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IN THE UNITED STATES DISTRICT COURT
 FOR THE DISTRICT OF ARIZONA

KalshiEX LLC,

Plaintiff,

v.

Jackie Johnson, in her official capacity as
 Director of the Arizona Department of
 Gaming; Douglas Jensen, in his official
 capacity as Chief Law Enforcement Officer
 of the Arizona Department of Gaming;
 Arizona Department of Gaming; and
 Kristin K. Mayes, in her official capacity as
 Attorney General for the State of Arizona,

Defendants.

Case No.

**COMPLAINT FOR PERMANENT
 INJUNCTION AND
 DECLARATORY RELIEF**

INTRODUCTION

1
2 1. This action challenges the State of Arizona’s intrusion into the federal
3 government’s exclusive authority to regulate derivatives trading on exchanges overseen by
4 the Commodity Futures Trading Commission (“CFTC”). 7 U.S.C. § 2(a)(1)(A). There is
5 a substantial risk that the Attorney General of Arizona (the “Arizona AG”) will bring an
6 enforcement action against Plaintiff KalshiEX LLC (“Kalshi” or “Plaintiff”) on behalf of
7 the Arizona Department of Gaming (“ADG” or the “Department”) with the intent to
8 prevent Kalshi from offering event contracts for trading on its federally regulated
9 exchange. Plaintiff KalshiEX LLC (“Kalshi” or “Plaintiff”) believes the State of Arizona
10 will imminently bring an enforcement action against Kalshi with the intent to prevent
11 Kalshi from offering event contracts for trading on its federally regulated exchange.

12 2. Kalshi is a federally designated derivatives exchange, subject to the CFTC’s
13 “exclusive jurisdiction.” 7 U.S.C. § 2(a). It offers consumers the opportunity to trade in
14 many types of event contracts. These contracts are subject to exclusive federal oversight,
15 and—critically—they are *lawful* under federal law. Thus, they are also lawful under
16 Arizona’s own anti-gambling laws, which provide a carveout for “bona fide business
17 transactions that are valid under the law of contracts including contracts for the purchase
18 or sale at a future date of securities or commodities.” A.R.S. § 13-3301(6).

19 3. Nevertheless, the ADG has sent Kalshi a cease-and-desist letter stating its
20 belief that offering event contracts, including sports event contracts, based on future events
21 without a license violated Arizona law. The letter directed Kalshi to “cease gambling
22 operations in Arizona and desist from engaging in those activities in the future” and
23 threatened Kalshi with criminal penalties if it did not comply. Ex. 1 at 2. Defendants have
24 additionally made numerous statements indicating they believe Kalshi is operating
25 unlawfully under Arizona’s anti-gambling laws by offering event contracts. The agencies
26 also threatened to revoke the license of any entity that partners with Kalshi anywhere in
27 the United States. And when Kalshi’s counsel attempted to contact the Arizona AG to
28

1 obtain Defendants’ written assurances of non-enforcement, Kalshi was met with silence,
2 even though the Arizona AG had previously been willing to communicate with counsel
3 and had previously assured Kalshi that Defendants would not pursue an enforcement action
4 without providing prior notice.

5 4. Federal law preempts Arizona from subjecting Kalshi to state law.
6 Preemption exists under straightforward principles of express preemption, field
7 preemption, and conflict preemption. This Court should therefore grant Kalshi injunctive
8 and declaratory relief on preemption grounds.

9 5. Commodity futures regulation has long been under the exclusive purview of
10 the federal government. In 1936, Congress passed the Commodity Exchange Act (“CEA”),
11 which enacted a federal regulatory framework for derivatives. In 1974, Congress
12 established the CFTC as a federal agency to oversee it.

13 6. The text, purposes, and statutory history of the CEA leave no question that
14 Congress sought to preempt state regulation of derivatives on exchanges overseen by the
15 CFTC, known as “designated contract markets” or “DCMs.” The text of the statute gives
16 the CFTC “exclusive jurisdiction” over trading on federally regulated exchanges. 7 U.S.C.
17 § 2(a)(1)(A). During the drafting of the 1974 amendments to the CEA, Congress deleted
18 a provision that would have granted states concurrent jurisdiction over futures trading. *See*
19 120 Cong. Rec. 30464 (1974) (statements of Sens. Curtis and Talmadge). One of
20 Congress’s avowed goals in creating the CFTC was to avoid the “chaos” that would result
21 from subjecting exchanges to a patchwork of 50 different—and potentially conflicting—
22 state laws. *Commodity Futures Trading Commission Act: Hearings Before the S. Comm.*
23 *on Agric. & Forestry on S. 2485, S. 2578, S. 2837, and H.R. 13113*, 93d Cong., 2d Sess.
24 685 (1974) (hereinafter “Senate Hearings”) (statement of Sen. Clark). As the conference
25 report to the 1974 amendments explained, the amendments were designed to “preempt the
26 field insofar as futures regulation is concerned.” H.R. Rep. No. 93-1383, at 35 (1974)
27 (Conf. Rep.). And the statute gives the CFTC comprehensive authority over regulated
28

1 exchanges, including the authority to approve or reject certain categories of event contracts
2 as against the public interest.

3 7. For that reason, courts have easily found that the CEA preempts state laws
4 in similar contexts. *See, e.g., Am. Agric. Movement, Inc. v. Bd. of Trade of Chi.*, 977 F.2d
5 1147, 1156 (7th Cir. 1992), *abrogated on other grounds by Time Warner Cable v. Doyle*,
6 66 F.3d 867, 875 n.7 (7th Cir. 1995); *Bibbo v. Dean Witter Reynolds, Inc.*, 151 F.3d 559,
7 563–64 (6th Cir. 1998).

8 8. Commentators have likewise concluded with no difficulty that the CEA
9 “resulted in the preemption of all other would-be regulators at every level of government.”
10 Philip F. Johnson, *The Commodity Futures Trading Commission Act: Preemption as*
11 *Public Policy*, 29 Vand. L. Rev. 1, 2 (1976). And commentators have specifically
12 recognized that “the CEA preempts state bucket-shop laws and other anti-gambling
13 legislation.” Kevin T. Van Wart, *Preemption and the Commodity Exchange Act*, 58 Chi.-
14 Kent L. Rev. 657, 721 (1982).

15 9. The CFTC itself agrees. It recently informed the U.S. Court of Appeals for
16 the D.C. Circuit that, “*due to federal preemption, event contracts never violate state law*
17 *when they are traded on a DCM*” like Kalshi. Brief for Appellant at *27, *KalshiEX LLC v.*
18 *CFTC*, 119 F.4th 58 (D.C. Cir. 2024) (No. 24-5205), 2024 WL 4512583 (emphasis added).
19 Just last month, the CFTC affirmed that it has exclusive jurisdiction to regulate derivatives
20 markets like Kalshi, and it defended that authority against improper attacks from state
21 regulators such as Arizona’s. Amicus Brief of CFTC at 1, *N. Am. Derivatives Exch., Inc.*
22 *v. Nevada*, No. 25-7187 (9th Cir. Feb. 17, 2026), Dkt. No. 38.2 (“CFTC Amicus Br.”)
23 (“Congress vested the CFTC with exclusive jurisdiction to protect that national interest by
24 overseeing the regulation of futures, options, and swaps traded on federally regulated
25 exchanges . . . [t]he CFTC’s jurisdiction supersedes State as well as Federal agencies
26 because commodity derivatives markets require nationally uniform rules governing the
27 listing, trading, clearing, settlement, surveillance, and enforcement of financial instruments
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1 traded in these markets to prevent the type of fragmented oversight” that would result from
2 state enforcement) (citation modified) (emphasis added).

3 10. Multiple courts have agreed that the CEA preempts state law as to Kalshi’s
4 contracts. Last month, the U.S. District Court for the Middle District of Tennessee granted
5 Kalshi a preliminary injunction barring officials in that state from taking action against
6 Kalshi’s exchange. *KalshiEX v. Orgel*, No. 3:26-cv-00034, 2026 WL 474869, at *7 (M.D.
7 Tenn. Feb. 19, 2026). The court concluded “that Kalshi is likely to succeed on the merits
8 because sports event contracts are ‘swaps’ and conflict preemption applies.” *Id.* The court
9 further concluded that Kalshi would suffer irreparable harm because its constitutional
10 rights were threatened and because “[a]bsent an injunction, Kalshi could either continue its
11 operations in Tennessee and face potential civil and criminal liability” or attempt to comply
12 and risk its position as a national exchange. *Id.* at *10. The court further noted that Kalshi
13 would be irreparably injured from the “substantial expenses and reputational harm” it
14 would incur from attempting to comply with Tennessee’s unconstitutional demands. *Id.* at
15 *11.

