and injunctive relief to restrain efforts by the Nevada
4 Gaming Control Board (“NGCB”) to improperly block CDNA from offering the trading of
5 derivative contracts that reference sporting events on its federally regulated market.

6 2. Nevada has purported to assert jurisdiction over CDNA, a federally regulated
7 designated contract market (“DCM”), on the mistaken premise that contracts traded on the DCM
8 constitute “wagering on sporting events” subject to Nevada gaming laws.

9 3. But the NGCB has no authority to regulate, let alone prohibit, derivatives trading
10 offered by a federally regulated DCM operating pursuant to federal law.

11 4. Congress expressly conferred “exclusive jurisdiction” over DCMs and the products
12 they make available for trading to the U.S. Commodity Futures Trading Commission (“CFTC”) to
13 ensure a uniform national derivatives market. 7 U.S.C. § 2(a)(1)(A). Amendments to the
14 Commodity Exchange Act (“CEA”) have reinforced this decision, with Congress affirmatively
15 excluding state authorities like the NGCB from playing any role in overseeing contracts traded on
16 federally regulated derivatives exchanges. *See infra* ¶¶ 29-32.

17 5. Chief Judge Andrew P. Gordon of this Court has already recognized the preemptive
18 effect of the CEA on state gaming law as it relates to a similarly situated DCM. On April 9, 2025,
19 Chief Judge Gordon enjoined the NGCB from regulating a federally registered DCM—KalshiEX,
20 LLC (“Kalshi”)—that offers derivatives nearly identical to those at issue here. Chief Judge
21 Gordon recognized the preemptive effect of federal law over Nevada gaming law based on the
22 CEA’s “plain and unambiguous language” granting the CFTC exclusive jurisdiction over these
23 contracts. *KalshiEX, LLC v. Hendrick*, 2025 WL 1073495, at *5 (D. Nev. Apr. 9, 2025)
24 (hereinafter “*Kalshi v. Hendrick*”).

25 6. On April 28, 2025, Judge Edward S. Kiel of the U.S. District Court for the District
26 of New Jersey similarly enjoined state gaming authorities in New Jersey from taking enforcement
27 action against Kalshi and agreed with Chief Judge Gordon’s assessment of jurisdiction relative to
28

1 Kalshi’s federally regulated DCM, finding that “Kalshi’s sports-related event contracts fall within
 2 the CFTC’s exclusive jurisdiction” and field preemption therefore applies. *KalshiEX LLC v.*
 3 *Flaherty*, 2025 WL 1218313, at *6 (D.N.J. Apr. 28, 2025) (hereinafter “*Kalshi v. Flaherty*”). No
 4 court has reached a contrary conclusion.

5 7. Federal courts have consistently recognized that the CFTC’s regulation of the
 6 national derivatives market is exclusive and preempts state involvement.¹

7 8. CDNA has operated as a federally regulated DCM since 2004. All of its products
 8 are certified pursuant to the CEA and established CFTC rules and are offered in compliance with
 9 CFTC regulations, including standards for contract specifications, market integrity, and trader
 10 protections. As a CFTC-registered self-regulatory organization, CDNA also administers a
 11 comprehensive market regulation program, functioning in a regulatory capacity to oversee trading
 12 in its markets. This program is subject to CFTC oversight and has been reviewed and approved
 13 by the CFTC.

14 9. Among CDNA’s offerings are “event contracts” defined by the CEA and the CFTC
 15 as derivatives or swaps whose returns depend on the outcome of a specified event.² At issue here
 16
 17

18 ¹ See, e.g., *Thrifty Oil Co. v. Bank of Am. Nat’l Trust & Sav. Ass’n*, 322 F.3d 1039, 1055–57 (9th Cir. 2003)
 19 (finding the CEA preempted California’s Bucket Shop Law as applied to swaps exempted from coverage by the CEA);
 20 *Bibbo v. Dean Witter Reynolds, Inc.*, 151 F.3d 559, 560, 563–64 (6th Cir. 1998) (noting that “[f]utures trading is
 21 conducted on exchanges designated as contract markets by the [CFTC], an independent agency created by Congress
 22 in 1974 to exercise *exclusive jurisdiction* over accounts, agreements, and transactions involving commodities futures
 23 contracts traded or executed on a contract market” (emphasis added) and holding that the CEA conflict preempted a
 24 Nevada statute that required payment to investors of any interest earned on collateral because it stood “as an obstacle
 25 to the accomplishment and execution of the full purposes and objectives of Congress, as manifested in the language,
 structure and underlying goals of the CEA”); *Am. Agric. Movement, Inc. v. Bd. of Trade*, 977 F.2d 1147, 1155–56
 (7th Cir. 1992) (holding the CEA preempted state law whose application “would directly affect trading on or the
 operation of a futures market”); *Leist v. Simplot*, 638 F.2d 283, 322 (2d Cir. 1980) (holding CEA “preempts the
 application of state law” to futures trading); *Rasmussen v. Thomson & McKinnon Auchincloss Kohlmeyer, Inc.*, 608
 F.2d 175, 178 (5th Cir. 1979) (per curiam) (affirming dismissal of a claim that trading in futures contracts violated
 Georgia gambling statute “on the ground that the Commodity Exchange Act preempts all state laws inconsistent with
 its provisions”).

26 ² See Commodity Exchange Act, 7 U.S.C. § 1a(47); *Industry Oversight: Contracts & Products*, Commodity
 27 Futures Trading Commission, <https://www.cftc.gov/IndustryOversight/ContractsProducts/index.htm>. Examples of
 “event contracts” listed on the CFTC website include predicted corporate earnings, level of snowfall, and dollar
 value of damage caused by a hurricane.

1 are “Sports Event Contracts,” with return profiles dependent on the outcome of a live sporting
2 event.

3 10. In granting the CFTC exclusive jurisdiction over DCMs and the contracts traded on
4 them, Congress authorized the agency to review certain event contracts and prohibit them if it
5 determines that their trading would be contrary to “the public interest.” 7 U.S.C. § 7a-2(c)(5)(C).
6 The CFTC has adopted a 90-day review process for assessing whether an event contract should be
7 suspended as contrary to public interest. 17 C.F.R. § 40.11. None of the contracts listed on
8 CDNA’s market are currently under such review by the CFTC, and none of the Sports Event
9 Contracts offered for trading on CDNA have been prohibited.

10 11. Despite CDNA having complied with federal requirements for listing its Sports
11 Event Contracts, and despite Chief Judge Gordon having enjoined the NGCB from enforcing state
12 law against a similar DCM trading substantially similar contracts in April, the NGCB asserts that
13 CDNA offering certain contracts in Nevada constitutes a “violation of Nevada law.” *See* May 20,
14 2025 NGCB Cease-and-Desist Letter, attached hereto as Ex. A, at 2. The NGCB has ordered
15 CDNA to cease offering them under threat of “criminal and civil penalties.” *Id.* The NGCB has
16 declined CDNA’s attempts to discuss the matter. NGCB Correspondence, attached hereto as Ex.
17 B, at 1.

18 12. Congress has fully occupied the field of regulating federally registered derivatives
19 markets, thereby preempting any conflicting state laws. Because CDNA’s Sports Event Contracts
20 are lawfully traded on a CFTC-registered DCM, federal law overrides state licensing or
21 registration conditions that might otherwise apply, including those cited by the NGCB. To the
22 extent Nevada law conflicts with the CEA’s framework, it is preempted under the Supremacy
23 Clause of the U.S. Constitution.

24 13. The NGCB’s threatened enforcement action poses a direct and imminent threat to
25 CDNA’s business and its users. Halting CDNA’s Sports Event Contracts would cause immediate
26 and irreparable harm to CDNA and disrupt the comprehensive federal framework that places
27 CDNA exclusively under the CFTC’s supervision.

1 14. A declaratory judgment and injunction are necessary to prevent further unlawful
2 intrusion by the NGCB into a market it has no legal authority to regulate.

3 **JURISDICTION AND VENUE**

4 15. This Court has jurisdiction over this action pursuant to 28 U.S.C. § 1331 because
5 the claims in this case arise under the Constitution and the laws of the United States—specifically,
6 whether Nevada gaming laws are preempted by the Commodity Exchange Act, 7 U.S.C. §§ 1 *et*
7 *seq.*, as applied to CDNA’s Sports Event Contracts. The Court also has jurisdiction pursuant to
8 the Declaratory Judgment Act, 28 U.S.C. § 2201, to declare the rights and legal relations of the
9 parties.

10 16. Venue is proper in this District under 28 U.S.C. § 1391(b)(1) and 1391(b)(2). The
11 individual defendants perform their duties and thus reside in this District. The Nevada Gaming
12 Control Board is an entity subject to this Court’s personal jurisdiction and thus resides in this
13 district. A substantial part of the events giving rise to the claim occurred in this District.

14 **PARTIES**

15 17. Plaintiff North American Derivatives Exchange, Inc., doing business as
16 Crypto.com | Derivatives North America, is a financial services company with its principal place
17 of business in Chicago, Illinois. CDNA operates a DCM and Derivatives Clearing Organization
18 (“DCO”) regulated by the CFTC under the Commodity Exchange Act, 7 U.S.C. §§ 1 *et seq.*, where
19 users can trade financial products, including Sports Event Contracts.

20 18. Defendant Kirk D. Hendrick is sued in his official capacity as the Chairman of the
21 Nevada Gaming Control Board.

22 19. Defendant George Assad is sued in his official capacity as a Member of the Nevada
23 Gaming Control Board.

24 20. Defendant Chandeni K. Sendall is sued in her official capacity as a Member of the
25 Nevada Gaming Control Board.

26 21. Defendant, In the Name of the State of Nevada, on relation of the Nevada Gaming
27 Control Board is sued as the independent state agency that (1) promulgates rules and regulations
28

1 for the licensing and operating of gaming in the state of Nevada, (2) establishes the rules and
 2 regulations for all tax reports that gaming licensees submit to the state, and (3) enforces state laws
 3 and regulations governing gaming through its six divisions, namely Administration, Audit,
 4 Enforcement, Investigations, Tax and License, and Technology.³ In certain circumstances, for
 5 violations of the Nevada gaming laws, the Nevada Gaming Control Board “may recommend to
 6 the Attorney General that the Attorney General file a complaint or information or present the
 7 matter to a grand jury . . . and thereafter proceed as appropriate to complete the prosecution.” *See*
 8 Nev. Rev. Stat. (“NRS”) § 463.3465.

9 22. Defendant Aaron D. Ford is sued in his official capacity as Attorney General of
 10 Nevada.

11 **FACTUAL ALLEGATIONS**

12 23. Defendants’ attempt to regulate the trading of Sports Event Contracts listed on
 13 CDNA’s federally regulated DCM is preempted by federal law and is unlawful. CDNA is entitled
 14 to a judicial declaration that its activities are not subject to Defendants’ oversight, regulation, or
 15 jurisdiction, as well as an injunction barring the Defendants from any future enforcement efforts.

16 **A. The Commodity Futures Trading Commission Has Exclusive Jurisdiction to** 17 **Regulate Derivatives Contracts on Federally Registered Markets.**

18 24. Derivatives are financial instruments used to allocate risk between counterparties.
 19 The archetypal example is a grain futures contract, which allows buyers to lock in prices and
 20 manage volatility in agricultural markets by agreeing to buy or sell a specified amount of the crop
 21 at a fixed price on a future date.

22 25. As financial markets have matured, the category of derivatives has expanded
 23 significantly beyond futures based on agricultural commodities, enabling participants to hedge
 24 against volatility across a wide array of tangible and intangible areas, including commodities like
 25 gold, financial benchmarks such as interest rates, and even weather or credit risk. In principle,

26 ³ *About Us*, Nevada Gaming Commission and the Nevada Gaming Board,
 27 <https://gaming.nv.gov/about/home/>.

1 nearly any form of risk—economic, environmental, or event-driven—can be hedged if a
2 CFTC-regulated market exists and a contract is available.

3 26. For more than a century, the federal government has exercised its authority to
4 regulate national derivatives markets in order to promote uniformity and integrity in national
5 trading.

6 27. Before the adoption of the CEA and its predecessor, the 1922 Grain Futures Act,
7 futures contracts were often viewed with suspicion by state legislatures. Because these markets
8 necessarily involve the exchange of money tied to uncertain outcomes, some states equated them
9 to gambling and sought to restrict or prohibit their use. This led to a disjointed and often
10 conflicting state-by-state approach.

11 28. The CEA, enacted in 1936, was intended to replace the fragmented system of state
12 oversight with a uniform federal framework for regulating futures markets. It extended federal
13 authority beyond grain to a broader class of commodities and created the Commodities Exchange
14 Authority, a division within the Department of Agriculture charged with monitoring trading
15 practices and prosecuting price manipulation. But the CEA did not initially establish an
16 independent federal agency to comprehensively regulate the nation’s derivatives markets. As
17 markets grew more complex, lawmakers and industry participants became concerned that the lack
18 of centralized enforcement would invite states to regulate futures trading on their own, leading to
19 inconsistent standards across jurisdictions.

20 29. In response, Congress enacted sweeping amendments to the CEA in 1974
21 (the “1974 Act”), which established the CFTC as an independent federal agency charged with
22 regulating the national derivatives markets. To eliminate the threat of conflicting state regulation,
23 Congress expressly granted the CFTC “exclusive jurisdiction” over derivatives trading on
24 federally regulated exchanges. 7 U.S.C. § 2(a)(1)(A).