16 11. The U.S. District Court for the District of New Jersey likewise granted
17 Kalshi’s preliminary injunction in April 2025 to prevent similar state overreach. The court
18 enjoined state officials from attempting to prohibit Kalshi’s event contracts, explaining that
19 it was “persuaded . . . Kalshi’s sports-related event contracts fall within the CFTC’s
20 exclusive jurisdiction” and “at the very least field preemption applies” to prevent states
21 from regulating trading on DCMs like Kalshi. *KalshiEX LLC v. Flaherty*, No. 25-cv-
22 02152, 2025 WL 1218313, at *6 (D.N.J. Apr. 28, 2025). Moreover, the court recognized
23 that even the “express preemption provisions” of 7 U.S.C. § 16 “do[] not foreclose implied
24 preemption elsewhere within the CEA.” *Id.* at *5. In ruling for Kalshi, the court
25 emphasized that even if Kalshi’s contracts were “unlawful” under federal law “that would
26 subject Kalshi to the review of the CFTC—not state regulators.” *Id.* The court also found
27 that Kalshi faced irreparable harm because:
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[T]he prospect of facing civil or criminal enforcement or complying and compromising the integrity of its contracts imperils the reputation Kalshi has cultivated over several years . . . at minimum—Kalshi has identified harms to its reputation and goodwill that are both likely without injunctive relief and not able to be remedied following trial.

Id. at *7 (describing the circumstances as a “Hobson’s choice” for Kalshi where “leaving it subject to state enforcement or obligating it to shift its business practices [are] consequences that are not cleanly undone”).

12. While some courts have found that the CEA does not prevent states from barring Kalshi’s event contracts, those decisions are mistaken and have been appealed. *See KalshiEX LLC v. Martin*, 793 F. Supp. 3d 667 (D. Md. 2025); *KalshiEX, LLC v. Hendrick*, No. 2:25-cv-00575, 2025 WL 3286282 (D. Nev. Nov. 24, 2025); *KalshiEX, LLC v. Schuler*, No. 2:25-cv-1165, slip op. (S.D. Ohio Mar. 9, 2026).

13. Even though Kalshi’s contracts are subject to the CFTC’s exclusive jurisdiction, Defendants have made clear that they (mistakenly) believe that Kalshi’s contracts are instead subject to—and unlawful under—Arizona law. In May 2025, the ADG claimed that “Kalshi is not licensed [in Arizona] and its operation of event wagering in Arizona is illegal.” Ex. 1, at 1. Additionally, in September 2025, the ADG wrote to “Event Wagering Operators” licensed in Arizona, taking the position that “[o]ffering or selling event contracts to persons located within Arizona without a license from the Department violates Arizona law.” Ex. 2, at 1.

14. Defendant Mayes has targeted Kalshi’s contracts elsewhere, too. In her official capacity as Arizona’s Attorney General and on behalf of the State of Arizona, Defendant Mayes has signed multiple amicus briefs that claim Kalshi is violating comparable state laws by offering sports event contracts. *See generally* Brief of Amici Curiae, *KalshiEX LLC v. Flaherty*, No. 25-1922 (3d Cir. June 17, 2025), Dkt. No. 29 (“June Amicus”); Brief of Amici Curiae, *KalshiEX LLC v. Martin*, No. 25-1892 (4th Cir. Dec. 22, 2025), Dkt. No. 41-1 (“December Amicus”); Brief of Amici Curiae, *KalshiEX LLC v.*

1 *Hendrick*, No. 25-7516 (9th Cir. Jan. 30, 2026), Dkt. No. 48.1 (“January Amicus”); Brief
 2 of Amici Curiae, *N. Am. Derivatives Exch., Inc. v. Nevada*, No. 25-7187 (9th Cir. Mar. 10,
 3 2026), Dkt. No. 76.1 (“March Amicus”). Those amicus briefs argue that states, not the
 4 CFTC, have the sole power to regulate Kalshi’s sports event contracts. *Id.* And although
 5 those cases were focused particularly on Kalshi’s sports event contracts, the positions
 6 advanced by the amicus briefs could apply to *all* of Kalshi’s contracts. CFTC Amicus Br.
 7 at 2–3, 17–18, 28–29 (explaining that arguments advanced by states in attempting to
 8 regulate sports event contracts apply beyond sports events, and this conduct improperly
 9 usurps the CFTC’s exclusive authority while causing “market fragmentation [that] erode[s]
 10 the nationally uniform framework Congress established to reduce risk, promote
 11 transparency, and safeguard market integrity within the financial system.”).

12 15. Arizona state laws subject unlawful gaming transactions to civil and criminal
 13 penalties. Defendants’ statements make abundantly clear that they think Kalshi’s event
 14 contracts constitute unlawful gaming. Defendants have recently refused to provide Kalshi
 15 with assurances that they will refrain from bringing an enforcement action against Kalshi
 16 under preempted state law.

17 16. Kalshi reasonably believes Defendants intend to bring an enforcement action
 18 against Kalshi unless Kalshi stops offering all event contracts—which, again, are offered
 19 for trade on its federally regulated exchange without objection from the CFTC—in
 20 Arizona. In doing so, Defendants would seek to subject Kalshi to the patchwork of state
 21 regulation that Congress created the CFTC to prevent, and Defendants would interfere with
 22 the CFTC’s exclusive authority to regulate derivatives trading on the exchanges it oversees.

23 17. Defendants’ anticipated actions are preempted under the Supremacy Clause
 24 of the U.S. Constitution—both because Congress has expressly and impliedly occupied the
 25 field of regulating trading on CFTC-approved exchanges, and because Defendants’ acts
 26 would squarely conflict with federal law. Kalshi is entitled to declaratory and injunctive
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1 relief to prevent Arizona authorities from enforcing their preempted state laws against
2 Kalshi.

3 18. Moreover, Defendants' threatened conduct contravenes Arizona's own anti-
4 gambling laws which exempt "bona fide business transactions that are valid under the law
5 of contracts including contracts for the purchase or sale at a future date of securities or
6 commodities" from the definitions of "gambling," "gamble," and "wager." A.R.S. § 13-
7 3301(6).

8 19. Accordingly, Defendants' anticipated actions threaten impending and
9 irreparable harm, not just to Kalshi, but to its customers and commercial counterparties.
10 Shutting down Kalshi's ability to offer event contracts in Arizona would threaten Kalshi's
11 viability and require devising complex technological solutions whose feasibility is entirely
12 untested and unclear. It would also impair Kalshi's existing contracts with consumers and
13 business partners, subject Kalshi's users to uncertainty and loss, undermine confidence in
14 the integrity of Kalshi's platform, threaten its prospective business relationships, and
15 jeopardize Kalshi's status as a CFTC-approved exchange. For these reasons, Kalshi
16 intends to seek injunctive relief to avoid the immediate and irreparable harm that would
17 result if Defendants were to commence an enforcement action.

18 **JURISDICTION AND VENUE**

19 20. This Court has jurisdiction over this action pursuant to 28 U.S.C. § 1331
20 because the action arises under the Supremacy Clause of the United States Constitution.
21 The federal question presented is whether Arizona law is preempted by the CEA, 7 U.S.C.
22 §§ 1 *et seq.*, as applied to Kalshi's event contracts.

23 21. The Eleventh Amendment imposes no bar to this Court's jurisdiction in this
24 suit for prospective declaratory and injunctive relief against state officials. The "Eleventh
25 Amendment does not bar actions seeking only prospective declaratory or injunctive relief
26 against state officers in their official capacities." *L.A. Cnty. Bar Ass'n v. Eu*, 979 F.2d 697,
27 704 (9th Cir. 1992).

22. Venue is proper under 28 U.S.C. §§ 1391(b)(1) and 1391(b)(2). Defendants perform their duties in and thus reside in this District. A substantial part of the events giving rise to the claim occurred in this District.

PARTIES

23. Plaintiff Kalshi is a financial services company with its principal place of business in New York. Kalshi operates a derivatives exchange and prediction market where users can buy and sell financial products known as event contracts. Its exchange market is federally regulated by the CFTC pursuant to the CEA, 7 U.S.C. §§ 1 *et seq.*

24. Defendant Jackie Johnson is sued in her official capacity as Director of the ADG.

25. Defendant Douglas Jensen is sued in his official capacity as Chief Law Enforcement Officer of the ADG.

26. Defendant ADG is sued as the state agency that regulates legal gambling in the State of Arizona by conducting licensing, permitting, collecting, auditing, testing, programming, inspecting, investigating, prosecuting, and reporting activities with respect to covered entities. The ADG oversees licensing, regulating, investigating and penalizing casino operators, management companies, holding companies, key employees, casino gaming employees, and gaming-related vendors in Arizona. As the state's gaming regulator, the ADG has jurisdiction over all persons participating in casino gaming.

27. Defendant Kristin ("Kris") Mayes is sued in her official capacity as the Arizona AG.

28. Together, defendants Jackie Johnson, Douglas Jensen, ADG, and Kris Mayes would be responsible for enforcing any demand for Kalshi to comply with Arizona state law that is preempted by federal law.

FACTUAL ALLEGATIONS**A. An Event Contract—Like Other Derivatives—Is a Recognized Financial Tool to Mitigate Risk.**

29. Derivatives contracts are financial tools used to mitigate risk. Event contracts are a quintessential example of a derivatives contract—they are a type of option. This form of derivatives contract identifies a future event with several possible outcomes, a payment schedule for the outcomes, and an expiration date. Most commonly, event contracts involve a binary question: Every “yes” position has an equal and opposite “no” position. For example, a derivatives contract might center around whether an earthquake will take place in Los Angeles County before December 31, 2026. A purchaser may trade on either the “yes” or the “no” position on the contract. If an earthquake does take place in Los Angeles County before the end of the calendar year, then the “yes” positions would be paid out.

30. Event contracts are traded on an exchange. Traders exchange positions with other traders in the marketplace. Importantly, event contracts do not reflect a “bet” against the “house.” Because traders do not take a position against the exchange itself, traders’ ability to hedge risk requires counterparties willing to assume risk in the hope of seeing a return. *See Merrill Lynch, Pierce, Fenner & Smith, Inc. v. Curran*, 456 U.S. 353, 358 (1982) (“The liquidity of a futures contract, upon which hedging depends, is directly related to the amount of speculation that takes place.”). Kalshi’s exchange links traders seeking to hedge or seeking returns based on the uncertainty associated with financially significant events.

31. The value of an event contract is determined by market forces. An event contract’s price will fluctuate between the time of its creation and the expiration date in accordance with changing market perceptions about the likelihood of the event’s occurrence. During that period, individuals can buy and sell the contract at its fluctuating prices. The ultimate value of an event contract is determined at its expiration date. If the

1 underlying event occurs, the holder of the “yes” position is entitled to its full value. But if
2 the underlying event does not occur, the holder of the “no” position gets the payment.

3 32. Traders price event contracts by reference to available information at any
4 given time. If new information comes to light portending an increase in the likelihood of
5 the event’s occurrence, then the event contract’s price will increase. The market prices of
6 event contracts thus reflect probabilistic beliefs about whether the underlying event will
7 occur. Returning to the earthquake example, a “yes” contract that trades at 30 cents reflects
8 that the market believes that there is a 30% chance of an earthquake this year. The 30%
9 figure can be informed by datapoints the market deems significant, such as the time since
10 the last earthquake in the area and the frequency of fault line tremors in preceding months
11 surrounding Los Angeles County.

12 33. Event contracts are a valuable means to hedge against event-driven volatility.
13 Event contracts reflect real-time risk assessment and thus provide a nuanced and finely
14 tuned opportunity for traders to mitigate their exposure to real-world events in an uncertain
15 market. There is no other widely available financial instrument with this unique capability
16 to capture the risks of an event with potential economic consequences, which is a benefit
17 not only to those that wish to hedge risk or seek return, but also to market observers and
18 other economic actors.

19 34. To give just some of many examples, last month, researchers at the Federal
20 Reserve published a paper for which the “results suggest that Kalshi markets provide a
21 high-frequency, continuously updated, distributionally rich benchmark that is valuable to
22 both researchers and policymakers.”¹ Findings in that paper included that “Kalshi markets
23 are well-behaved and broadly consistent with those from more established financial
24 instruments,” and that “in several episodes, they allocate probability mass in ways that may

25
26 ¹ Anthony M. Diercks, Jared Dean Katz & Jonathan H. Wright, *Kalshi and the Rise of*
27 *Macro Markets*, Finance and Economics Discussion Series Paper 2026-010, Board of
28 Governors of the Federal Reserve System, at 1 (Feb. 18, 2026),
<https://www.federalreserve.gov/econres/feds/kalshi-and-the-rise-of-macro-markets.htm>.

1 reflect the range of plausible macroeconomic outcomes better than traditional financial
 2 derivative or survey-based forecasts.”² Further, Kalshi’s “median and mode have a perfect
 3 forecast record on the day before the [Fed Open Market Committee] meeting, which
 4 represents a statistically significant improvement over the fed funds futures forecast,”³ and,
 5 for headline consumer price index forecasts, “Kalshi provides a statistically significant
 6 improvement over the Bloomberg consensus forecast.”⁴ And, “Kalshi provides real-time,
 7 distributional forecasts for macroeconomic variables such as GDP, core CPI, and
 8 unemployment—markets for which options data have historically been unavailable.”⁵

9 35. As another example, Kalshi recently announced a partnership with
 10 Tradeweb, a leading global operator of electronic marketplaces for rates, credit, equities,
 11 and money markets, which facilitates more than \$2.6 trillion in notional value of
 12 instruments traded per day.⁶ The partnership is designed to expand institutional access to
 13 data from Kalshi’s market and to facilitate trading by those same institutional investors on
 14 Kalshi’s platform.⁷

15 36. Late last year, the real estate investment firm Arrived announced its plans to
 16 utilize Kalshi’s event contracts to hedge the risk of a government shutdown impacting its
 17 business.⁸

18
 19 ² *Id.* at 2–3.

20 ³ *Id.* at 3.

21 ⁴ *Id.*

22 ⁵ *Id.*

23 ⁶ Tradeweb and Kalshi Announce Strategic Partnership to Expand Institutional Access to
 24 Prediction Markets, Tradeweb (Feb. 19, 2026),
[https://www.tradeweb.com/newsroom/media-center/news-releases/tradeweb-and-kalshi-
 25 announce-strategic-partnership-to-expand-institutional-access-to-prediction-markets/](https://www.tradeweb.com/newsroom/media-center/news-releases/tradeweb-and-kalshi-announce-strategic-partnership-to-expand-institutional-access-to-prediction-markets/).

26 ⁷ See Katherine Doherty and Sridhar Natarajan, *Wall Street Bond-Trading Hub Tradeweb
 27 Strikes Deal with Kalshi*, Bloomberg (Feb. 19, 2026),
[https://www.bloomberg.com/news/articles/2026-02-19/bond-trading-hub-tradeweb-
 28 strikes-prediction-markets-deal-with-kalshi](https://www.bloomberg.com/news/articles/2026-02-19/bond-trading-hub-tradeweb-strikes-prediction-markets-deal-with-kalshi).

⁸ See Ryan Frazier, LinkedIn, [https://www.linkedin.com/posts/activity-
 7386091007588749312-rhxN/](https://www.linkedin.com/posts/activity-7386091007588749312-rhxN/) [<https://perma.cc/CQN6-JK3M>]; see also Michael J. de la
 Merced, *Kalshi, a Prediction Market, Raises \$1 Billion in a New Round*, N.Y. Times (Dec.

37. Sporting events can have significant economic consequences for a broad ecosystem of stakeholders. *Orgel*, 2026 WL 474869, at *7–10; *Flaherty*, 2025 WL 1218313, at *6; CFTC Amicus Br. at 19-20. Advertisers, sponsors, television networks, local communities, sportsbooks, and others all stand to gain or lose substantial sums depending on sports events. Sports event contracts offer these entities opportunities to hedge their exposure. And that is happening in the market right now.

38. Take, for example, Game Point Capital, a sports-focused insurance firm that works with college athletic departments, pro teams, and sponsors to insure risk related to performance bonuses, coach salary buyouts, postseason and ticket revenue, and other areas of economic exposure.⁹ Game Point Capital uses Kalshi to hedge, and it intends to do so for \$30 million in risk annually.¹⁰

39. Likewise, Underdog Sports, a fantasy sports company, uses Kalshi as a tool to “hedge against volatility” on its own platform.¹¹ Others can use sports event contracts to hedge as well: Sponsors of a team or athlete can use event contracts to hedge against the risk that the team or athlete underperforms. Hotel operators can hedge against the revenue earned from a local team making a playoff run, and TV networks can hedge against the risk that star players who draw viewers may not play in certain games.