25 30. Proponents of the 1974 Act warned that, absent a single national regulator,
26 “states . . . might step in to regulate the futures markets themselves,” subjecting national exchanges
27 to “conflicting regulatory demands.” *Am. Agric. Movement, Inc. v. Bd. of Trade*, 977 F.2d 1145,
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1 1155–56 (7th Cir. 1992). As one Senator put it, “different State laws would just lead to total
2 chaos.” *Commodity Futures Trading Commission Act: Hearings Before the Senate Committee on*
3 *Agriculture & Forestry*, 93rd Cong., 2d Sess. 685 (1974) (hereinafter “Senate Hearings”)
4 (statement of Sen. Clark). The House Agriculture Committee stressed the need to bring “all
5 exchanges and all persons in the industry under the same set of rules and regulations for the
6 protection of all concerned.” H.R. Rep. No. 93-975, at 79 (1974). To that end, the Senate
7 deliberately removed a provision of the CEA that would have preserved state regulatory authority
8 “in order to assure that [f]ederal preemption is complete.” *See* 120 Cong. Rec. 30,464 (Sept. 9,
9 1974) (statements of Sen. Curtis, supported by Sen. Talmadge).

10 31. Congress’s intent to vest the CFTC with exclusive authority over derivatives
11 markets is further demonstrated by subsequent amendments to the CEA, including the 1992
12 Futures Trading Practices Act (“FTPA”). That law authorized the CFTC, in order to promote
13 innovation, to exempt certain financial instruments from the requirement that they be traded on a
14 registered exchange. 7 U.S.C. § 6(c). Because the preemption provision in § 2 applies only to
15 derivatives traded on CFTC-registered markets, Congress included a separate provision in the
16 FTPA explicitly preempting “any State or local law that prohibits or regulates gaming” with
17 respect to any agreement, contract, or transaction exempted from the exchange-trading
18 requirement. 7 U.S.C. § 16(e)(2). This provision extended the scope of federal preemption to
19 off-exchange transactions under the CFTC’s oversight, reinforcing Congress’s intent to create a
20 comprehensive and uniform federal framework for derivatives regulation.

21 32. The creation of the CFTC and the centralization of derivatives market regulation
22 within a single independent federal agency reflect a clear exercise of Congress’s authority to
23 regulate interstate commerce and establish consistent national rules. As mandated by the CEA,
24 which was significantly amended by the Dodd-Frank Wall Street Reform and Consumer Protection
25 Act of 2010 (the “Dodd-Frank Act”), the CFTC has adopted regulations setting out “Core
26 Principles” that DCMs must follow. For example, one Core Principle requires DCMs to offer
27 impartial access to their markets and services to users across the country. *See* 17 C.F.R. §
28

1 38.151(b). Compliance with a patchwork of differing state regulations would undermine this
2 obligation and make it impossible for DCMs like CDNA to comply with the CFTC's impartial
3 access rule.

4 33. Congress's decision to create a national market for derivatives products reflected a
5 federal policy choice to permit their trading even if individual states might have preferred to
6 prohibit them. Since their inception, derivatives contracts have been the subject of ongoing debate
7 over whether they should be treated as a form of gambling, with some arguing that they should
8 only be permitted where a party to a contract has actual exposure to an underlying commercial risk
9 they are attempting to hedge.

10 34. But Congress and the CFTC have entirely rejected this approach. Instead, the
11 federal policy has been to recognize the legitimacy of speculative trading and its role in supporting
12 market liquidity. As one scholar observed, this reflects a federal commitment to "acknowledge
13 the legitimacy of futures contracts" and "the need for speculative capital to provide liquidity to the
14 markets." William L. Stein, *The Exchange-Trading Requirement of the Commodity Exchange Act*,
15 41 Vand. L. Rev. 473, 477 (1988).

16 35. Congress's longstanding policy of permitting broad market participation is integral
17 to the healthy functioning of these markets. Restricting financial derivatives to participants with
18 a direct risk in the outcome would diminish liquidity, impair price discovery, and undermine the
19 market's essential role in allocating and managing risk. *Id.* at 482–485 (describing the policy
20 rationale behind restricting futures trading to designated exchanges).

21 36. As the Seventh Circuit has recognized, "a contract market could not operate
22 efficiently, and perhaps not at all, if varying and potentially contradictory legal standards governed
23 its duties." *Am. Agric. Movement*, 977 F.2d at 1156.

B. Event Contracts Are Exchange-Traded Financial Instruments Used for Allocating Risk.

37. Event contracts are exchange-traded financial instruments, known as a derivative or swap, that facilitate risk allocation to specified outcomes of underlying future events. *See* 7 U.S.C. § 1(a)(47) (defining “swap”).

38. Event contracts typically involve two potential outcomes, represented by “yes” or “no” positions. A trader who takes an event contract with the “yes” position profits if the specified outcome occurs by the expiration date, while the “no” position purchaser profits if it does not. An active position may also be closed at a profit or loss prior to the occurrence or non-occurrence of the specified event.

39. An event contract might be tied to specified movements of a financial index or a real-world event. For example, an event contract could be tied to changes in the yield on the 10-year U.S. treasury note, the magnitude of the upcoming hurricane season, or to the outcome of political, scientific or live sporting events. But, outside of providing the CFTC authority to prohibit specifically enumerated event contracts that it subsequently determines are contrary to the public interest, the CFTC does not purport to define what events are or are not properly the subject of event contracts. Rather, the regulatory approach that Congress has directed and that the CFTC has pursued is to allow the market to define the nature of the events on which parties wish to contract.

40. The price of an event contract is determined by market forces, namely the supply and demand for entering into the “yes” and “no” positions of the contract. An event contract has a set expiration date, and the price of an event contract will fluctuate along with the market’s perception of the likelihood of an event’s occurrence until settling at a final price on the expiration date.

41. The operator of a DCM on which event contracts are traded facilitates their trading by matching counterparties to each other. Unlike casinos, a DCM that lists an event contract does not act as a “bookmaker.” It does not take opposing positions or set odds. Instead, it facilitates a

1 neutral, transparent marketplace where prices are established openly among participants based on
2 supply and demand.

3 42. Event contracts allow market participants, including those with a financial stake in
4 the outcome of a particular event, to hedge against related risks. These contracts have become a
5 valuable risk management tool because they are linked to real-world events with commercial
6 consequences and offer public utility by reflecting the market's aggregated expectations about
7 whether those events will occur. Event contracts where the underlying event is a sporting event
8 may be used to hedge this type of risk across a variety of commercial scenarios, including:

- 9
- 10 a. Media and broadcasting companies that face financial exposure tied to viewership,
11 which can fluctuate significantly depending on how competitive or compelling a
12 game is;
 - 13 b. Retailers that sell team merchandise or apparel who see major swings in sales
14 depending on whether a popular team advances or whether a player affiliated with
15 their brand wins a championship;
 - 16 c. Travel and hospitality businesses that experience spikes in bookings if a local team
17 advances or hosts a high-profile event, creating exposure to outcomes they cannot
18 control;
 - 19 d. Consumer goods companies, especially in the food and beverage industry, that run
20 promotions tied to game results. These campaigns, while effective for marketing,
21 can carry substantial liabilities if the promotional conditions are met. Advertisers
22 and retailers offering giveaways or rebates based on a team's success face similar
23 exposure and may seek to hedge that risk as well; and
 - 24 e. Fantasy sports platforms and sports data providers that rely on fan engagement and
25 player performance, where a dull game or early elimination of a key player can
26 significantly reduce user participation and revenue.
- 27
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43. These are just a few examples, but they underscore a broader point: Many businesses across diverse industries have meaningful financial exposure to the outcomes of sporting events and may seek to manage that risk through event contracts.

C. The CEA and CFTC Regulations Establish a Comprehensive Federal Regulatory Framework for Trading in Event Contracts and Other Derivatives.

44. The federal regulatory framework governing DCMs and the trading of derivatives contracts on them is longstanding, comprehensive, and well-established.

45. To offer derivatives for public trading, an entity must obtain designation from the CFTC as a contract market. 7 U.S.C. §§ 2(e), 7(a); 17 C.F.R. § 38.3(a).

46. To receive this designation, an applicant must submit detailed materials demonstrating compliance with the CEA's Core Principles. 17 C.F.R. § 38.3(a)(2). This requires it to show it can and will (1) comply with all CFTC requirements imposed by rule or regulation, (2) establish, monitor and enforce compliance with the rules, (3) list only contracts that are not readily susceptible to manipulation, (4) have the capacity and responsibility to prevent manipulation, price distortion, and disruptions through market surveillance, compliance, and enforcement, and (5) adopt position limitations for each contract to reduce the threat of market manipulation. 17 C.F.R. §§ 38.100, 38.150, 38.200, 38.250, 38.300. Prospective contract markets must also provide information demonstrating their capacity to maintain and evidence continued adherence to the CEA. 17 C.F.R. § 38.3(a)(2).

47. If approved by the CFTC and granted designation as a contract market, a DCM becomes subject to an extensive federal regulatory framework administered by the CFTC. DCMs are required to meet a wide range of ongoing regulatory obligations to remain in good standing, including: prescriptive capital and liquidity requirements, participant eligibility requirements, reporting obligations, recordkeeping requirements, and numerous operational and governance standards directed toward compliance with the CEA and its Core Principles. 17 C.F.R. §§ 38.604, 38.1051(i), 38.950, 1.31; 38.450, 38.451, pt. 16; 7 U.S.C. § 7(d); *see generally* 17 C.F.R. pt. 38.

48. Moreover, because of the breadth and depth of the regulatory framework applicable to a DCM, a market that has earned the CFTC's designation is granted the status of a self-regulatory organization under federal law. As such, DCMs are entrusted with front-line responsibilities for establishing rules and enforcing their compliance, detecting and preventing market abuses, and ensuring the integrity of their listed products and intermediaries. *See* 17 C.F.R. §§ 1.3; pt. 38.

49. As a registered DCM and self-regulatory organization, CDNA is permitted to list derivatives for trading without obtaining the CFTC's prior approval for each individual contract. However, it must adhere to product-related regulatory standards and certify that each new contract complies with applicable law by filing a written certification with the CFTC prior to the time of listing. 7 U.S.C. § 7a-2(c)(1); 17 C.F.R. § 40.2(a).

50. Written certifications are subject to CFTC regulation, and the CFTC may initiate a formal review of any submitted contract under its authority. *See* 7 U.S.C. § 7a-2(c)(2); 17 C.F.R. §§ 40.2, 40.11(c). After a stipulated period of time, if the CFTC does not take action, the contract is deemed "effective" and may be listed on the DCM for trading. *See* 7 U.S.C. § 7a-2(c); *see also* 17 C.F.R. § 40.2 (outlining the process for listing products for trading by certification).

51. The Sports Event Contracts at issue in this case have all been certified and deemed "effective." *See infra* ¶¶ 66-68.

D. The CFTC's Enforcement Authority over DCMs and Its Power to Prohibit Contracts Contrary to the Public Interest.

52. In addition to regulatory oversight authority, the CFTC possesses exclusive and comprehensive enforcement powers with respect to DCMs, their intermediaries, and market participants.

53. The CFTC's Division of Enforcement may initiate investigations and, with the approval of a majority of the Commission, bring enforcement actions in federal court or through administrative proceedings. *See* CFTC Division of Enforcement, Enforcement Manual (2020), at § 3.3. If the Division concludes that a violation of the CEA has occurred, it may recommend the

1 Commission pursue a broad range of remedies, including civil monetary penalties, restitution, and
2 disgorgement, as well as the suspension, denial, revocation, or restriction of registration and
3 trading privileges. *Id.* The Commission may also pursue injunctive relief, including cease-and-
4 desist orders, and can refer criminal violations to the Department of Justice for prosecution. *Id.*

5 54. The scope of the CFTC’s authority extends not only to market participants, but also
6 to the types of derivatives products traded on DCMs. The Commission regulates a broad range of
7 derivatives, including those based on physical commodities like wheat, cotton, rice, corn, and oats,
8 as well as “excluded commodities” that are not tangible such as interest rates, financial
9 instruments, economic indices, risk metrics, and events. 7 U.S.C. § 1a(9), (19)(i)–(iv).

10 55. The CFTC regulates event contracts, including the Sports Event Contracts at issue
11 here, as a subcategory of derivatives that reference an “excluded commodity.” *See id.* §
12 1a(47)(A)(ii), (iv), (vi). “Event contracts” are defined broadly under the CEA as relating to any
13 “occurrence, extent of an occurrence, or contingency” that is “beyond the control of the parties to
14 the relevant contract” and “associated with” economic consequences. 7 U.S.C. § 7a-2(c)(5)(C)(i);
15 § 1a(19)(iv).⁴

16 56. In 2010, the Dodd-Frank Act amendments to the CEA also specifically addressed
17 event contracts. The amended statute created a “Special Rule” for event contracts that granted the
18 CFTC discretionary authority to determine whether specific event contracts are “contrary to the
19 public interest” and prohibit them from trading on DCMs.

20 57. This discretionary authority applies where, in the CFTC’s determination, a contract
21 references an underlying activity that falls into one of several specifically enumerated categories
22 listed in the CEA that may warrant further review as to whether allowing them to trade would be
23 in the public interest. These categories include contracts that reference terrorism, assassination,
24 war, gaming, activity that is unlawful under federal or state law, or other similar activity, and is
25 contrary to the public interest. *See* 7 U.S.C. § 7a-2(c)(5)(C)(i).

26
27 ⁴ Events themselves are an excluded commodity under the CEA. *See* 7 U.S.C. § 7a-2(c)(5)(C)(i).

1 58. This Special Rule does not require the CFTC to disallow event contracts
2 referencing these underlying activities, but grants the agency the discretion to conduct a public
3 interest review based on its own criteria.

4 59. The CFTC's authority is focused not on the terms of the event contract itself, but
5 on the nature of the underlying event. While federal law generally authorizes the trading of event
6 contracts, the CFTC may prohibit contracts from being listed or traded on DCMs where the
7 referenced activity (*i.e.*, the "excluded commodity") "involves, or relates to" specifically
8 enumerated conduct that the CFTC determines to be contrary to the public interest. 17 C.F.R.
9 § 40.11.