2, 2025), <https://www.nytimes.com/2025/12/02/business/dealbook/kalshi-prediction-market-billion.html> [<https://perma.cc/VUY8-HCDT>].

⁹ *Services*, Game Point Capital, <https://www.gamepointcapital.com/services> (last visited Mar. 12, 2026); *see also* Paul Steinbach, *UConn Insured Basketball Coach Bonuses and Saved Nearly \$3M*, *Athletic Bus.* (Apr. 23, 2024), <https://www.athleticbusiness.com/operations/budgeting/article/15669200/uconn-insured-basketball-coach-bonuses-and-saved-nearly-3m> (Game Point Capital wrote insurance contract that saved university nearly \$3 million in bonus payments to coaches related to NCAA tournament performance).

¹⁰ Andrew Ross Sorkin, et al., *New Epstein Details Rattle Washington, Hollywood and Beyond*, *N.Y. Times* (Feb. 10, 2026), <https://www.nytimes.com/2026/02/10/business/dealbook/epstein-lutnick-wasserman-starmer.html>.

¹¹ *See* Brett Smiley, *Underdog Sports Preparing To Use Kalshi, Prediction Markets For Its Own Risk Management*, *InGame* (Oct. 20, 2025), <https://www.ingame.com/underdog-kalshi-pm-risk-management/>.

40. Event contracts are also a valuable means of communicating information to the public because contract prices reflect prevailing market opinions and conditions. Prediction markets thus serve as sensitive information-gathering tools that can provide insights for stakeholders—including businesses, individuals, governments, and educational institutions. This is not theoretical. Kalshi has recently announced partnerships with CNN and CNBC, which make use of its market data in their reporting.¹²

41. Kalshi has recently launched a platform, Kalshi Research, to share market data with academics and promote research derived from the same.¹³ Data generated through prediction markets can also help to set rates and prices for assets whose value depends on the occurrence or non-occurrence of the underlying event. *See* 7 U.S.C. § 5(a) (derivatives contracts, including event contracts, “are affected with a national public interest by providing” both a means for hedging risk and “disseminating pricing information through trading in liquid, fair and financially secure trading facilities”).

B. Congress Delegated the Power to Regulate Event Contracts That Are Offered by a Regulated Exchange to the CFTC.

42. Futures contracts have long been regulated by the federal government. In 1936, Congress passed the CEA, which provides for federal regulation of all commodities and futures trading activities and requires that all futures and commodity options are traded on organized, regulated exchanges.

43. In 1974, Congress established the CFTC as the federal agency empowered to oversee and regulate exchanges under the CEA. Proponents of the 1974 Act were

¹² *See* James Faris, *Prediction giant Kalshi strikes a new media partnership with CNBC, days after its CNN deal*, Business Insider (Dec. 4, 2025), <https://www.businessinsider.com/kalshi-cnbc-deal-cnn-data-integration-partnership-2025-12>; R.T. Watson, *Kalshi inks exclusive CNBC deal as prediction markets surge into mainstream media*, The Block (Dec. 4, 2025), <https://www.theblock.co/post/381415/kalshi-exclusive-cnbc-deal-prediction-markets-surge-mainstream-media>.

¹³ *See* *Kalshi launches new research arm*, Kalshi News (Dec. 22, 2025), <https://news.kalshi.com/p/kalshi-launches-research-arm-prediction-markets>.

1 concerned that the “states . . . might step in to regulate the futures markets themselves,”
 2 thus subjecting futures exchanges to “conflicting regulatory demands.” *Am. Agric.*
 3 *Movement*, 977 F.2d at 1156. One Senator remarked that “different State laws would just
 4 lead to total chaos.” Senate Hearings at 685 (statement of Sen. Clark). As a solution, the
 5 House Committee on Agriculture put “all exchanges and all persons in the industry under
 6 the same set of rules and regulations for the protection of all concerned.” H.R. Rep. No.
 7 93-975, at 76, 82 (1974). The Senate reaffirmed the CFTC’s exclusive power by deleting
 8 a provision of the CEA that would have preserved the states’ authority over futures trading.
 9 *See* 120 Cong. Rec. 30464 (1974) (statements of Sens. Curtis and Talmadge).

10 44. The CFTC regulates derivatives that reference physical commodities like
 11 “wheat, cotton, rice, corn, oats.” 7 U.S.C. § 1a(9). The CFTC also regulates derivatives
 12 on intangible “excluded commodit[ies]” like interest rates, other financial instruments,
 13 economic indices, risk metrics, and—as particularly relevant here—events, which the CEA
 14 defines as any “occurrence, extent of an occurrence, or contingency” that is “beyond the
 15 control of the parties to the relevant contract” and “associated with” economic
 16 consequences. *Id.* § 1a(19)(iv); *see* 7 U.S.C. § 1a(9).

17 45. In 2010, Congress amended the CEA to add “swaps” to the CFTC’s exclusive
 18 jurisdiction and to define event contracts as a type of swap. *See id.* §§ 1a(47)(A)(ii), (iv),
 19 (vi); *KalshiEX LLC v. CFTC*, No. 23-3257, 2024 WL 4164694, at *2–3 (D.D.C. Sep. 12,
 20 2024). “Event contracts” are “agreements, contracts, transactions, or swaps in excluded
 21 commodities.” 7 U.S.C. § 7a-2(c)(5)(C)(i).

22 46. The CFTC has also recognized that “event contracts,” including contracts on
 23 “the outcome of particular entertainment events,” “can be designed to exhibit the attributes
 24 of either options or futures contracts.” *Concept Release*, 73 Fed. Reg. 25,669, 25,669–70
 25 (May 7, 2008). An “occurrence”-based futures contract or option results in a payment
 26 based on a specified occurrence or extent of an occurrence—for example, the occurrence
 27 or severity of a hurricane. Where event contracts pay out based on financially significant
 28

occurrences, they are “of the character of” futures and options, as understood by derivatives markets. *See* 7 U.S.C. § 1a(36) (defining “option”).

47. Also, in 2010, Congress amended the CEA to add a “Special Rule” governing event contracts. Congress provided that the CFTC “may”—but need not—conclude that event contracts are “contrary to the public interest” if they “involve” an “activity that is unlawful under any Federal or State law,” “terrorism,” “assassination,” “war,” “gaming,” or “other similar activity determined by the Commission, by rule or regulation, to be contrary to the public interest.” 7 U.S.C. § 7a-2(c)(5)(C).

C. Entities That Offer Event Contracts Must Comply with the Comprehensive Regulatory Framework Established by the CEA and CFTC.

48. The public can only trade derivatives on a board of trade that the CFTC has designated as a contract market, or DCM. 7 U.S.C. §§ 2(e), 6(a)(1), 7(a); 17 C.F.R. § 38.3(a). An entity must first submit an application to the CFTC detailing how the entity complies with the Core Principles of the CEA. 17 C.F.R. § 38.3(a)(2). Among other things, the proposed contract market must show that 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. Proposed exchanges must provide detailed information demonstrating their capacity to abide by the CEA. 17 C.F.R. § 38.3(a)(2). The CFTC then reviews the application and renders a decision on the purported market’s designation within 180 days of submission. 17 C.F.R. § 38.3(a)(1).

49. Once the CFTC designates an entity as a contract market, the CEA gives the CFTC “exclusive jurisdiction” over the derivatives traded on the market. Those derivatives

1 include “accounts, agreements (including any transaction which is of the character of, or is
2 commonly known to the trade as, an ‘option’, ‘privilege’, ‘indemnity’, ‘bid’, ‘offer’, ‘put’,
3 ‘call’, ‘advance guaranty’, or ‘decline guaranty’), and transactions involving swaps or
4 contracts of sale of a commodity for future delivery.” 7 U.S.C. § 2(a)(1)(A). This
5 exclusive jurisdiction extends to “event” contracts. *See id.* §§ 1a(47)(A)(ii), (iv), (vi).

6 50. The CFTC engages in significant oversight over DCMs. Part 38 of Title 17,
7 Chapter 1 of the Code of Federal Regulations comprehensively regulates DCMs, ensuring
8 that these markets continue to comply with the CEA. Exchanges must meet detailed
9 requirements to maintain their DCM designation. 17 C.F.R. pt. 38. Among other things,
10 DCMs must abide by recordkeeping requirements that specify the form, manner, and
11 duration of retention. 17 C.F.R. §§ 38.950, 1.31. DCMs must meet reporting obligations
12 like furnishing daily reports of market data on futures and swaps to the CFTC. 17 C.F.R.
13 § 38.450 pt. 16. Part 38 also imposes specific liquidity standards, disciplinary procedures,
14 dispute resolution mechanisms, board of directors requirements, auditing demands, and
15 more.