10 60. This framework reflects a deliberate policy choice: Congress did not authorize or
11 delegate to states the power to override or nullify federal authorization of event contracts by
12 deeming them unlawful under state law. Rather, Congress granted the CFTC exclusive authority
13 to establish the criteria and process for assessing whether a referenced activity should be
14 disallowed from underlying an event contract trading on national derivatives markets as contrary
15 to the public interest.

16 61. Pursuant to this authority, the CFTC has promulgated regulations that establish
17 procedures by which the CFTC may determine whether trading in a specific contract should be
18 suspended. 17 C.F.R. § 40.11. This includes placing the contract in a 90-day review period, at
19 the conclusion of which the CFTC may determine a contract as contrary to the public interest and
20 order the DCM to suspend its trading. 17 C.F.R. § 40.11 (c).

21 62. The Sports Event Contracts at issue and currently being offered in this case have
22 not been subjected to a 90-day review, have not been determined to be contrary to the public
23 interest, and have not been ordered to be suspended from trading by the CFTC.

24 **E. CDNA Is a Federally Regulated DCM That Lists Sports Event Contracts.**

25 63. CDNA is a federally regulated DCM that provides a market for trading a variety of
26 derivatives products, including Sports Event Contracts that are based on the outcome of live
27 sporting events.
28

64. The CFTC first approved CDNA as a DCM in 2004, confirming that its market complied with the CEA. In 2010, the CFTC amended its registration, again confirming CDNA's compliance with the CEA. For two decades, the entity now known as CDNA has operated continuously as a CFTC-regulated market offering event contracts.

65. As an early entrant in the regulated event contract space, CDNA specializes in event contract trading and has steadily expanded its offerings over time. Its market provides a secure, federally approved exchange where individual, retail, and institutional participants can hedge risk tied to event-based outcomes.

66. On January 30, 2025, pursuant to 7 U.S.C. § 7a-2(c)(1) and 17 C.F.R. §§ 40.2(a), CDNA certified and announced its intention to list a new category of event contracts: "Industry Event - Live Presentations Contracts." *See* Jan. 30, 2025 CDNA Certification Ltr. For Industry Event – Live Presentations Contracts, attached hereto as Ex. C, at 1. These contracts allow users to trade on the outcome of lawful live events in the performing arts, spectator sports, and related industries, provided the users themselves are not participants in the events. *Id.* at 4-5.

67. CDNA designed these event contracts "to manage the risk of a variety of market participants, whose businesses face economic consequences based on the outcome of a respective Industry Event, and to enable price discovery for related commercial enterprises." *Id.* at 8. Examples include contracts tied to the winner of an award like "Best Picture," the location of a flagship event or ceremony, or the winner of a live sporting event like the Super Bowl.

68. CDNA's currently listed "Industry Event - Live Presentations Contracts," became effective under the process described in ¶¶ 49-51 on January 30, 2025. This includes the Sports Event Contracts at issue in this case, which are the subset of CDNA's "Industry Event - Live Presentations Contracts" that reference the outcome of live sporting events.

F. The Nevada Gaming Control Board Threatened CDNA with Legal Action for Offering Sports Event Contracts to Nevada Residents.

69. Despite having been enjoined by Chief Judge Gordon from enforcing state law against a similar exchange trading substantially similar contracts in April 9, 2025, the NGCB sent

1 a cease-and-desist order to CDNA on May 20, 2025, signed by Defendant Kirk D. Hendrick in his
2 capacity as Chairman of the NGCB. Ex. A, at 1. The NGCB's letter asserted that CDNA was
3 offering "event-based wagering contracts in Nevada on sporting events through its exchange." *Id.*
4 at 1. The NGCB claimed that offering "event-based wagering contracts is unlawful in Nevada,
5 unless and until approved as licensed gaming by the Nevada Gaming Commission." *Id.* The letter
6 described the NGCB's "strict regulation" requiring "that a person must be licensed to operate a
7 sports pool in Nevada," defining "sports pool" as a person in "the business of accepting wagers on
8 sporting events or other events by any system or method of wagering" under NRS § 463.0193. *Id.*

9 70. The NGCB's letter asserted that "by offering event-based wagering contracts in
10 Nevada, [CDNA] is operating as an unlicensed sports pool in violation of NRS 463.160(1)(a) and
11 NRS 463.245(2)" noting that a violation of the former is "a category B felony" under
12 NRS § 463.360(3). *Id.* at 2. The letter further asserted that CDNA's "event-based wagering
13 contracts concerning sporting events" also violate NRS § 463.350 (prohibiting gaming or
14 employment in gaming for persons under 21), NRS § 465.086 (prohibiting unlicensed receipt of
15 compensation for accepting bets or wagers on sporting and other events), and NRS § 465.092
16 (prohibiting unlicensed acceptance or allowance of acceptance of wagers by any means of
17 communication from a person within Nevada). *Id.* The letter directed CDNA to contact John S.
18 Michela, Senior Deputy Attorney General, with any questions about the letter. *Id.*

19 71. The NGCB purported to "order[]" CDNA "to immediately cease and desist from
20 offering in Nevada any event-based wagering contracts concerning sporting events." *Id.* The
21 NGCB ordered CDNA to provide "[w]ritten confirmation" of its compliance with that order by
22 "5:00 p.m. on Wednesday, June 4, 2025," and warned that failure to provide such confirmation
23 would be considered "willful intention to violate Nevada law." *Id.* In the letter, "NGCB, as well
24 as all state and local law enforcement and regulatory agencies in Nevada, expressly reserve[d] all
25 rights to pursue criminal and civil actions based on [CDNA's] past and future conduct within the
26 state." *Id.*

72. The NGCB's cease-and-desist letter failed to acknowledge CDNA's status as a federally regulated and CFTC-registered DCM and the fact that the activities it seeks to regulate fall squarely within the scope of federal oversight. It also failed to acknowledge that it had been enjoined by this Court from applying the same state laws against Kalshi.

73. The NGCB's cease-and-desist letter copied Defendants George Assad and Chandeni Sendall, as well as Kristi Torgerson, Chief of the NGCB Enforcement Division. The letter also copied Mr. Michela and several other members of Defendant Attorney General Aaron D. Ford's office: Craig A. Newby, First Assistant Attorney General; Darlene B. Caruso, Chief Deputy Attorney General, Gaming; Jessica E. Whelan, Chief Deputy Attorney General, Complex Litigation; and Alissa C. Engler, Chief Deputy Attorney General.

74. In response to the letter, counsel for CDNA contacted Mr. Michela by email, per the letter's instructions, requesting a time to discuss the cease-and-desist letter and asking "how the Board intend[ed] to proceed in light of the federal injunction issued in the case involving Kalshi." Ex. B, at 2. In response, Mr. Michela indicated that he discussed the matter with his "client, the Nevada Gaming Control Board" and that any response from CDNA to the cease-and-desist letter "should be submitted to the Board Chairman Kirk Hendrick in writing," foreclosing any other method of discussion. *Id.*, at 1. With respect to the preliminary injunction issued in *Kalshi v. Hendrick*, Mr. Michela noted only that Chief Judge Gordon "clarified that the preliminary injunction only applies to action against Kalshi." *Id.*, at 1.

75. In light of Mr. Michela and the NGCB's refusal to engage in any substantive discussion prior to the date by which Defendants have ordered that CDNA provide "[w]ritten confirmation of [CDNA's] cessation" of activities it considers prohibited, Ex. A, at 2, CDNA had no choice but to promptly seek judicial intervention.

G. The NGCB and New Jersey's Gaming Authority Are Enjoined from Enforcing State Gaming Laws Against DCMs Listing Event Contracts.

76. Chief Judge Andrew P. Gordon of this Court and Judge Edward S. Kiel of the U.S. District Court for the District of New Jersey have already rejected states' arguments on this issue.

1 In April, both of those courts considered challenges to threatened state enforcement action against
 2 a different federally regulated DCM—Kalshi—that offers event contracts substantially similar to
 3 those offered by CDNA. Both courts concluded that state law is preempted due to the CFTC’s
 4 exclusive jurisdiction over federally regulated DCMs and the event contracts offered thereon.

5 77. In *Kalshi v. Hendrick*, the NGCB asserted that Kalshi was engaged in gambling
 6 under Nevada law through the offering of event contracts “including, for example, who will win a
 7 sporting event or which party will have control over the House of Representatives.” 2025 WL
 8 1073495, at *1.

9 78. On April 9, 2025, Chief Judge Gordon entered a preliminary injunction enjoining
 10 state authorities “from enforcing preempted state laws against KalshiEX LLC” and “from pursuing
 11 civil or criminal prosecutions against KalshiEX LLC for offering event-based contracts on a
 12 CFTC-designated market.” *Id.* at *8.

13 79. Chief Judge Gordon’s reasoning is equally applicable to this case. Specifically the
 14 CEA’s “plain and unambiguous language grants the CFTC exclusive jurisdiction” over event
 15 contracts trading on DCMs, and “reflects congressional intent to occupy the field of regulating
 16 CFTC-designated exchanges and the transactions conducted on those exchanges.” *Id.* at *5-*6.
 17 Chief Judge Gordon summarized the implications of those holdings as follows:

18 In sum, if Kalshi were offering its contracts without CFTC
 19 designation, then the defendants could regulate it. But because
 20 Kalshi is a CFTC-designated DCM, it is subject to the CFTC's
 21 exclusive jurisdiction and state law is field preempted. Nevada
 regulatory agencies thus have no jurisdiction to decide that Kalshi's
 conduct violates state law where, at least at present, those activities
 are legal under federal law.

22 *Id.* at *6.

23 80. As Chief Judge Gordon correctly observed in *Kalshi v. Hendrick*, the question is
 24 not whether the event contracts listed by a DCM are “gaming.” Rather, the question is whether
 25 the entity offering the contracts is a federally regulated DCM that has properly listed the contracts
 26 on its market. If so, whether the contracts should be permitted to be made available is a question
 27 of federal, not state, law: “[E]ven if Kalshi’s sports contracts involve ‘gaming,’ that would not
 28

1 subject Kalshi to state gaming laws. Rather, it would subject Kalshi to the Special Rule that allows
 2 the CFTC to conduct a public interest review.” *Id.* at *6.

3 81. And Chief Judge Gordon recognized that subjecting federally regulated DCMs to a
 4 patchwork of inconsistent state regulation would undermine the very objective that exclusive
 5 federal regulation of derivatives trading was intended to achieve:

6 [D]efendants noted that other States have taken an interest in
 7 Kalshi’s contracts and have sent or intend to send Kalshi cease-and-
 8 desist letters.⁵ But that merely highlights the problem of allowing
 9 the States to regulate a national exchange. It raises the possibility
 10 that another State would have different rules than not only [] the
 11 CFTC, but other States. Preventing the difficulties that would create
 12 is the reason Congress granted the CFTC exclusive jurisdiction over
 13 CFTC-designated exchanges.

14 *Id.* at *7.

15 82. The defendants in *Kalshi v. Hendrick* did not appeal Chief Judge Gordon’s ruling
 16 issuing a preliminary injunction against them.

17 83. On April 28, 2025, Judge Edward S. Kiel of the U.S. District Court for the District
 18 of New Jersey, in ruling on a “substantially similar motion for preliminary injunction,” enjoined
 19 the New Jersey Division of Gaming Enforcement from regulating Kalshi’s DCM and event
 20 contracts. *Kalshi v. Flaherty*, 2025 WL 1218313, at *4. The District of New Jersey expressly
 21 agreed with the reasoning of Chief Judge Gordon in *Kalshi v. Hendrick* in reaching its conclusion
 22 that “Kalshi’s sports-related event contracts fall within the CFTC’s exclusive jurisdiction” and field
 23 preemption applies. *Id.* at *6. It further noted that:

24 The special rule for event contracts states that no agreement,
 25 contract, or transaction determined by the CFTC to be contrary to
 26 the public interest may be made available on a registered market.
 27 See 7 U.S.C. § 7a–2(c)(5)(C)(ii). Therefore, at this stage, Kalshi’s
 28 sports-related event contracts evidence—by their very existence—
 the CFTC’s exercise of its discretion and implicit decision to permit
 them.

Id.

⁵ On March 4, 2025, the NGCB sent Kalshi a nearly identical cease-and-desist letter to stop offering its sports-referenced event contracts to Nevada residents.

84. After finding that Kalshi was likely to succeed on the merits based on the CFTC’s exclusive jurisdiction over DCMs, the District of New Jersey also found in favor of Kalshi with regard to irreparable harm and the balance of hardships. The court held that Kalshi faced likely “harms to its reputation and goodwill” and that such harms “may constitute irreparable injury.” *Id.* at *7. Further, the court determined that, given its conclusion that Kalshi was likely to succeed on the merits in demonstrating that state law preempted regulation of its sports-related event contracts, “the interests favor injunction.” *Id.* It dismissed the likelihood of any notable harm to the state and concluded that to find the interests disfavored Kalshi “would mean leaving it subject to state enforcement or obligating it to shift its business practices, consequences that are not cleanly undone.” *Id.*

85. The reasoning of the courts in *Kalshi v. Hendrick* and *Kalshi v. Flaherty* is directly applicable to this case. The Defendants’ purported exercise of state law authority to regulate a federally registered market is unlawful, and CDNA is entitled to a declaration of law and to an injunction precluding Defendants from enforcing Nevada law to undermine “activities [that] are legal under federal law.” *Kalshi v. Hendrick*, 2025 WL 1073495, at *6.

H. Defendants’ Threatened Action Will Imminently and Irreparably Harm CDNA and Interfere with Its Ability to Conduct Federally Regulated Activities.

86. CDNA’s rulebook sets forth over 50 different event contracts, all of which are subject to federal regulation pursuant to the process described above.

87. CDNA also permits these cash-settled event contracts to be purchased and sold by residents of Nevada and other states and territories.

88. As a result of Defendants’ threatened conduct described above, there is an imminent likelihood that Defendants’ forthcoming actions will violate the Supremacy Clause of the U.S. Constitution and subject CDNA and its customers to irreparable harm.

89. Compliance with the NGCB’s order that CDNA immediately cease and desist from permitting Nevada residents to purchase or sell event contracts on its DCM would, among other things, require CDNA to develop and implement the technology necessary to limit customers

1 based on their geography within the United States. This is technology that CDNA has no need to,
2 and does not, maintain or deploy.

3 90. Compliance with the NGCB's order would also, without justification, deprive
4 CDNA of the revenue that it would otherwise derive from trading of event contracts by Nevada
5 residents.

6 91. If CDNA were to comply with the NGCB's cease-and-desist order, it would also
7 suffer competitive injury by losing the ability to compete as a market for event contracts against
8 other federally registered DCMs.

9 92. In addition, if the NGCB was permitted to regulate participation in contracts on
10 CDNA's DCM by Nevada residents, there is no reason to believe that the authorities of other states
11 would not likewise exercise their own regulatory authority. Accepting such jurisdiction would
12 subject CDNA to the very patchwork of state regulation (including prohibitions, regulations,
13 reporting obligations, registration costs, and other rules) across the states that Congress expressly
14 preempted under the CEA. Different states have taken different approaches to regulation of online
15 gambling. Many states permit online gambling, subject to state-level regulation. Others, such as
16 Utah, prohibit it entirely. It would be impossible for CDNA to both offer "impartial access" to its
17 DCM as required by 17 C.F.R. § 38.151(b) and simultaneously comply with state gaming laws in
18 50 states.

19 93. CDNA is also irreparably harmed by the regulatory overhang of the NGCB's
20 assertion of jurisdiction. The NGCB has asserted that by listing event contracts on a federally
21 regulated DCM, CDNA has committed civil and criminal offenses in Nevada which carry penalties
22 including fines and incarceration.⁶ This assertion coupled with the threat of a state enforcement

23 ⁶ See NRS § 463.360(3) (willful violation of NRS § 463.160 is a category B felony to be punished by 1-10 years
24 imprisonment and/or a fine of up to \$50,000); NRS § 463.360(6) (violation of chapter 463 provisions with
25 unspecified penalties is a gross misdemeanor); NRS § 193.140 (penalty for gross misdemeanor is imprisonment of
26 up to 364 days and/or fine of up to \$2,000); NRS § 465.088(1)(a) (first violation of NRS § 465.086 is a category C
27 felony to be punished by 1-5 years imprisonment, with additional fine of up to \$10,000 (or more if required or
28 authorized by statute) permitted, *see* NRS § 193.130; subsequent violation is a category B felony to be punished by
1-6 years imprisonment, with additional fine of up to \$10,000 permitted); NRS § 465.092(3) (violation of NRS §
465.092 is a misdemeanor to be punished by imprisonment of up to 6 months and/or fine of up to \$1,000, *see* NRS §
193.150).

1 action prejudices CDNA's reputation, its ability to certify compliance with the laws of the
2 jurisdictions in which it operates, and potentially its ability to engage in ordinary-course business
3 activities such as raising capital.

4 94. As Chief Judge Gordon noted in *Kalshi v. Hendrick*, "[a] credible threat of
5 imminent prosecution for a state violation that conflicts with federal law can establish a likelihood
6 of irreparable harm." 2025 WL 1073495, at *7 (citing *Morales v. Trans World Airlines, Inc.*, 504
7 U.S. 374, 381 (1992)). The threat of enforcement alone presents CDNA with the choice between
8 subjecting itself to civil or criminal penalties brought by the NGCB, with all of the expenditures
9 and reputational damage that entails, or incurring the substantial monetary expenditures discussed
10 above to assure compliance with the NGCB's assertion of authority. This latter choice may also
11 violate the CFTC's Core Principles by disrupting contracts or geographically limiting who can
12 enter contracts on CDNA's national exchange. *See Kalshi v. Hendrick*, 2025 WL 1073495, at *7
13 (noting Kalshi would face "the potential existential threat of the CFTC taking action against it for
14 violating the CFTC's Core Principles" on that basis); *supra* ¶ 32.

15 95. Submission to the regulatory oversight of the NGCB would subject CDNA to a
16 regulatory regime inherently in conflict with CFTC regulations, including its Core Principles, and
17 the very concept of a registered DCM. Nevada law prohibits receiving or allowing another person
18 to receive a wager from anyone located in Nevada through any medium of communication. *See*
19 NRS § 465.092. In order to comply with this regulation, CDNA would need to geofence its
20 services by monitoring the geolocation of all its clients and denying service to anyone located in
21 Nevada. CDNA operates as a national exchange, registered with the CFTC. It could not possibly
22 comply with Nevada gaming regulations and the CFTC's Core Principle of impartial—not
23 location-based—access. 17 C.F.R. § 38.151(b).

24 96. An actual and substantial controversy exists between Plaintiff and Defendants as to
25 their respective legal rights and duties. Defendants' conduct alleged herein will result in
26 irreparable injury to Plaintiff, including but not limited to criminal liability, civil liability,
27 economic hardship, and impairment of existing contractual relationships.

Whether trading in particular event contracts is permitted is a question subject to the “exclusive jurisdiction” of the CFTC.

104. To the extent that the relevant provisions of the CEA and CFTC regulations adopted thereunder conflict with Nevada law, Nevada law is preempted pursuant to Article VI, Section 2 of the United States Constitution (the “Supremacy Clause”), which provides:

This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the Contrary notwithstanding.

105. The Supremacy Clause mandates that federal law preempts state law in any field over which Congress has expressly reserved exclusive authority to the federal government.

106. The CEA’s express preemption of state laws purporting to regulate trading on federally regulated derivatives markets or otherwise under the oversight of the CFTC could not be more clear. Congress gave the CFTC “exclusive jurisdiction” to regulate derivatives trading on approved exchanges for off-exchange trading. 7 U.S.C. § 2(a)(1)(A). Without a unified approach to derivatives regulation, Congress feared that fragmented and uncoordinated state regulation would lead to “total chaos.” Senate Hearings, 93rd Cong., 2d Sess. 685 (1974) (statement of Sen. Clark). Congress punctuated the importance of preemption of state law by ensuring federal law supersedes and preempts state gaming law as applied to financial instruments the CFTC exempted from the registered exchange requirement. 7 U.S.C. § 16(e)(2). Having analyzed the text, purpose, and history of the CEA, courts nationwide have agreed that Congress intended to preempt state law in derivatives trading on CFTC-regulated exchanges. *See, e.g., Thrifty Oil Co.*, 322 F.3d at 1055–57 (9th Cir. 2003); *Am. Agric. Movement*, 977 F.2d at 1156; *Rasmussen v.*, 608 F.2d at 178 (5th Cir. 1979); *Paine, Webber, Jackson & Curtis, Inc. v. Conaway*, 515 F. Supp. 202, 207 (N.D. Ala. 1981); *Jones v. B. C. Christopher & Co.*, 466 F. Supp. 213, 220 (D. Kan. 1979); *Hofmayer v. Dean Witter & Co.*, 459 F. Supp. 733, 737 (N.D. Cal. 1978). Congress went even further in clarifying the scope of the preemptive impact of the CEA when it passed the FTPA, explicitly

1 superseding state gaming laws as applied to futures contracts the CFTC had exempted from the
2 CEA's exchange requirement. 7 U.S.C. § 16(e)(2).

3 107. Defendants may therefore not enforce Nevada's gaming laws against CDNA
4 because CDNA is a federally regulated derivatives market that operates under the exclusive
5 oversight of the CFTC and its enabling statute, the CEA, 7 U.S.C. §§ 1 *et seq.*

6 **COUNT II**

7 **(Declaratory Judgment – Field Preemption – Against All Defendants)**

8 108. Plaintiff incorporates all prior paragraphs by reference.

9 109. Under 28 U.S.C. § 2201, the Court may, “[i]n a case of actual controversy within
10 its jurisdiction . . . declare the rights and other legal relations of any interested party seeking such
11 declaration, whether or not further relief is or could be sought.”

12 110. An actual controversy exists between CDNA, on the one hand, and the Defendants,
13 on the other, regarding whether the NGCB and the Nevada Attorney General's office have legal
14 authority to prohibit the trading of Sports Event Contracts not licensed by the NGC.

15 111. As reflected in the NGCB's May 20, 2025 letter to CDNA, the NGCB asserts that
16 by offering Sports Event Contracts, and potentially other contracts, CDNA is “operating as an
17 unlicensed sports pool” in violation of Nevada law. Ex. A, at 2. The NGCB has asserted that
18 CDNA is therefore obligated under Nevada law, without regard to federal law, to cease and desist
19 from permitting Nevada residents to trade event contracts on its market.

20 112. For the reasons described above, without regard to whether the NGCB has correctly
21 interpreted Nevada law, CDNA is authorized to list and offer event contracts to Nevada residents
22 (and residents of each of the other states and territories of the United States) pursuant to the CEA.
23 Whether trading in particular event contracts is permitted is a question subject to the “exclusive
24 jurisdiction” of the CFTC.

25 113. To the extent that the relevant provisions of the CEA and CFTC regulations adopted
26 thereunder conflict with Nevada law, Nevada law is preempted pursuant to the Supremacy Clause.

114. The Supremacy Clause mandates that federal law preempts state law in any field over which Congress has adopted a comprehensive regulatory scheme over an activity, thus occupying the field for regulating that activity.

115. Through the CEA and its amendments, Congress has adopted a comprehensive regulatory scheme regulating derivatives trading on regulated markets, including the trading of event contracts. 7 U.S.C. §§ 1 *et seq.* That scheme includes the creation of the CFTC and vesting it with exclusive authority to regulate derivatives trading.

116. In threatening to enforce NRS §§ 463.0193, 463.160, 463.245, 463.350, 463.360, 465.086, 465.092, and any other state or local laws against CDNA, Defendants are impermissibly intruding on the CFTC’s exclusive authority to regulate derivatives trading on CFTC-regulated exchanges or derivatives otherwise traded under the CFTC’s oversight. Indeed, federal law authorizes the CFTC to “determine” whether event contracts involving “gaming” should be restricted as “contrary to the public interest,” 7 U.S.C. § 7a-2(c)(5)(C)(i)—authority that is completely incompatible with parallel state regulation of the same subject matter. Because federal law occupies the entire field of regulating derivatives trading on regulated markets, the threatened actions are field-preempted under the Supremacy Clause.

117. Defendants therefore may not enforce Nevada’s gaming laws against CDNA because CDNA is a federally regulated derivatives market that operates under the exclusive oversight of the CFTC and its enabling statute, the CEA, 7 U.S.C. §§ 1 *et seq.*

COUNT III

(Declaratory Judgment – Conflict Preemption – Against All Defendants)

118. Plaintiff incorporates all prior paragraphs by reference.

119. Under 28 U.S.C. § 2201, the Court may, “[i]n a case of actual controversy within its jurisdiction . . . declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought.”

1 120. An actual controversy exists between CDNA, on the one hand, and the Defendants,
2 on the other, regarding whether the NGCB and the Nevada Attorney General's office have legal
3 authority to prohibit the trading of Sports Event Contracts not licensed by the NGC.

4 121. As reflected in the NGCB's May 20, 2025 letter to CDNA, the NGCB asserts that
5 by offering Sports Event Contracts, and potentially other contracts, CDNA is "operating as an
6 unlicensed sports pool" in violation of Nevada law. Ex. A, at 2. The NGCB has asserted that
7 CDNA is therefore obligated under Nevada law, without regard to federal law, to cease and desist
8 from permitting Nevada residents to trade event contracts on its market.

9 122. For the reasons described above, without regard to whether the NGCB has correctly
10 interpreted Nevada law, CDNA is authorized to list and offer event contracts to Nevada residents
11 (and residents of each of the other states and territories of the United States) pursuant to the CEA.
12 Whether trading in particular event contracts is permitted is a question subject to the "exclusive
13 jurisdiction" of the CFTC.

14 123. To the extent that the relevant provisions of the CEA and CFTC regulations adopted
15 thereunder conflict with Nevada law, Nevada law is preempted pursuant to the Supremacy Clause.

16 124. The Supremacy Clause mandates that federal law preempts state law where
17 compliance with the state law would conflict with federal law.

18 125. Nevada authorities likewise threatened to deploy Nevada law in a manner that
19 conflicts with federal law and policy. Defendants seek to ban event contracts that federal law and
20 the CFTC have authorized or subject them to state regulatory requirements that conflict with
21 federal law, which would plainly frustrate the CFTC's exclusive authority to regulate its
22 designated exchanges. For that reason, the threatened actions are conflict-preempted under the
23 Supremacy Clause.

24 126. Defendants therefore may not enforce Nevada's gaming laws against CDNA
25 because CDNA is a federally regulated derivatives market that operates under the exclusive
26 oversight of the CFTC and its enabling statute, the CEA, 7 U.S.C. §§ 1 *et seq.*

PRAYER FOR RELIEF

WHEREFORE, Plaintiff CDNA requests that judgment be entered in its favor and against Defendants as follows:

1. Declare that states, including the State of Nevada, lack legal authority to regulate the offering or listing of event contracts by CDNA conducted in accordance with federal law in its capacity as a DCM and pursuant to the CEA;
2. Declare that, to the extent that they would purport to prohibit or otherwise regulate the trading of derivatives by CDNA in its capacity as a federally regulated DCM, Nevada Revised Statutes §§ 463.0193, 463.160, 463.245, 463.350, 463.360, 465.086, 465.092, and any other similar Nevada laws are preempted by the CEA;
3. Enter both a preliminary and permanent injunction prohibiting Defendants, their officers, agents, servants, employees, and all persons in active concert or participation with them who receive actual notice of the injunction, from enforcing Nevada Revised Statutes §§ 463.0193, 463.160, 463.245, 463.350, 463.360, 465.086, 465.092, and any other Nevada law that attempts to effectively regulate Plaintiff's market, against Plaintiff;
4. Award such other relief within this Court's discretion that it deems just and proper.