16 51. The CEA allows DCMs to list contracts on its exchange without pre-approval
17 from the CFTC. To do so, a DCM self-certifies that a given contract complies with the
18 CEA and CFTC regulations by filing a “written certification” with the CFTC at the time of
19 listing. 7 U.S.C. § 7a-2(c)(1); 17 C.F.R. § 40.2(a). The CFTC may initiate review of any
20 contract under its purview. *See* 7 U.S.C. § 7a-2(c)(2); 17 C.F.R. § 40.2(c). The CFTC also
21 may require a DCM to submit a “written demonstration” that it is “in compliance” with
22 one or more Core Principles at any time. 17 C.F.R. § 38.5(b).

23 52. Alternatively, exchanges have the option of submitting contracts to the CFTC
24 for approval prior to listing. 7 U.S.C. § 7a-2(c)(4)(A); 17 C.F.R. §§ 40.3(a), 40.11(c). The
25 CFTC “shall approve a new contract” unless the CFTC finds that it would violate the CEA.
26 7 U.S.C. § 7a-2(c)(5)(B). Substantially all contracts listed by DCMs for trading are self-

1 certified by the listing DCMs; it is extremely rare for a DCM to seek CFTC approval of
2 individual contracts.

3 53. The CEA's enforcement process rounds out the comprehensive federal
4 framework that regulates futures derivatives sold on DCMs. The CEA gives the CFTC
5 discretion as to how to police and enforce violations of the CEA for DCMs. The CFTC
6 includes an Enforcement Division, which may initiate investigations and, with the approval
7 of a majority of the CFTC, pursue enforcement actions in federal court or administrative
8 proceedings. If the Enforcement Division concludes that there has been a violation of the
9 CEA, it may recommend to the CFTC that it seek a wide range of enforcement measures,
10 including (1) civil monetary penalties, (2) restitution, (3) disgorgement, (4) suspension,
11 denial, revocation, or restriction of registration and trading privileges, and (5) injunctions
12 or cease-and-desist orders. *See* CFTC Division of Enforcement, Enforcement Manual
13 (May 20, 2020), <https://www.cftc.gov/media/1966>, at § 3.3. If the Enforcement Division
14 suspects that an entity has engaged in criminal violations, the Enforcement Division may
15 also refer the matter to the Department of Justice or the appropriate state authority for
16 prosecution. *Id.*

17 **D. After an Extensive Regulatory Process, the CFTC Registered Kalshi as**
18 **a Contract Market That Operates Under Federal Law.**

19 54. Kalshi is a CFTC-regulated exchange and prediction market where users can
20 trade on the outcome of real-world events. In 2020, the CFTC designated Kalshi as a
21 contract market, affirming that its platform complied with the CEA. Since then, Kalshi has
22 been fully regulated as a financial exchange under federal law, alongside entities like the
23 Chicago Mercantile Exchange and the Intercontinental Exchange.

24 55. Kalshi specializes in event contracts, offering a secure and federally
25 approved exchange where individual, retail, and institutional participants can hedge their
26 risks on event-based outcomes.

1 56. Kalshi offers many kinds of event contracts related to an array of substantive
2 areas like economics, finance, climate, technology, health, crypto, popular culture, and
3 sports. For example, Kalshi’s platform currently allows users to trade on the level of US
4 GDP growth in Q1 2026, the closing price of the S&P 500 at the end of 2026, whether
5 India will meet its 2030 climate goals, or whether the market share for electric vehicles
6 will be above 50% in 2030. Kalshi also offers contracts on the outcomes of Supreme Court
7 decisions, congressional votes, weather events, technological benchmarks, markers of
8 cultural influence, and Federal Reserve interest rate decisions.

9 57. Prior to making a contract available for trade on its platform, Kalshi self-
10 certifies to the CFTC, pursuant to section 7a-2(c)(1) of the CEA, that the offering complies
11 with the CEA and CFTC regulations. Those certifications contain extensive information,
12 including in confidential appendices not available to the public, for the CFTC’s review.

13 58. The CFTC also may require Kalshi to submit a “Demonstration of
14 Compliance,” which is “a written demonstration, containing supporting data, information
15 and documents” that a DCM is required to file upon request from the CFTC to explain how
16 the DCM “is in compliance with one or more core principles as specified in the request.”
17 17 C.F.R. § 38.5(b). The CFTC did just that with respect to Kalshi’s first sports event
18 contracts, and Kalshi responded with lengthy memoranda detailing the listing’s compliance
19 with applicable rules and regulations, and the CFTC’s jurisdiction over sports event
20 contracts traded on DCMs.

21 59. The CFTC took no further action and has since allowed thousands of Kalshi’s
22 sports event contracts to be listed, traded, and closed, with no hint that the agency views
23 these contracts as falling outside of its jurisdiction. Had the CFTC deemed Kalshi’s sports
24 event contracts (or any other of its contracts) impermissible, it would have had the
25 responsibility to “object[]” to the contracts. 7 U.S.C. § 7a-2(c)(3)(B)(ii). But it did not.
26 Unless and until the CFTC takes action on a self-certified Kalshi contract—and they all
27
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1 have been self-certified—the contracts are authorized under federal law. 7 U.S.C. § 7a-
2 2(c)(5).

3 **E. ADG Threatened Kalshi with State Criminal Action with Regard to Its**
4 **Event Contracts.**

5 60. On May 21, 2025, the ADG sent Kalshi a cease-and-desist letter claiming
6 that offering event contracts, including sports event contracts, based on future events
7 without a license, violated Arizona law. The letter directed Kalshi to “cease gambling
8 operations in Arizona and desist from engaging those activities in the future.” Ex. 1, at 2.

9 61. The ADG claimed that “there is no meaningful difference between buying
10 one of [Kalshi’s] offered contracts and placing a bet with any other sportsbook” and warned
11 that, by offering event contracts without an ADG-issued license, Kalshi is participating in
12 illegal “event wagering.” *Id.* at 1 (citing A.R.S. §§ 5-1301 *et seq.*). The ADG went on to
13 note that accepting wagers “with respect to the result or purported result of any race,
14 sporting event, contest or other game of skill or chance or any other unknown or contingent
15 future event or occurrence whatsoever” is presumed to constitute a crime in Arizona. *Id.*
16 (quoting A.R.S. § 13-3305(A)); *see also* A.R.S. § 13-3305(C) (“A person who violates this
17 section is guilty of a class 1 misdemeanor.”).

18 62. The ADG further claimed that Kalshi was “avoiding regulatory requirements
19 in Arizona to include [sic] licensing and background investigations, the prohibitions on
20 wagers by persons under twenty-one (21) years of age, and requirements relating to
21 integrity monitoring and problem gambling.” Ex. 1, at 1. The ADG also declared that it
22 would construe a decision by Kalshi to continue its operations in Arizona as “evidence of
23 [Kalshi’s] ongoing knowing and willful violation of the law.” *Id.* at 2.

24 63. The ADG took the position that “Kalshi is subject to a potential restitution
25 award for those who lost money, and an action forfeiting all monies it acquired, because of
26 its illegal conduct” and that “[t]he statutes and criminal violations referred to in this letter
27 are not exhaustive.” *Id.* at 2 (citing A.R.S. §§ 13-804 and 13-2314). The ADG noted that
28

1 its letter was “intended only to place [Kalshi] on notice that [the ADG] is aware of Kalshi’s
2 conduct and to direct [Kalshi] to take immediate steps to comply with Arizona law.” *Id.*
3 The letter concluded by threatening possible “filing of criminal charges or a civil action
4 against Kalshi and/or its principals or employees.” *Id.*

5 **F. The ADG Threatens All Event Wagering Operators with Revocation of**
6 **Their Licenses for Partnering with DCMs Like Kalshi Inside or**
7 **Outside Arizona.**

8 64. On September 15, 2025, the ADG sent a letter to “Event Wagering
9 Operators” licensed in Arizona, warning them against doing business with DCMs,
10 including Kalshi (the “Event Wagering Operator Letter”). *See* Ex. 2.

11 65. The Event Wagering Operator Letter noted that entities with a sports-gaming
12 license in Arizona have been considering entry into the “prediction marketplace by
13 acquiring an existing DCM, becoming a DCM or a Futures Commission Merchant
14 (‘FCM’), or associating or partnering with a DCM or FCM directly or indirectly, to offer,
15 enable, or sell event contracts outside the framework of state gambling laws.” *Id.* at 1. The
16 ADG threatened that an Arizona operator’s choice “to offer, enable, or sell event contracts
17 to persons in this state through their own DCM or FCM,” or “to associate, coordinate, or
18 otherwise partner directly or indirectly with persons or entities offering or facilitating the
19 offering, enabling, or sale of event contracts in Arizona without a license,” would be
20 considered as part of the ADG’s evaluation of the “continued suitability for that person or
21 entity to maintain a license.” *Id.* at 2.

22 66. The ADG also declared that the threat applies even if the licensee is not
23 “associated directly with the offering or sale of event contracts to persons in Arizona.” *Id.*
24 at 2. The ADG made clear that the threat extends to a licensee *or licensee affiliate* that
25 partners with an entity offering, enabling, or selling event contracts *in other jurisdictions*.
26 *See id.* (“So, for example, if the [ADG] believes that an entity related to a licensee is
27
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1 partnered with a company that is selling event contracts in a jurisdiction outside Arizona
2 in violation of the laws of that jurisdiction, that might . . . impact a licensing decision.”).

3 67. The upshot of this threat is that any Arizona licensee that partners with Kalshi
4 not just in Arizona, but in any other state around the country, is at risk of losing their
5 license. This includes Arizona licensees who partner with Kalshi to offer sports contracts
6 in New Jersey and Tennessee, where federal courts have enjoined state attempts to prohibit
7 Kalshi’s sports event contract offerings, as well as in the many states in which no such
8 enforcement has even been attempted.

9 68. The ADG’s message to its gaming licensees has been clear: *Kalshi’s*
10 *business is operating in violation of the law and if you do business with Kalshi anywhere*
11 *in the country, your license is in jeopardy.*

12 **G. Defendants Have Not Provided Assurances of Non-Enforcement.**

13 69. Kalshi has made good-faith efforts to engage the ADG in dialogue. While
14 the parties engaged in productive conversations following receipt of the ADG’s May 21,
15 2025 cease-and-desist letter, by March 2026, Kalshi became concerned that Defendants
16 may imminently bring an enforcement action against Kalshi.

17 70. On March 11, 2026, Kalshi’s counsel attempted to contact representatives of
18 Defendants to obtain written assurances of non-enforcement. Defendants’ representatives
19 did not respond.

20 71. Kalshi therefore has no option but to seek judicial relief. The ADG’s cease-
21 and-desist letter, the Event Wagering Operator Letter, and the multiple amicus briefs
22 submitted in courts across the country, and Defendants’ refusal to engage with Kalshi’s
23 standstill proposal suggest that Defendants believe Kalshi’s event contracts in Arizona
24 violate Arizona law and that Kalshi may be immediately subjected to action by the State.
25 Absent any assurances of non-enforcement, Kalshi (and its users) face a threat of
26 irreparable harm, leaving Kalshi with no choice but to protect its commercial interests and
27 those of its users and bring this suit.
28

REQUISITES FOR RELIEF

72. As a result of Defendants' threatened conduct described above, there is a strong likelihood that Defendants will take action, including, but not limited to, the enforcement of preempted state law threatened by Defendants' statements, which will violate the Supremacy Clause of the U.S. Constitution, and will subject Kalshi and its customers to irreparable harm.

73. An actual and substantial controversy exists between Kalshi and Defendants as to their respective legal rights and duties. Defendants' conduct has already resulted in, and will continue to result in, irreparable injury to Kalshi, including but not limited to economic hardship, lost business opportunities, and impairment of existing contractual relationships.

74. Kalshi has no plain, speedy, or adequate remedy at law to address the wrongs described herein. Kalshi therefore seeks declaratory and injunctive relief restraining Defendants from enforcing Arizona law that interferes with the operation and function of Kalshi's futures market described herein.

COUNT I**(SUPREMACY CLAUSE—PREEMPTION BY COMMODITY EXCHANGE****ACT)**

75. Plaintiff incorporates all prior paragraphs by reference.

76. The Supremacy Clause, Article VI, Clause 2, of the U.S. Constitution, 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

1 BE BOUND THEREBY, ANY THING IN THE CONSTITUTION OR
2 LAWS OF ANY STATE TO THE CONTRARY NOTWITHSTANDING.

3 77. The Supremacy Clause mandates that federal law preempt state law in any
4 field over which Congress has expressly or impliedly reserved exclusive authority to the
5 federal government, or where state law conflicts or interferes with federal law.

6 78. Congress explicitly gave the CFTC “exclusive jurisdiction” to regulate
7 futures trading on approved exchanges. 7 U.S.C. § 2(a)(1)(A). Without a unified approach
8 to futures regulation, Congress feared that fragmented and uncoordinated state regulation
9 would lead to “total chaos.” Senate Hearings at 685 (statement of Sen. Clark). Having
10 analyzed the text, purpose, and history of the CEA, courts nationwide have agreed that
11 Congress intended to preempt state law in futures trading on CFTC-regulated exchanges.
12 *See, e.g., Am. Agric. Movement*, 977 F.2d at 1156; *Leist v. Simplot*, 638 F.2d 283, 322 (2d
13 Cir. 1980) (Friendly, J.); *Jones v. B.C. Christopher & Co.*, 466 F. Supp. 213, 220 (D. Kan.
14 1979); *Hofmayer v. Dean Witter & Co.*, 459 F. Supp. 733, 737 (N.D. Cal. 1978).

15 79. In threatening to enforce Arizona’s anti-gambling laws against Kalshi,
16 Defendants are impermissibly intruding on the CFTC’s exclusive authority to regulate
17 futures trading on CFTC-regulated exchanges. Indeed, federal law authorizes the CFTC
18 to “determine” whether event contracts involving “gaming” should be restricted as
19 “contrary to the public interest,” 7 U.S.C. § 7a-2(c)(5)(C)(i)—authority that is completely
20 incompatible with parallel state regulation of the same putative subject matter. Because
21 federal law occupies the entire field of regulating trading on designated contract markets,
22 Defendants’ threatened actions are both expressly and impliedly field-preempted under the
23 Supremacy Clause.

24 80. In addition, Defendants’ threatened actions conflict with federal law and
25 policy. Defendants seek to ban event contracts that the CFTC has opted to authorize (and
26 to subject the website on which such contracts are offered to abatement), which would
27 plainly frustrate the CFTC’s exclusive authority to regulate DCMs. If Kalshi were forced
28

1 into compliance with Arizona law, it could be forced to comply with 49 other states' laws,
 2 producing the patchwork of state-by-state regulation Congress in the CEA sought to
 3 prohibit. And because federal law requires Kalshi to offer impartial access to its exchange,
 4 compliance with Arizona law would jeopardize Kalshi's compliance with the federal
 5 obligations to which it is subject. For that reason, the threatened actions are conflict-
 6 preempted under the Supremacy Clause.

7 81. Defendants may not enforce Arizona's anti-gambling laws against Kalshi
 8 because Kalshi is a federally regulated exchange that operates under the exclusive
 9 oversight of the CFTC and its enabling statute, the CEA, 7 U.S.C. §§ 1 *et seq.*

10 **PRAYER FOR RELIEF**

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

13 1. Enter a judgment declaring that A.R.S. §§ 5-1301(4)(a), 5-1301(23)(a), 5-
 14 1303(A), 13-3305(A), 13-804, 13-2314, any rules adopted thereunder, and any other
 15 Arizona law that is used in a manner to effectively regulate Plaintiff's designated contract
 16 market violates the Supremacy Clause of the U.S. Constitution as applied to Plaintiff, and
 17 a declaratory judgment under 28 U.S.C. §§ 2201-2202 saying the same;

18 2. Enter an injunction prohibiting Defendants, their officers, agents, servants,
 19 employees, and all persons in active concert or participation with them who receive actual
 20 notice of the injunction, from enforcing A.R.S. §§ 5-1301(4)(a), 5-1301(23)(a), 5-1303(A),
 21 13-3305(A), 13-804, 13-2314, any rules adopted thereunder, or any other Arizona law that
 22 attempts to effectively regulate Plaintiff's exchange, against Plaintiff; and

23 3. Any other relief within this Court's discretion that it deems just and proper.