1 Dated this 3rd day of June, 2025.

2
3 /s/ Bradley Austin

4 Bradley Austin (Nevada Bar No. 13064)
5 SNELL & WILMER
6 1700 South Pavilion Center Drive, Suite 700
7 Las Vegas, NV 89135
8 702-784-5247
9 baustin@swlaw.com

10 /s/ Nowell D. Bamberger

11 Nowell D. Bamberger (*pro hac vice forthcoming*)
12 Matthew C. Solomon (*pro hac vice forthcoming*)
13 CLEARY GOTTlieb STEEN & HAMILTON LLP
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17 nbamberger@cgsh.com
18 msolomon@cgsh.com

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20 *d/b/a Crypto.com | Derivatives North America*
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**INDEX OF EXHIBITS TO PLAINTIFF'S COMPLAINT FOR PERMANENT
INJUNCTION AND DECLARATORY RELIEF**

EXHIBIT	DESCRIPTION	PAGES
Exhibit A	May 20, 2025 NGCB Cease-and-Desist Letter	001 – 003
Exhibit B	Email Thread with NGCB	004 – 006
Exhibit C	January 30, 2025 CDNA Certification Letter for Industry Event – Live Presentations Contracts	007 – 023

4928-5887-2338

CIVIL COVER SHEET

The JS 44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. (SEE INSTRUCTIONS ON NEXT PAGE OF THIS FORM.)

I. (a) PLAINTIFFS

North American Derivatives Exchange, Inc.
d/b/a Crypto.com | Derivatives North America

(b) County of Residence of First Listed Plaintiff _____

(EXCEPT IN U.S. PLAINTIFF CASES)

(c) Attorneys (Firm Name, Address, and Telephone Number)

Bradley Austin, Snell & Wilmer, 1700 South Pavilion Center Drive,
Suite 700, Las Vegas, NV 89135 (702) 784-5247, Nowell D. Bamberger
& Matthew C. Solomon, Cleary Gottlieb Steen & Hamilton LLP, 2112
Pennsylvania Avenue, NW, Washington, DC 20037 (202) 974-1500

DEFENDANTS

Nevada Gaming Control Board, Kirk D. Hendrick, Chairman; Nevada Gaming Control Board, George Assad, Member; Nevada Gaming Control Board, Chanderi K. Sendall, Member; State of Nevada on relation of the Nevada Gaming Control Board; Nevada Attorney General's Office, Aaron D. Ford, Attorney General

County of Residence of First Listed Defendant _____

(IN U.S. PLAINTIFF CASES ONLY)

NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE TRACT LAND INVOLVED.

ATTORNEYS (If Known) Aaron D. Ford, Attorney for the State of Nevada

II. BASIS OF JURISDICTION (Place an "X" in One Box Only)

- ☐ 1 U.S. Government Plaintiff ☒ 3 Federal Question (U.S. Government Not a Party)
- ☐ 2 U.S. Government Defendant ☐ 4 Diversity (Indicate Citizenship of Parties in Item III)

III. CITIZENSHIP OF PRINCIPAL PARTIES (Place an "X" in One Box for Plaintiff and One Box for Defendant)

- | | PTF | DEF | | PTF | DEF |
|---|----------------------------|----------------------------|---|----------------------------|----------------------------|
| Citizen of This State | <input type="checkbox"/> 1 | <input type="checkbox"/> 1 | Incorporated or Principal Place of Business In This State | <input type="checkbox"/> 4 | <input type="checkbox"/> 4 |
| Citizen of Another State | <input type="checkbox"/> 2 | <input type="checkbox"/> 2 | Incorporated and Principal Place of Business In Another State | <input type="checkbox"/> 5 | <input type="checkbox"/> 5 |
| Citizen or Subject of a Foreign Country | <input type="checkbox"/> 3 | <input type="checkbox"/> 3 | Foreign Nation | <input type="checkbox"/> 6 | <input type="checkbox"/> 6 |

IV. NATURE OF SUIT (Place an "X" in One Box Only)

Click here for: [Nature of Suit Code Descriptions.](#)

CONTRACT	TORTS	FORFEITURE/PENALTY	BANKRUPTCY	OTHER STATUTES
<input type="checkbox"/> 110 Insurance <input type="checkbox"/> 120 Marine <input type="checkbox"/> 130 Miller Act <input type="checkbox"/> 140 Negotiable Instrument <input type="checkbox"/> 150 Recovery of Overpayment & Enforcement of Judgment <input type="checkbox"/> 151 Medicare Act <input type="checkbox"/> 152 Recovery of Defaulted Student Loans (Excludes Veterans) <input type="checkbox"/> 153 Recovery of Overpayment of Veteran's Benefits <input type="checkbox"/> 160 Stockholders' Suits <input type="checkbox"/> 190 Other Contract <input type="checkbox"/> 195 Contract Product Liability <input type="checkbox"/> 196 Franchise	PERSONAL INJURY <input type="checkbox"/> 310 Airplane <input type="checkbox"/> 315 Airplane Product Liability <input type="checkbox"/> 320 Assault, Libel & Slander <input type="checkbox"/> 330 Federal Employers' Liability <input type="checkbox"/> 340 Marine <input type="checkbox"/> 345 Marine Product Liability <input type="checkbox"/> 350 Motor Vehicle <input type="checkbox"/> 355 Motor Vehicle Product Liability <input type="checkbox"/> 360 Other Personal Injury <input type="checkbox"/> 362 Personal Injury - Medical Malpractice PERSONAL INJURY <input type="checkbox"/> 365 Personal Injury - Product Liability <input type="checkbox"/> 367 Health Care/Pharmaceutical Personal Injury Product Liability <input type="checkbox"/> 368 Asbestos Personal Injury Product Liability PERSONAL PROPERTY <input type="checkbox"/> 370 Other Fraud <input type="checkbox"/> 371 Truth in Lending <input type="checkbox"/> 380 Other Personal Property Damage <input type="checkbox"/> 385 Property Damage Product Liability	<input type="checkbox"/> 625 Drug Related Seizure of Property 21 USC 881 <input type="checkbox"/> 690 Other LABOR <input type="checkbox"/> 710 Fair Labor Standards Act <input type="checkbox"/> 720 Labor/Management Relations <input type="checkbox"/> 740 Railway Labor Act <input type="checkbox"/> 751 Family and Medical Leave Act <input type="checkbox"/> 790 Other Labor Litigation <input type="checkbox"/> 791 Employee Retirement Income Security Act IMMIGRATION <input type="checkbox"/> 462 Naturalization Application <input type="checkbox"/> 465 Other Immigration Actions	<input type="checkbox"/> 422 Appeal 28 USC 158 <input type="checkbox"/> 423 Withdrawal 28 USC 157 INTELLECTUAL PROPERTY RIGHTS <input type="checkbox"/> 820 Copyrights <input type="checkbox"/> 830 Patent <input type="checkbox"/> 835 Patent - Abbreviated New Drug Application <input type="checkbox"/> 840 Trademark <input type="checkbox"/> 880 Defend Trade Secrets Act of 2016 SOCIAL SECURITY <input type="checkbox"/> 861 HIA (1395ff) <input type="checkbox"/> 862 Black Lung (923) <input type="checkbox"/> 863 DIWC/DIWW (405(g)) <input type="checkbox"/> 864 SSID Title XVI <input type="checkbox"/> 865 RSI (405(g)) FEDERAL TAX SUITS <input type="checkbox"/> 870 Taxes (U.S. Plaintiff or Defendant) <input type="checkbox"/> 871 IRS—Third Party 26 USC 7609	<input type="checkbox"/> 375 False Claims Act <input type="checkbox"/> 376 Qui Tam (31 USC 3729(a)) <input type="checkbox"/> 400 State Reapportionment <input type="checkbox"/> 410 Antitrust <input type="checkbox"/> 430 Banks and Banking <input type="checkbox"/> 450 Commerce <input type="checkbox"/> 460 Deportation <input type="checkbox"/> 470 Racketeer Influenced and Corrupt Organizations <input type="checkbox"/> 480 Consumer Credit (15 USC 1681 or 1692) <input type="checkbox"/> 485 Telephone Consumer Protection Act <input type="checkbox"/> 490 Cable/Sat TV <input type="checkbox"/> 850 Securities/Commodities/Exchange <input type="checkbox"/> 890 Other Statutory Actions <input type="checkbox"/> 891 Agricultural Acts <input type="checkbox"/> 893 Environmental Matters <input type="checkbox"/> 895 Freedom of Information Act <input type="checkbox"/> 896 Arbitration <input type="checkbox"/> 899 Administrative Procedure Act/Review or Appeal of Agency Decision <input checked="" type="checkbox"/> 950 Constitutionality of State Statutes
REAL PROPERTY <input type="checkbox"/> 210 Land Condemnation <input type="checkbox"/> 220 Foreclosure <input type="checkbox"/> 230 Rent Lease & Ejectment <input type="checkbox"/> 240 Torts to Land <input type="checkbox"/> 245 Tort Product Liability <input type="checkbox"/> 290 All Other Real Property	CIVIL RIGHTS <input type="checkbox"/> 440 Other Civil Rights <input type="checkbox"/> 441 Voting <input type="checkbox"/> 442 Employment <input type="checkbox"/> 443 Housing/Accommodations <input type="checkbox"/> 445 Amer. w/Disabilities - Employment <input type="checkbox"/> 446 Amer. w/Disabilities - Other <input type="checkbox"/> 448 Education PRISONER PETITIONS Habeas Corpus: <input type="checkbox"/> 463 Alien Detainee <input type="checkbox"/> 510 Motions to Vacate Sentence <input type="checkbox"/> 530 General <input type="checkbox"/> 535 Death Penalty Other: <input type="checkbox"/> 540 Mandamus & Other <input type="checkbox"/> 550 Civil Rights <input type="checkbox"/> 555 Prison Condition <input type="checkbox"/> 560 Civil Detainee - Conditions of Confinement			

V. ORIGIN (Place an "X" in One Box Only)

- ☒ 1 Original Proceeding ☐ 2 Removed from State Court ☐ 3 Remanded from Appellate Court ☐ 4 Reinstated or Reopened ☐ 5 Transferred from Another District (specify) ☐ 6 Multidistrict Litigation - Transfer ☐ 8 Multidistrict Litigation - Direct File

VI. CAUSE OF ACTION

Cite the U.S. Civil Statute under which you are filing (Do not cite jurisdictional statutes unless diversity):

7 U.S.C. 1; 28 U.S.C. 2201

Brief description of cause:

Nevada gaming laws preempted by Commodity Exchange Act; Declaratory Judgment

VII. REQUESTED IN COMPLAINT:

☐ CHECK IF THIS IS A CLASS ACTION UNDER RULE 23, F.R.Cv.P.

DEMAND \$ _____

CHECK YES only if demanded in complaint:

JURY DEMAND: ☐ Yes ☐ No

VIII. RELATED CASE(S) IF ANY

(See instructions):

JUDGE _____

Chief Judge Andrew P. Gordon

DOCKET NUMBER 2:25-cv-00575

DATE

06/03/2025

SIGNATURE OF ATTORNEY OF RECORD

/s/ Bradley Austin

FOR OFFICE USE ONLY

RECEIPT # _____

AMOUNT _____

APPLYING IFP _____

JUDGE _____

MAG. JUDGE _____

INSTRUCTIONS FOR ATTORNEYS COMPLETING CIVIL COVER SHEET FORM JS 44

Authority For Civil Cover Sheet

The JS 44 civil cover sheet and the information contained herein neither replaces nor supplements the filings and service of pleading or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. Consequently, a civil cover sheet is submitted to the Clerk of Court for each civil complaint filed. The attorney filing a case should complete the form as follows:

- I.(a) Plaintiffs-Defendants.** Enter names (last, first, middle initial) of plaintiff and defendant. If the plaintiff or defendant is a government agency, use only the full name or standard abbreviations. If the plaintiff or defendant is an official within a government agency, identify first the agency and then the official, giving both name and title.
 - (b) County of Residence.** For each civil case filed, except U.S. plaintiff cases, enter the name of the county where the first listed plaintiff resides at the time of filing. In U.S. plaintiff cases, enter the name of the county in which the first listed defendant resides at the time of filing. (NOTE: In land condemnation cases, the county of residence of the "defendant" is the location of the tract of land involved.)
 - (c) Attorneys.** Enter the firm name, address, telephone number, and attorney of record. If there are several attorneys, list them on an attachment, noting in this section "(see attachment)".
- II. Jurisdiction.** The basis of jurisdiction is set forth under Rule 8(a), F.R.Cv.P., which requires that jurisdictions be shown in pleadings. Place an "X" in one of the boxes. If there is more than one basis of jurisdiction, precedence is given in the order shown below.
- United States plaintiff. (1) Jurisdiction based on 28 U.S.C. 1345 and 1348. Suits by agencies and officers of the United States are included here. United States defendant. (2) When the plaintiff is suing the United States, its officers or agencies, place an "X" in this box.
- Federal question. (3) This refers to suits under 28 U.S.C. 1331, where jurisdiction arises under the Constitution of the United States, an amendment to the Constitution, an act of Congress or a treaty of the United States. In cases where the U.S. is a party, the U.S. plaintiff or defendant code takes precedence, and box 1 or 2 should be marked.
- Diversity of citizenship. (4) This refers to suits under 28 U.S.C. 1332, where parties are citizens of different states. When Box 4 is checked, the citizenship of the different parties must be checked. (See Section III below; **NOTE: federal question actions take precedence over diversity cases.**)
- III. Residence (citizenship) of Principal Parties.** This section of the JS 44 is to be completed if diversity of citizenship was indicated above. Mark this section for each principal party.
- IV. Nature of Suit.** Place an "X" in the appropriate box. If there are multiple nature of suit codes associated with the case, pick the nature of suit code that is most applicable. Click here for: [Nature of Suit Code Descriptions](#).
- V. Origin.** Place an "X" in one of the seven boxes.
- Original Proceedings. (1) Cases which originate in the United States district courts.
- Removed from State Court. (2) Proceedings initiated in state courts may be removed to the district courts under Title 28 U.S.C., Section 1441.
- Remanded from Appellate Court. (3) Check this box for cases remanded to the district court for further action. Use the date of remand as the filing date.
- Reinstated or Reopened. (4) Check this box for cases reinstated or reopened in the district court. Use the reopening date as the filing date.
- Transferred from Another District. (5) For cases transferred under Title 28 U.S.C. Section 1404(a). Do not use this for within district transfers or multidistrict litigation transfers.
- Multidistrict Litigation – Transfer. (6) Check this box when a multidistrict case is transferred into the district under authority of Title 28 U.S.C. Section 1407.
- Multidistrict Litigation – Direct File. (8) Check this box when a multidistrict case is filed in the same district as the Master MDL docket.
- PLEASE NOTE THAT THERE IS NOT AN ORIGIN CODE 7.** Origin Code 7 was used for historical records and is no longer relevant due to changes in statute.
- VI. Cause of Action.** Report the civil statute directly related to the cause of action and give a brief description of the cause. **Do not cite jurisdictional statutes unless diversity.** Example: U.S. Civil Statute: 47 USC 553 Brief Description: Unauthorized reception of cable service.
- VII. Requested in Complaint.** Class Action. Place an "X" in this box if you are filing a class action under Rule 23, F.R.Cv.P.
- Demand. In this space enter the actual dollar amount being demanded or indicate other demand, such as a preliminary injunction.
- Jury Demand. Check the appropriate box to indicate whether or not a jury is being demanded.
- VIII. Related Cases.** This section of the JS 44 is used to reference related cases, if any. If there are related cases, insert the docket numbers and the corresponding judge names for such cases.

Date and Attorney Signature. Date and sign the civil cover sheet.

EXHIBIT A

May 20, 2025 NGCB Cease-and-Desist Letter

EXHIBIT A

May 20, 2025 NGCB Cease-and-Desist Letter



JOE LOMBARDO
Governor

NEVADA GAMING CONTROL BOARD

1919 College Parkway, Suite 110, P.O. Box 8003, Carson City, Nevada 89702
7 State of Nevada Way, Las Vegas, Nevada 89119
3650 S. Pointe Circle, Suite 203, P.O. Box 31109, Laughlin, Nevada 89028
557 W. Silver Street, Suite 207, Elko, Nevada 89801
9670 Gateway Drive, Reno, Nevada 89521

KIRK D. HENDRICK, *Chairman*
HON. GEORGE ASSAD (RET.), *Member*
CHANDENI K. SENDALL, *Member*

May 20, 2025

Las Vegas
(702) 486-2000

Travis McGhee
Chief Executive Officer
North American Derivatives Exchange, Inc.
dba Crypto.com | Derivatives North America
200 W. Jackson Blvd, Suite 1400
Chicago, IL 60606

Kevin Dan
Chief Compliance Officer
Chief Regulatory Officer
North American Derivatives Exchange, Inc.
dba Crypto.com | Derivatives North America
200 W. Jackson Blvd, Suite 1400
Chicago, IL 60606

lawenforcementglobal@crypto.com

Via FedEx Priority Overnight and Electronic Mail

Re: Order to Cease and Desist Unlawful Activity in the State of Nevada

Dear Messrs. McGhee and Dan:

The Nevada Gaming Control Board (NGCB) is aware that Crypto.com has been offering, and continues to offer, event-based wagering contracts in Nevada on sporting events through its exchange. The NGCB's Enforcement Division has verified these facts. Based on an NGCB review of the function of the contracts, and in consultation with the Gaming Division of the Nevada Office of the Attorney General, Crypto.com is hereby notified that offering event-based wagering contracts is unlawful in Nevada, unless and until approved as licensed gaming by the Nevada Gaming Commission.

Presuming that Crypto.com consulted with Nevada legal counsel, your company was undoubtedly advised that Nevada has a long and storied history of strictly regulating gaming activity. Encompassed within such strict regulation is the requirement that a person must be licensed to operate a sports pool in Nevada. NRS 463.160 and 463.245. A sports pool is a person in "the business of accepting wagers on sporting events or other events by any system or method of wagering." NRS 463.0193. Systems and methods of wagering include percentage games where an entity does not act as the "house" but only

Order to Cease and Desist Unlawful Activity in the State of Nevada
Crypto.com
Page 2

takes a cut of the amounts wagered. A “sporting event” is “an individual race, game, match or contest, and any group, series or part thereof.” Nev. Gam’g Comm’n Reg. 26B.020(12). Sporting events include, without limitation, collegiate, Olympic, and other amateur sporting events. See Nev. Gam’g Comm’n Reg. 22.010(2). Finally, Nevada law defines a wager as “a sum of money or representative of value that is risked on an occurrence for which the outcome is uncertain.” NRS 463.01962.

The event-based wagering contracts offered through Crypto.com allow a person to place money on the outcome of an uncertain event. Crypto.com allows a person to pay money to enter into a “contract” providing that the person will receive a set payout if the person correctly picks the outcome of the sporting event. The payouts for picking the winner of a sporting event are not based on the actions of the person entering the “contract” through Crypto.com. Finally, Crypto.com is in the business of offering event-based wagering contracts which constitute a system or method of wagering on sporting events and other events. Therefore, by offering event-based wagering contracts in Nevada, Crypto.com is operating as an unlicensed sports pool in violation of NRS 463.160(1)(a) and NRS 463.245(2).

Pursuant to NRS 463.360(3), violation of NRS 463.160 is a category B felony. Crypto.com’s event-based wagering contracts concerning sporting events also violate NRS 463.350, NRS 465.086, and NRS 465.092.

Based on the foregoing, all transgressions by Crypto.com to date are in violation of Nevada law. Moreover, any offenses by Crypto.com after receipt of this letter shall be considered willful violations of Nevada law. Accordingly, Crypto.com is hereby ordered to immediately cease and desist from offering in Nevada any event-based wagering contracts concerning sporting events.

Written confirmation of Crypto.com’s cessation of all prohibited activities within Nevada is required by 5:00 p.m. on Wednesday, June 4, 2025. Failure to provide confirmation by such time shall be considered as willful intention to violate Nevada law.

Nothing herein is intended to be, nor shall be, construed as legal advice. Indeed, based on the seriousness of this matter, and the potential for criminal and civil penalties against the company and its representatives, you are strongly advised to seek legal advice from competent counsel regarding Nevada’s gaming laws.


Please be advised that the NGCB, as well as all state and local law enforcement and regulatory agencies in Nevada, expressly reserve all rights to pursue criminal and civil actions based on Crypto.com’s past and future conduct within the state.

Order to Cease and Desist Unlawful Activity in the State of Nevada
Crypto.com
Page 3

If you or your legal counsel have any questions, please contact John S. Michela, Senior Deputy Attorney General, at JMichela@ag.nv.gov.

Your immediate attention to this matter is appreciated.

Sincerely,

A handwritten signature in blue ink, appearing to read "K.D. Hendrick", with a large, sweeping flourish extending from the end of the signature.

Kirk D. Hendrick
Chairman

cc: The Honorable Joe Lombardo, Governor of Nevada
Hon. George Assad (Ret.), Member, Nevada Gaming Control Board
Chandeni Sendall, Member, Nevada Gaming Control Board
Kristi Torgerson, Chief, NGCB Enforcement Division
Craig A. Newby, First Assistant Attorney General
Darlene B. Caruso, Chief Deputy Attorney General, Gaming
Jessica E. Whelan, Chief Deputy Attorney General, Complex Litigation
Alissa C. Engler, Chief Deputy Attorney General, Criminal Prosecution
John S. Michela, Senior Deputy Attorney General, Gaming
Records and Research

EXHIBIT B
Email Thread with NGCB

EXHIBIT B
Email Thread with NGCB

From: [John S. Michela](#)
To: [Bamberger, Nowell D.](#)
Cc: [Solomon, Matthew](#); [Robertson, Caleb J.](#)
Subject: RE: Cease and Desist Letter to North American Derivatives Exchange
Date: Wednesday, May 28, 2025 6:18:52 PM

This Message Is From Unexpected Sender

This message has been flagged because it's from a sender who you have not communicated with previously, and also based on other people's types of interactions with messages from this sender. If you were not expecting this email, be cautious about responding or opening any links.

Mr. Bamberger,

I am in receipt of your e-mails regarding the Cease-and-Desist Letter (C&D) from my client, the Nevada Gaming Control Board (Board), and your request to discuss this matter further. I have discussed your email with my client. Any response from your client, North American Derivatives Exchange, Inc., dba Crypto.com | Derivatives North America, to the C&D should be submitted to Board Chairman Kirk Hendrick in writing with a copy to me.

You also asked how the Board intends to proceed in light of the federal injunction issued in the Kalshi case. During the hearing held by the Court on May 15th, the judge specifically clarified that the preliminary injunction only applies to action against Kalshi.

We look forward to your response to the C&D and anticipate that your client will respect the Board's statutory mandate to strictly regulate gaming to protect Nevada's citizens and visitors and ensure the continued growth and success of Nevada's licensed and regulated gaming industry.

Thank You,

John

John S. Michela
Senior Deputy Attorney General
Gaming Division
Nevada Office of the Attorney General
775-687-2118

NOT FOR RELEASE: The information contained in this e-mail is an unofficial analysis and is not meant for publication or dissemination. This e-mail has not been subjected to the peer review process required of all official Attorney General's opinions and is intended for the recipients ONLY. This analysis is based upon the facts that were presented to the author. Any changes in facts could alter this analysis accordingly. This analysis is confidential under attorney client privilege and/or attorney work product.

From: Bamberger, Nowell D. <nbamberger@cgsh.com>
Sent: Wednesday, May 28, 2025 2:00 PM
To: John S. Michela <JMichela@ag.nv.gov>
Cc: Solomon, Matthew <msolomon@cgsh.com>; Robertson, Caleb J. <cjrobertson@cgsh.com>
Subject: RE: Cease and Desist Letter to North American Derivatives Exchange

WARNING - This email originated from outside the State of Nevada. Exercise caution when opening attachments or clicking links, especially from unknown senders.

Dear Mr. Michela –

Referring to my email below, please let us know if there is a time when we can speak on this matter.

Best,
Nowell

Nowell D. Bamberger

Cleary Gottlieb Steen & Hamilton LLP

Assistant: mstefanick@cgsh.com

2112 Pennsylvania Avenue, NW

Washington, DC 20037

T: +1 202 974 1752

nbamberger@cgsh.com | clearygottlieb.com

From: Bamberger, Nowell D.

Sent: Thursday, May 22, 2025 10:27 PM

To: JMichela@ag.nv.gov

Cc: Solomon, Matthew <msolomon@cgsh.com>

Subject: Cease and Desist Letter to North American Derivatives Exchange

Dear Mr. Michela:

We represent North American Derivatives Exchange Inc. (“CDNA”), which received a Cease and Desist letter from your office dated May 20, 2025.

Please let us know if there is a good time to discuss this matter with you early next week. We would like to have the opportunity to engage with you, and also would like to gain a better understanding of how the Board intends to proceed in light of the federal injunction issued in the case involving Kalshi.

Thank you very much, and we look forward to speaking.

Regards,
Nowell

Nowell D. Bamberger

Cleary Gottlieb Steen & Hamilton LLP

Assistant: mstefanick@cgsh.com

2112 Pennsylvania Avenue, NW
Washington, DC 20037
T: +1 202 974 1752
nbamberger@cgsh.com | clearygottlieb.com

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EXHIBIT C

***January 30, 2025 CDNA Certification Letter for Industry
Event – Live Presentations Contracts***

EXHIBIT C

***January 30, 2025 CDNA Certification Letter for Industry
Event – Live Presentations Contracts***



DERIVATIVES NORTH AMERICA

January 30, 2025

Via CFTC Portal Submissions

Mr. Christopher Kirkpatrick
Secretary of the Commission
Office of the Secretariat
Commodity Futures Trading Commission
3 Lafayette Centre
1155 21st Street, N.W.
Washington D.C. 20581

RE: Certification of Contingent Derivatives Contract (Industry Event - Live Presentations - NAICS 711) - Submission Pursuant to Commission Regulation 40.2(a)

Dear Mr. Kirkpatrick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended (the "Act" or "CEA"), and §40.2(a) of the regulations promulgated by the Commodity Futures Trading Commission (the "Commission") under the Act, the North American Derivatives Exchange, Inc. d/b/a Crypto.com | Derivatives North America (the "Exchange" or "CDNA") hereby certifies a contingent derivatives contract that is a tradeable financial instrument (i.e. a swap) based on an event in the live presentations industry (the "Event Contract" or "Contract"). The Exchange intends to list the Event Contract for trading no later than February 3, 2025.

In connection with this certification, CDNA is submitting the following:

- (i) A concise explanation and analysis of the Event Contract;
- (ii) A certification that the Event Contract complies with the Act and Commission Regulations thereunder;
- (iii) A certification that CDNA has posted a copy of the product submission on its website;
- (iv) The intended listing date of the Event Contract;
- (v) The terms and conditions of the Event Contract, set forth in Exhibit A hereto; and
- (vi) A discussion of the Event Contract's compliance with applicable provisions of the Act and Commission Regulations thereunder, set forth in Exhibit B hereto.