1 Dated: March 12, 2026

Respectfully submitted,

2 SNELL & WILMER L.L.P.

3
4 By: s/ Taryn J. Gallup

5 Adam E. Lang
6 Matt Jarvey
7 Derek C. Flint
8 Taryn J. Gallup

and

9 Neal Katyal (*pro hac vice* forthcoming)
10 Joshua B. Sterling (*pro hac vice* forthcoming)
11 William E. Havemann (*pro hac vice*
12 forthcoming)
13 **MILBANK LLP**
14 1101 New York Avenue NW
15 Washington D.C. 20005

16 Grant R. Mainland (*pro hac vice*
17 forthcoming)
18 Andrew L. Porter (*pro hac vice* forthcoming)
19 **MILBANK LLP**
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21 New York, NY 10001

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28 Attorneys for Plaintiff
KalshiEX LLC

UNITED STATES DISTRICT COURT DISTRICT OF ARIZONA

Civil Cover Sheet

This automated JS-44 conforms generally to the manual JS-44 approved by the Judicial Conference of the United States in September 1974. The data is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. The information contained herein neither replaces nor supplements the filing and service of pleadings or other papers as required by law. This form is authorized for use only in the District of Arizona.

The completed cover sheet must be printed directly to PDF and filed as an attachment to the Complaint or Notice of Removal.

Plaintiff(s): **KalshiEX LLC , ;**

County of Residence: Outside the State of Arizona

County Where Claim For Relief Arose: Maricopa

Plaintiff's Atty(s):

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Milbank LLP

Defendant(s): **Jackie Johnson , Director of the Arizona Department of Gaming;
Douglas Jensen , Chief Law Enforcement Office at the Arizona
Department of Gaming; Arizona Department of Gaming; Kristin K.
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County of Residence: Maricopa

Defendant's Atty(s):

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IFP REQUESTED

REMOVAL FROM COUNTY, CASE #

<u>II. Basis of Jurisdiction:</u>	3. Federal Question (U.S. not a party)
<u>III. Citizenship of Principal Parties</u> (Diversity Cases Only)	
Plaintiff:-	N/A
Defendant:-	N/A
<u>IV. Origin :</u>	1. Original Proceeding
<u>V. Nature of Suit:</u>	890 Other Statutory Actions
<u>VI.Cause of Action:</u>	U.S.C. § 7 et. seq., Arizona’s gambling laws are federally preempted as to Plaintiff.
<u>VII. Requested in Complaint</u>	
Class Action:	No
Dollar Demand:	
Jury Demand:	No
<u>VIII. This case is not related</u> to another case.	

Signature: Neal Katyal, Will Havemann, Josh Sterling, Grant Mainland, Andrew Porter

Date: 3/12/2026

If any of this information is incorrect, please go back to the Civil Cover Sheet Input form using the *Back* button in your browser and change it. Once correct, save this form as a PDF and include it as an attachment to your case opening documents.

EXHIBIT 1



GOVERNOR KATIE HOBBS



DIRECTOR JACKIE JOHNSON

May 21, 2025

Sent Via U.S. Mail

Kalshi

Tarek Mansour
Chief Executive Officer
KalshiEX LLC
594 Broadway, Suite 407
New York, NY 10012

Re: Cease and Desist – Kalshi Online Gaming

Dear Mr. Mansour,

It has come to the attention of the Arizona Department of Gaming (the "Department") that you, Kalshi EX LLC ("Kalshi"), are enabling the purchase of "contracts" in Arizona on future events including sports. Whether a contract will pay its buyer depends on whether that person correctly predicted the result of the event and bought a contract for the correct outcome. This amounts to Kalshi taking wagers, defined in A.R.S. § 5-1301(23)(a) as "a sum of money or thing of value risked on an uncertain occurrence."

"Event wagering" is defined in Arizona to mean, "accepting wagers on sports events or other events . . . by any system or method of wagering, including in person or over the Internet through websites and on mobile devices." A.R.S. § 5-1301(4)(a). The operation of event wagering in Arizona is allowed only if conducted pursuant to A.R.S. §§ 5-1301 et seq., which requires, among other things, licensure. See e.g., A.R.S. § 5-1303(A). Kalshi is not licensed and its operation of event wagering in Arizona is illegal.

The Department recognizes Kalshi's attempt to legitimize its conduct by labeling it as an "innovation" regulated by the Commodity Futures Trading Commission. In fact, there is no meaningful difference between buying one of your offered contracts and placing a bet with any other sportsbook. And, Kalshi is avoiding regulatory requirements in Arizona to include licensing and background investigations, the prohibition on wagers by persons under twenty-one (21) years of age, and requirements relating to integrity monitoring and problem gambling.

Given the lack of licensure and compliance with Arizona statutes and regulations related to event wagering, online gambling as operated by Kalshi in Arizona, whether through the website <https://kalshi.com>, the Kalshi mobile applications, or otherwise, is illegal. For example, absent some exception (none of which apply to Kalshi), it is a crime in Arizona to engage in the business of accepting wagers "with respect to the result or purported result of any race, sporting event, contest or other game of skill or chance or any other unknown or contingent future event or occurrence whatsoever." A.R.S. § 13-3305(A).

Kalshi
May 21, 2025
Page 2 of 2

The Department requires that Kalshi cease gambling operations in Arizona and desist from engaging in those activities in the future. Failure to do so is further evidence of your ongoing knowing and willful violation of the law. Note that, among other things, Kalshi is subject to a potential restitution award for those who lost money, and an action forfeiting all monies it acquired, because of its illegal conduct. See e.g., A.R.S. §§ 13-804 and 13-2314.

The statutes and criminal violations referred to in this letter are not exhaustive. This letter is intended only to place you on notice that the Department is aware of Kalshi's conduct and to direct you to take immediate steps to comply with Arizona law. Future actions may include the filing of criminal charges or a civil action against Kalshi and/or its principals or employees.

Sincerely,

A handwritten signature in black ink, appearing to read 'Douglas Jensen', with a long horizontal flourish extending to the right.

Douglas Jensen
Chief Law Enforcement Officer
Arizona Department of Gaming

EXHIBIT 2



GOVERNOR KATIE HOBBS



DIRECTOR JACKIE JOHNSON

September 15, 2025

[REDACTED]

[REDACTED]

Re: Notice Regarding Prediction Markets

Dear [REDACTED],

On June 3, 2025, Clifford Holden, Assistant Director - Certification & Licensing, sent a letter on behalf of the Arizona Department of Gaming ("the Department"), to Event Wagering Operators, including Designees and Management Services Providers, requesting certain information related, in part, to Designated Contract Markets ("DCMs") and the selling of contracts on such things as the outcome of sporting events. We have now received several responses to our inquiry and have had meetings with some Designees. We have also learned that several licensees, including Fantasy Sports Contest Operators, are planning to enter the prediction marketplace by acquiring an existing DCM, becoming a DCM or a Futures Commission Merchant ("FCM"), or associating or partnering with a DCM or FCM directly or indirectly, to offer, enable, or sell event contracts outside the framework of state gambling laws.

I write now to make certain that you are aware of the State of Arizona's standpoint. Offering or selling event contracts to persons located within Arizona without a license from the Department violates Arizona law. See A.R.S. §§ 13-3301 *et seq.*, 5-1201 *et seq.*, 5-1301 *et seq.*, and A.A.C. R19-4-101 thru R19-4-229. The Department has stated this position to the Commodity Futures Trading Commission by way of the attached letter. The Department has also sent cease and desist letters to Kalshi, Crypto.com, and Robinhood.

Importantly, as you know, the Department is obligated to evaluate all applicants to determine suitability. As part of this process, the Department must also complete background checks and may

Notice Regarding Prediction Markets

September 15, 2025

Page 2 of 2

monitor the ongoing conduct of licensees (see e.g. A.R.S. §§ 5-1202 and 5-1302). This includes the conduct of not just the licensee itself, but also the conduct of its owners, related entities, principals, agents, employees, and those entities or persons with which it maintains any relationship. It also includes conduct in other jurisdictions, not just Arizona.

If an Arizona operator chooses to offer, enable, or sell event contracts to persons in this state through their own DCM or FCM (or those under common ownership or operated by a related entity) without a license, or decides to associate, coordinate, or otherwise partner directly or indirectly with persons or entities offering or facilitating the offering, enabling, or sale of event contracts in Arizona without a license, the Department will consider that conduct as it evaluates the continued suitability for that person or entity to maintain a license.

In addition, even if the licensee is not associated directly with the offering or sale of event contracts to persons in Arizona, its relationship with other persons or entities and conduct in other jurisdictions remains at issue. By way of example only, in determining suitability, the Department will consider any relationship between the licensee (to include its owners, related entities, principals, agents, or employees) and a person or entity offering, enabling, or selling event contracts in Arizona. In addition, the Department will consider the conduct of a licensee, or its owners, related entities, principals, agents, or employees, to offer, enable, or sell event contracts in other jurisdictions, or to maintain any relationship with a person or entity that is engaged in that activity. So, for example, if the Department believes that an entity related to a licensee is partnered with a company that is selling event contracts in a jurisdiction outside Arizona in violation of the laws of that jurisdiction, that might (depending on circumstances) impact a licensing decision.