The Event Contract is a contingent derivatives contract that is a tradeable financial instrument designed to express a market view related to the broad and varying economic and commercial impacts of the outcome of an event in the live presentations industry. Separate, discrete and identifiable live presentation industry events (each an “Industry Event”) not only have an outcome that determines a leader, an achievement, an accomplishment, a champion, a title holder or a winner of a particular live presentation industry event, but more importantly the outcome of a live presentation industry event has a substantial economic and commercial impact on businesses and individuals throughout America depending on many factors.¹ CDNA designed the Event Contract to meet the varied and diverse hedging and market needs of commercial firms and individuals impacted by or with an economic interest in the Industry Event outcome. The Event Contract is traded in the centralized market of the Exchange where bids and offers are matched first by price and then time priority. There is no intervention in the trading process by the Exchange. Rather, the Event Contract trades in a competitive, open, and efficient market and mechanism for executing transactions. The trading provides a market for the price and information discovery process related to market sentiment on the outcome of the Industry Event.

The Event Contract operates in a manner equivalent to economic event contracts that CDNA and other designated contract markets have certified for trading.² Price bands will apply so that the Contract may only be listed at increments of at least \$0.25 and at most \$99.75. The Contract has a notional value of \$100 and a minimum price fluctuation of \$0.25 to align with other CDNA contracts.

As outlined in Exchange Rule 5.18, trading will be available at all times outside of any maintenance windows and as set forth in the Trading System, which CDNA will announce in advance. At least one dedicated market maker that is committed to providing immediate liquidity will participate upon the Event Contract’s launch. CDNA has further imposed position limits as described in more detail below. Members will be charged fees in accordance with Exchange Rule 3.9 in such amounts as may be revised from time to time and reflected on CDNA’s website.

During the Event Contract trading hours, Members are able to adjust their positions and trade freely. After trading of the Event Contract has closed, CDNA will determine the Expiration Value and whether the Payment Criteria encompasses the Expiration Value (i.e., whether the market outcome is “Yes” or “No”). The market is then settled by CDNA, and either the long position

¹ The U.S. The Bureau of Labor Statistics maintains data for over 100 industries and uses the North American Industry Classification System (NAICS) for supersectors, sectors, and industries to categorize the data. The Event Contract encompasses Industry Events in the industry categorized under NAICS 711 (Performing Arts, Spectator Sports, and Related Industries). See <https://www.bls.gov/iag/tgs/iag711.htm>.

² See e.g., Rule Certification: Nadex Lists New Event Binary Contracts – Submission Pursuant to Commission Regulation §40.2(a), Nov. 26, 2021, available at: <https://www.cftc.gov/IndustryOversight/IndustryFilings/TradingOrganizationProducts/47219>.

holders or the short position holders are paid the Settlement Value. In this case, “long position holders” refers to Members who purchased the “Yes” side of the Event Contract and “short position holders” refers to Members who purchased the “No” side of the Event Contract. If the Expiration Value is “Yes” (please see Exhibit A for the conditions upon which the Expiration Value is “Yes”), then the long position holders are paid an absolute amount proportional to the size of their position and the short position holders receive no payment. If the Expiration Value is “No,” then the short position holders are paid an absolute amount proportional to the size of their position and the long position holders receive no payment. Specification of the circumstances that would trigger an Expiration Value of “Yes” are included below in the section titled “Payment Criterion” in Exhibit A. The Expiration Date of the Contract is designed to account for multiple possible contingencies regarding the timing of the determination of the event.

In accordance with §40.2(a)(2) of the Commission’s Regulations and as set forth above, the Exchange intends to list the Event Contract for trading no later than February 3, 2025.

The contract specifications as they will appear in the CDNA Rulebook are set forth in Exhibit A. A complete index of the Core Principles for designated contract markets, which addresses each applicable Core Principle, is set forth in Exhibit B.

The Exchange hereby certifies that the product complies with the Act, as amended, and the Commission Regulations adopted thereunder. No substantive opposing views were expressed to the Exchange with respect to any of these actions. The Exchange hereby certifies that a copy of this submission was concurrently posted on the CDNA website.

Should you have any questions regarding the above, please do not hesitate to contact me by telephone at (312) 884-0161 or by email at Kevin.Dan@nadex.com.

Sincerely,

/s/

Kevin Dan
Chief Compliance Officer and Chief Regulatory Officer
The North American Derivatives Exchange, Inc. d/b/a Crypto.com | Derivatives North America

EXHIBIT A

The Contract Specifications set forth below will appear in the Rulebook as Rule 13.29. Capitalized terms not defined herein shall have the meaning set forth in the Rulebook.

13.29 CONTINGENT DERIVATIVES CONTRACT - INDUSTRY EVENT - LIVE PRESENTATIONS - NAICS 711

(a) **SCOPE** – These Rules shall apply to the Class of Contracts referred to as the Contingent Derivatives Contract - Industry Event- Live Presentations - NAICS 711, a type of “Event Contract” listed by the Exchange.

(b) **UNDERLYING** – The Underlying for this Contract is a separate, discrete and identifiable industry event (the “Industry Event”) that determines a leader, champion, title holder or winner for that specific Industry Event that occurs on a specific Date.

(i) **Industry Event**: refers to any separate, discrete and identifiable live presentation industry event in Performing Arts, Spectator Sports, and Related Industries³ where the outcome identifies a leader, an achievement, an accomplishment, a champion, a title holder or a winner (the “Industry Event Holder”) from the eligible participants in the Industry Event (the “Industry Participants”).

(ii) **Date**: refers to the month, day and year in which the Industry Event takes place.

(c) **SOURCE AGENCY** – The Source Agency is the final result of the Industry Event reported by AP News or as a back-up Source Agency, any U.S. national news provider as published on the Trading System.

(d) **TYPE** – The Type of Contract is a contingent derivatives contract (i.e. an Event Contract), which is a Swap.

(e) **PAYMENT CRITERION** – The Payment Criterion for the Event Contract encompasses the Expiration Value where the Industry Event Holder is determined by the outcome of the Industry Event, as published by the Source Agency on the Expiration Date. Industry Event Holder will have the value set forth on the Trading System.

(f) **MINIMUM TICK** – The Minimum Tick size for the Event Contract shall be \$0.25.

³ The U.S. The Bureau of Labor Statistics maintains data for over 100 industries and uses the North American Industry Classification System (NAICS) for supersectors, sectors, and industries to categorize the data. The Event Contract encompasses Industry Events in the industry categorized under NAICS 711 (Performing Arts, Spectator Sports, and Related Industries). See <https://www.bls.gov/iag/tgs/iag711.htm>.

(g) POSITION LIMIT – The Position Limit for the Event Contract shall be 2,500 Contracts, or as updated on the Exchange’s website or Trading System.

(h) MARKET MAKER ALTERNATIVE POSITION LIMIT – The Position Limit for Market Makers shall be 250,000 Contracts, or as updated on the Exchange’s website or Trading System.

(i) LAST TRADING DATE – The Last Trading Date is the same as the Expiration Date. The Last Trading Time is the same as the Expiration Time. No trading in the Event Contract shall occur after its Last Trading Date and Last Trading Time.

(j) SETTLEMENT DATE AND TIME – The Settlement Date and Time will be the same as the Last Trading Date and Last Trading Time.

(k) EXPIRATION DATE – The Expiration Date of the Event Contract will be the date on which the Industry Event is held. The Expiration Date will be adjusted if a potential Industry Event Holder is eliminated from being eligible to participate in the Industry Event.

(l) EXPIRATION TIME – The Expiration Time of the Event Contract will be the start time of the Industry Event. The Expiration Time will be adjusted if a potential Industry Event Holder is eliminated from being eligible to participate in the Industry Event.

(m) SETTLEMENT VALUE – The Settlement Value is the amount paid to the holder of the in-the-money Event Contract on the Settlement Date. The Settlement Value of an in-the-money Event Contract is \$100.

(n) EXPIRATION VALUE – The Expiration Value is the value of the Underlying as documented by the Source Agency on the Expiration Date at the Expiration Time.

(o) CONTINGENCIES – If the Source Agency does not actually announce the outcome on or before the Expiration Date due to a delay, postponement or otherwise in such release announcement by the Source Agency, the Settlement Date and Time, Expiration Date, and Expiration Time will be delayed until the Underlying outcome is released.

(p) TRADING PROHIBITIONS – Certain individuals are prohibited from trading the Event Contract. Those persons include:

- Current and former Industry Participant players, coaches, agents and staff.
- Paid employees and management of the Industry Participants.
- Owners of the Industry Participants.
- Household members and immediate family members (siblings, children, and parents) of any of the above.

(q) TEMPORARY MARKET SUSPENSIONS – The Event Contract market will be temporarily suspended beginning approximately 60 seconds prior to the official start time of any event that is used to determine the Industry Event Holder or as set forth in the Trading System.

CONFIDENTIAL TREATMENT REQUESTED BY CDNA PURSUANT TO 17 CFR 145**EXHIBIT B****COMPLIANCE WITH APPLICABLE PROVISIONS OF THE ACT AND COMMISSION
REGULATIONS THEREUNDER****BACKGROUND**

In connection with CDNA's certification of the Economic and Commercial Event Contract (the "Event Contract"), below we set forth a concise explanation and an analysis of the swap's compliance with applicable provisions of the Act, including Core Principles, and the Commission's Regulations thereunder.

The Event Contract is a contingent derivatives contract that is a tradeable financial instrument designed to express a market view related to the broad and varying economic and commercial impacts of the outcome of an event in the live presentations industry events. Separate, discrete and identifiable live presentation industry events (each an "Industry Event") not only have an outcome that determines a leader, an achievement, an accomplishment, a champion, a title holder or a winner of a particular live presentation industry event, but more importantly the outcome of an live presentation industry event has a substantial economic and commercial impact on businesses and individuals throughout America depending on many factors.⁴ CDNA designed the Event Contract to meet the varied and diverse hedging and market needs of commercial firms and individuals impacted by or with an economic interest in the Industry Event outcome. The Event Contract is traded in the centralized market of the Exchange where bids and offers are matched first by price and then time priority. There is no intervention in the trading process by the Exchange or any other market participant. Rather, the Event Contract trades in a competitive, open, and efficient market and mechanism for executing transactions. The trading provides a market for the price and information discovery process related to market sentiment on the outcome of the Industry Event.

A wide range of factors and developments, including but not limited to the following, shape the significant commercial impact of Industry Events:

1. which Industry Participant make it to an Industry Event;
2. which Industry Participant leader, title holder or winner of an Industry Event;
3. where the Industry Event is located;
4. the hometowns of Industry Participants that makes it to the Industry Event;

⁴ The U.S. The Bureau of Labor Statistics maintains data for over 100 industries and uses the North American Industry Classification System (NAICS) for supersectors, sectors, and industries to categorize the data. The Event Contract encompasses Industry Events in the industry categorized under NAICS 711 (Performing Arts, Spectator Sports, and Related Industries). See <https://www.bls.gov/iag/tgs/iag711.htm>.

5. the decisions by businesses as to how much money to spend on Industry Event advertisements within and beyond the surrounding areas of where the Industry Event is held;
6. how many people are drawn to the Industry Event (in person, streamed over the Internet, or watching from a local restaurant or bar);
7. the hiring of part-time and full-time employees to support the Industry Event and ancillary and adjacent activities, including any applicable post-Industry Event parades and celebrations;
8. impacts on the production and sales of products and services advertised during the Industry Event;
9. impacts on the production and sales of ancillary and adjacent products and services that support the Industry Event (e.g. hotels, airlines, rental properties, car rentals, entertainment events, taxis and rideshares, tourism generally, food items including chicken wings, pizza, and beverages);
10. decisions by viewers and the public at-large on taking a market view related to the Industry Event;
11. the impact of all Industry Event participant sponsorships including visibility, future branding campaigns, and advertisement thereon; and
12. City, county, and state level tax receivables.

The Event Contract's commercial utility directly derives from the broad-based and diverse number of businesses and individuals that are economically impacted by Industry Event and the availability of a fully regulated approach to hedging against the commercial risks associated with uncertain outcomes.

The Event Contract is designed to manage the risk of a variety of market participants, whose businesses face economic consequences based on the outcome of a respective Industry Event, and to enable price discovery for related commercial enterprises. As set forth below, these market participants take on material economic risk based on the outcome of an Industry Event. As is the case with any financial derivatives contract, the Event Contract may also be bought and sold speculatively, which creates a robust and healthy market. The Event Contract may also meet other hedging and speculative needs and suit other purposes of market participants that CDNA has not considered.

Industry Events serve as a significant economic driver whose economic effects can be felt in infrastructure investments, transportation networks, and the global supply chain. With this in mind, the following is a sampling of just some of the market participants that would benefit from hedging their economic exposure on a federally-regulated derivatives exchange. These market participants encounter direct and quantifiable economic consequences when engaging in activities related to the outcome of the Industry Event, making the Industry Event, itself, a commercial event.

1. Vendors and Merchandisers

Vendors and merchandisers would benefit from the ability to hedge their risks associated with the uncertainty of supply chain and product demand. Vendors and merchandisers take on risk when deciding how to utilize services and distribute products for an event that a large percentage of Americans consume, as with other commercial products and services. Moreover, vendors and merchandisers may use an Industry Event to introduce promotional events where, if their forecasted result does not occur, the vendor or merchandiser may face a significant commercial impact.

2. Advertisers

Advertisers would benefit from hedging their investment in Industry Event ad campaigns. Advertisements can reach millions of dollars for a 30-second commercial spot and thus carry the risk to advertisers' return on investment if the commercial or branding does not perform as expected.

3. Local Municipality (Host Location)

Local municipalities would benefit from hedging the risk exposure they take on as Industry Event hosts. Industry Events have the potential to generate millions of dollars in local gross domestic product, and billions of dollars in overall economic impact. This economic benefit, however, is by no means guaranteed to be net positive. Moreover, local municipalities face exposure to risk from fan unrest and local property destruction following the outcome of an Industry Event, which necessitates increased financial resources for safety and emergency response. Local municipalities that host Industry Events would benefit from having the ability to hedge the risk associated with the outcome of an Industry Event that comes with a substantial up-front investment with indeterminate revenue outcomes and safety concerns.

4. Local Municipalities (Association Participant Hometowns)

Local municipalities where Industry Participants partaking in an Industry Event are located would benefit from hedging their risk regarding the outcome. In addition to safety and security concerns noted above, the local municipality may wish to host a celebration, such as a parade, to fete the victorious Industry Participant. In such a circumstance, the local governments would be at risk of a major outlay to host a celebration. Hedging this exposure would mitigate the economic impact to local municipalities' budgets.

5. Airlines

Airlines and other travel-related industries would benefit from being able to hedge their exposure for an anticipated major commercial event such as an Industry Event. Airlines take on risk as

they prepare for surge in travel demand because they must increase flights and capacity to accommodate the influx of fans to and from particular locations.

6. Stadium and Arena Owners and Operators

The owners and operators of the stadium or arena in which an Industry Event is held would benefit from being able to hedge the risk of hosting such a massive event. The stadium or arena owners and operators take on risk as they make a substantial investment in hosting an Industry Event and must account for insurance, weather-related incidents, vendors, workers' compensation, sponsors, security, and other third-party service providers. As the production inputs of an Industry Event increase, the stadium owners and operators would benefit from being able to hedge these operational risks based on the outcome of the event.

7. Broadcast and Streaming Companies

Broadcast and streaming companies would benefit from hedging the risk associated with bidding on the broadcast rights to an Industry Event. Bids to air the Industry Event require billions of dollars, and come with the risk that the association participants playing will not be able to develop an audience that would allow the broadcast or streaming companies to recoup their costs. Additionally, the broadcast and streaming companies face operational risks, such as lag or dead air, that would threaten their reputation and their financial wellbeing. The competitiveness and outcome of the Industry Event influences overall viewership that influences a broadcaster's willingness to bid on the broadcast rights.

8. Insurance Companies

Insurance companies would benefit from being able to hedge the risks presented to them by insuring occurrences and developments related to an Industry Event. Insurance companies take on a variety of risks relating to an Industry Event in terms of individual homeowner policies as well as large policies insuring the venue itself, whether in the city where an Industry Event is located or in the hometowns of the association participants in an Industry Event that year. Homeowner's insurance claims place insurers at risk during the Industry Event due to large group gatherings with increased grilling, fires, and alcohol, which all have the potential to lead to an increased volume of claims. Policies ensuring the venue itself pose exposure to the insurance companies that write the respective policies if an emergency occurs. Therefore, insurance companies would benefit from having the ability to hedge these risks associated with the outcome of the Industry Event.

* * * * *

Trading in the Event Contract would also offer market participants the opportunity to engage in price discovery related to the economic outcome, one of the key benefits of transacting in a

regulated exchange environment. With millions in viewership and billions of dollars in revenue, each Industry Event presents unique risks and opportunities for market participants to optimize through business decision-making, from merchandising choices to insurance policy writing. By offering the Event Contract on a CFTC-registered exchange such as CDNA, market participants can take advantage of the transparency, liquidity, efficiency and real-time pricing adjustments of a regulated, exchange-trading environment. Industry Events provide a massive pool of consumer data—offering market participants access to that data would enhance informed decision-making about how to mitigate risks and adjust their risk profiles, thereby establishing a fair market value and supply for their goods and services. The establishment of the true price gives participants an opportunity to engage in calculated risk-mitigation and risk-taking to best achieve their goals and benefit the public and communities they serve.

Based on the above, the Event Contract would allow market participants access to a product that would meet their legitimate hedging needs and allow for efficient and accurate price discovery in these markets.

CONFIDENTIAL TREATMENT REQUESTED BY CDNA PURSUANT TO 17 CFR 145

CONFIDENTIAL TREATMENT REQUESTED BY CDNA PURSUANT TO 17 CFR 145**DESIGNATED CONTRACT MARKET ("DCM") CORE PRINCIPLES**

The Exchange has identified the following DCM Core Principles as potentially being impacted by the launch of the Event Contract: Core Principle 2 (Compliance with Rules), Core Principle 3 (Contracts Not Readily Subject to Manipulation), Core Principle 4 (Prevention of Market Disruption), Core Principle 7 (Availability of General Information), Core Principle 8 (Daily Publication of Trading Information), and Core Principle 18 (Recordkeeping).

A. Core Principle 2 Compliance with Rules

Core Principle 2 requires the DCM to have the capacity to detect, investigate, and apply appropriate sanctions to any person that violates any rule of the contract market. The Exchange has a dedicated Compliance/Regulatory staff that monitors the markets, investigates potential rule violations, and imposes sanctions against individuals who have been determined to have violated the Rules. The Exchange has an automated trade surveillance system, SCILA, which is capable of detecting potential trade practice violations, and also conducts real-time market monitoring of all trading activity in all Contracts, at all hours the Exchange is open. The Exchange is able to set the parameters by which the system detects potential issues. Chapter 9 of the Exchange Rulebook sets forth the Exchange's authority to investigate and sanction Members for activity that violates the Exchange Rules. Exchange Rule 2.10 grants the Exchange jurisdiction over any Person initiating or executing a transaction on or subject to the Rules of the Exchange, either directly or through an intermediary, and any Person for whose benefit such transaction has been initiated or executed. The Exchange's jurisdiction continues notwithstanding the termination of the Person's Exchange Membership. Exchange Rule 3.3 requires all Trading Members and Authorized Traders to comply with the Exchange Rules and to cooperate with the Exchange promptly and fully in any investigation, call for information, inquiry, audit, examination or proceeding. Such cooperation may involve a request for the Member's or Authorized Trader's activity in the relevant Underlying. Accordingly, the listing of the Event Contract will not negatively impact the Exchange's ability to comply with this Core Principle.

The Exchange certifies that its surveillance program together with its participation in a key industry group for information sharing and regulatory coordination addresses the requirements of Core Principle 2.

B. Core Principle 3 Contracts Not Readily Subject to Manipulation and Core Principle 4 Prevention of Market Disruption

Core Principles 3 and 4 (Contracts Not Readily Subject to Manipulation and Prevention of Market Disruption), implemented by Commission Regulations 38.200 and 38.250, require a DCM

to list only contracts that are not readily susceptible to manipulation and to prevent market disruption. The Exchange has at least one existing Market Maker that has committed to providing liquidity in these contracts, which should limit opportunities for markets in the Event Contract to be manipulated. As previously stated, the Exchange also uses the SCILA surveillance system to assist with market monitoring and has a staff dedicated to market surveillance to detect potential market manipulation.

The Exchange has dedicated staff to conduct surveillance of the market and uses the SCILA surveillance system to assist with market monitoring at all times the Event Contract will be listed.

The Exchange trading system has a cap-check feature that ensures a trader has sufficient funds in the account to fully collateralize the Order if executed before the Order is accepted by the Exchange. The Exchange also has the ability to block new Orders and/or cancel working Orders if necessary to prevent market disruption.

Additionally, Commission Regulation 38.256 requires a DCM to have the ability to comprehensively and accurately reconstruct all trading on its trading facility. The Exchange is currently able to reconstruct trading in its markets based on the data stored in the database, the SCILA surveillance system, as well as the Exchange log files. Trade data will continue to be stored in this same manner following the addition of the Event Contract. Therefore, the addition of these contracts will not negatively impact the Exchange's ability to comply with these Core Principles.

C. Core Principle 5 Position Limits

Core Principle 5 requires the DCM set position limits or position accountability to reduce the potential threat of market manipulation or congestion. The Exchange has set the initial position limit for Trading Members at 2,500 Contracts, thereby reducing the motivation for an individual to manipulate the Underlying in order to affect the Exchange settlement, explained in detail above. Market Makers will not be subject to the 2,500 Contract position limit in order to provide sufficient liquidity to the market. Market Makers will instead be subject to an Alternative Position Limit of 250,000 Contracts. A Market Maker taking advantage of the Alternative Position Limits must, within one business day following a request by the Exchange's Compliance Department, provide the Exchange Compliance Department with a trade register detailing all trading activity in any account owned or controlled by the Market Maker in the relevant Underlying during the 15 minutes immediately before and after any Expiration time identified by the Exchange's Compliance Department in the request.

D. Core Principle 7 Availability of General Information and Core Principle 8 Daily Publication of Information

Core Principles 7 and 8, implemented by Commission Regulations 38.400, 38.401, 38.450, and 38.451, require a DCM to make available to the public accurate information regarding the contract terms and conditions, as well as daily information on contracts such as settlement price, volume, open interest, and opening and closing ranges. The Exchange makes the Exchange Rulebook available on its website, as well as the Daily Bulletin which contains the preceding required information. The Results page on the website also publishes the Expiration Value and Settlement Value for all the Exchange contracts settled during that week. Contract specifications for the new Event Contracts will likewise be set forth in the Rulebook and on the Exchange website. Settlement prices, volume, open interest, and opening and closing ranges for the Event Contract will be included on the Daily Bulletin and posted on the Exchange website. Therefore, the addition of the Event Contract will not negatively impact the Exchange's ability to comply with these Core Principles.

E. Core Principle 9 Execution of Transactions

Core Principle 9 requires the DCM to provide a competitive, open, and efficient market and mechanism for executing transactions that protects the price discovery process. The Exchange has [one] dedicated Market Maker[s] that have committed to pricing a two-sided market. Market participants are able to view the orderbook up to five layers deep (depending on the market activity at any particular time) on the platform. The Exchange displays the Time and Sales of all Contracts traded on the Exchange website which is updated every 15 minutes. Therefore, the addition of the Event Contract will not negatively impact the Exchange's ability to comply with this Core Principle.

F. Core Principle 10 Trade Information

Core Principle 10 requires the DCM to maintain rules and procedures to provide for the recording and safe storage of all identifying trade information in a manner that enables the contract market to use the information to assist in the prevention of customer and market abuses and to evidence any violations of the Exchange Rules. The Exchange maintains an electronic audit trail as required by the Commission Regulations which enables the Exchange to review all activity on the Exchange.

G. Core Principle 11 Financial Integrity of Transactions

Core Principle 11 requires the DCM to establish and enforce rules and procedures for ensuring the financial integrity of transactions entered on the contract market. As with all Contracts offered on the Exchange, the Event Contract will be fully collateralized and Members entering a

transaction will have knowledge of their maximum risk prior to executing a transaction. All transactions will be cleared by CDNA's registered derivatives clearing organization.

H. Core Principle 12 Protection of Markets and Market Participants

Core Principle 12 requires a DCM to protect markets and market participants from abusive practices committed by any party and to promote fair and equitable trading on the contract market. Chapter 5 of the Exchange Rulebook establishes Rules to protect the market and market participants from abusive, disruptive, fraudulent, noncompetitive, and unfair conduct and trade practices. The Rules apply to all market participants and transactions on the Exchange, and participants will need to comply with the Rules when trading the Event Contract.

I. Core Principle 18 Recordkeeping

Finally, Core Principle 18, implemented by Commission Regulation 38.951, requires a DCM to maintain records of all activities relating to the business of the DCM, (i) in a form and manner that is acceptable to the Commission, and (ii) for a period of at least 5 years. A DCM must maintain such records in accordance with the applicable requirements of Commission Regulations.

CONFIDENTIAL TREATMENT REQUESTED BY CDNA PURSUANT TO 17 CFR 145

CONFIDENTIAL TREATMENT REQUESTED BY CDNA PURSUANT TO 17 CFR 145**DCM CORE PRINCIPLES**

Core Principle Number	Core Principle Name	Addressed in or Not Applicable to Certification
1	Designation as Contract Market	Not applicable (designation granted)
2	Compliance with Rules	Addressed
3	Contracts Not Readily Subject to Manipulation	Addressed
4	Prevention of Market Disruption	Addressed
5	Position Limitations or Accountability	Addressed
6	Emergency Authority	Not applicable (the Exchange Rulebook, 2.4 Emergency Rules)
7	Availability of General Information	Addressed
8	Daily Publication of Trading Information	Addressed
9	Execution of Transactions	Addressed
10	Trade Information	Addressed
11	Financial Integrity of Transactions	Addressed
12	Protection of Markets and Market Participants	Addressed
13	Disciplinary Procedures	Not applicable (the Exchange Rulebook, Chapter 9 Rule Enforcement)

14	Dispute Resolution	Not applicable (the Exchange Rulebook, 10.2 – 10.4 Arbitration)
15	Governance Fitness Standards	Not applicable (the Exchange Rulebook, 2.2 Service Restrictions, 11.2 Service and Disciplinary History)
16	Conflicts of Interest	Not applicable (the Exchange Rulebook, 2.6 Voting, 2.9 Trading Limitations, 11.1 Non-Public Information, 11.3 Voting)
17	Composition of Governing Boards of Contract Markets	Not applicable (internal review and appointment of directors)
18	Recordkeeping	Addressed
19	Antitrust Considerations	Not applicable
20	System Safeguards	Not applicable (internal controls and policies in place)
21	Financial Resources	Not applicable (capital requirements and quarterly reporting compliant)
22	Diversity of Boards of Directors	Not applicable (not public company, internal review and appointment of directors)
23	Securities and Exchange Commission	Not applicable

CONFIDENTIAL TREATMENT REQUESTED BY CDNA PURSUANT TO 17 CFR 145