Note that the Department may deny, revoke, or suspend licenses. A.R.S. §§ 5-1209(A) and 5-1302(D). It may also place conditions on a license. This can include issuing fines to, or otherwise sanctioning, licensees. See A.A.C. R19-4-146 and R19-4-223. The Department requires notice of material changes to your operations, updates to previously provided information, and honesty and transparency in response to its inquiries.

All of us have a responsibility to uphold the integrity of gaming in Arizona. Neither the citizens of this state nor your gaming operations are, in the long run, served by illegal, unlicensed, and/or unregulated gambling.

Thank you for your consideration.

Sincerely,



Jackie Johnson
Director
Arizona Department of Gaming

Attachment: Arizona Department of Gaming comment letter to the CFTC, dated June 2, 2025



GOVERNOR KATIE HOBBS



DIRECTOR JACKIE JOHNSON

June 2, 2025

Sent Via U.S. Mail to:

The Honorable Caroline Pham
Acting Chairperson
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

And Via Email to:

ChairmanPham@cftc.gov

Re: Arizona Comment on Prediction Markets

Dear Acting Chairperson Pham,

I am Director of the Arizona Department of Gaming (the "Department"), and write to you on behalf of the State of Arizona (the "State"). The Department is the agency responsible for the regulation of gambling in Arizona and the investigation of illegal gambling activities. By this letter, the State expresses to you its opposition to the activities being conducted here by certain Designated Contract Markets, to include Kalshi, Crypto.com, and Robinhood (the "DCMs"), which are under the regulatory oversight of the Commodity Futures Trading Commission ("CFTC").

As you are aware, the DCMs are enabling the purchase of "contracts" in Arizona on future events including sports. Whether a contract will pay its buyer depends on whether that person correctly predicts the result of the event and buys a contract for the correct outcome. This conduct amounts to illegal gambling in Arizona,¹ the promotion of which is a felony. A.R.S. § 13-3303.

¹ In Arizona, a "wager" is defined as a "thing of value risked on an uncertain occurrence." Arizona Revised Statute ("A.R.S.") § 5-1301(23)(a). "Event wagering" is defined to mean "accepting wagers on sports events or other events . . . by any system or method of wagering, including in person or over the Internet through websites and on mobile devices." A.R.S. § 5-1301(4)(a). The operation of event wagering in Arizona is allowed only if conducted pursuant to A.R.S. §§ 5-1301 *et seq.*, which requires, among other things, licensure. See e.g., A.R.S. § 5-1303(A). Kalshi, Crypto.com, and Robinhood are not licensed and their operation of event wagering in Arizona is illegal. See A.R.S. § 13-3305(A)(unless it amounts to regulated gambling, it is a crime to accept wagers on the result of "any race, sporting event, contest or other game of skill or chance or any other unknown or contingent future event or occurrence whatsoever.").

Arizona Comment on Prediction Markets

June 2, 2025

Page 2 of 5

The DCMs claim that their operations enable “trading” of financial derivatives, which is conduct regulated by the CFTC. In truth, there is no meaningful difference between buying one of the contracts offered by the DCMs and placing a bet with any other sportsbook. And, whatever regulation the CFTC undertakes, it does not reflect the desires of the citizens of Arizona.

To be clear, the people of the State have significant interest in the CFTC taking action to stop the DCMs. When the Arizona Legislature passed the 2020 Gaming Act, A.R.S. §§ 5-1301 *et seq.* (the “Act”) allowing event wagering, it was only after a great deal of thought and consultation with the public and experts, including the Department and Tribal nations that operate casinos and are well-versed in gambling regulation. Moreover, rules implementing the Act were put through an extensive public comment process. The outcome was a series of laws and rules that reflect the policies of the State and the values of Arizonans:

1. Operators - Event wagering of any type may only be operated in the State by a limited number (no more than 20) of Arizona professional sports teams and Tribal nations and their partners, ensuring that event wagering operations have a local impact. A.R.S. § 5-1304(A). These event wagering operators (“EWOs”) must meet a wide range of regulatory standards related to platforms, reserves, bonds, insurance, record keeping, risk management, auditing, reporting, accounting, internal control systems, house rules, servers, cloud storage of data, technical standards, system standards, testing, certification, shipping and installation, and the use of official league data, all intended to protect the public’s interests. See A.R.S. §§ 5-1302(G), 1313(A), 1314, and 1319; Arizona Administrative Code (“A.A.C.”) R19-4-111, 113-4, 116, and 118-26.
2. Licensing - EWOs, their providers, limited event wagering operators, suppliers, affiliates, and employees are subject to the Department’s licensing process, including background checks, investigations, and the payment of licensing fees of up to \$750,000. These investigations ensure that licensees are suitable in terms of character, business acumen, and financial stability, thereby protecting Arizona citizens from potential bad actors and reducing the risk of financial harm. Licensees are subject to the Department’s jurisdiction to enforce regulations through fines or license revocation, and the fees are used in part to pay for regulation. There are also restrictions regarding who can be licensed, including people with insider knowledge or who could have an influence on the outcome of events. See A.R.S. §§ 5-1302(C-E), 1304(B-C), 1305, and 1306-1311(A); A.A.C. R19-4-104-5.
3. Geolocation – EWOs are required to geolocate their operations to ensure that only people located in Arizona are engaging in event wagering, in respect of the laws and requirements of other state and Tribal jurisdictions. A.R.S. § 5-1302(G)(2); A.A.C. R19-4-117.
4. Tax Reporting and Debt Set Off – EWOs are required to ensure proper federal, state, and local tax reporting. Significantly, they are also required to retain money from winning players to pay outstanding child support, State tax debt, and debts to the Arizona Department of Economic Security. A.R.S. §§ 5-1302(G)(7) and 1320(F); A.A.C. R19-4-151.
5. Responsible Gaming - EWOs are prohibited from offering credit to players and have restrictions on the type of advertising they can conduct (e.g., to people under 21 years of age or on college campuses). A.R.S. § 5-1311(B); A.A.C. R19-4-110. The Department and EWOs are required to maintain a statewide self-exclusion program. EWOs must also notify players of the means to seek help for problem

Arizona Comment on Prediction Markets

June 2, 2025

Page 3 of 5

gambling and maintain programs to mitigate problem gambling and curtail compulsive gambling. Further, players are limited in the forms of payment they can use and are prohibited from using assistance to needy people. See A.R.S. § 5-1302(B)(5) and 1320; A.A.C. R19-4-128 and 150.

6. Patron Protection - Along with all the other safeguards noted herein, players also have a dispute resolution process with EWOs and the Department. A.A.C. R19-4-148.

7. Age and Identity Verification – EWOs must verify an individual's age and identity before allowing the individual to create an account and place a wager. They must also ensure the individual is not under the age of 21, self-excluded, or otherwise prohibited from participating in event wagering in Arizona. A.R.S. § 5-1311(B); A.A.C. R19-4-133.

8. Integrity - EWOs must implement policies and procedures to prevent fraud, cheating, money laundering, and collusion, must take steps to ensure player account security, and must contract with an integrity monitoring provider licensed by the Department to ensure against, among other things, match fixing. They must also report suspicious conduct, cooperate in investigations, and conduct system integrity and security assessments. See A.R.S. §§ 5-1302(G)(6), 1313(A)(7), and 1316; A.A.C. R19-4-115 and 127. The Department is also required to establish a list of people barred from event wagering because they pose a threat to the integrity of the gambling or to the public welfare, which EWOs must exclude from their operations. A.A.C. R19-4-149.

9. Events and Wager Types - All events and wager types must be reviewed and approved by the Department before they are offered for wagering by an EWO. A.R.S. § 5-1302(G)(2); A.A.C. R19-4-129. EWOs are prohibited from accepting wagers on the outcome of high school sports and the performance of collegiate teams and athletes. All events must be subject to effective supervision and integrity safeguards, and a sports governing body may object to the acceptance of wagers on its events in the case of an integrity concern. See A.R.S. §§ 5-1302(G)(2), 1311(B)(4), and 1315.

10. Privilege Fees – EWOs are required to pay the State 8% of adjusted gross event wagering receipts for retail operations and 10% of adjusted gross event wagering receipts for mobile operations. These fees go to the State's general fund as well as for gambling regulation. A.R.S. §§ 5-1318; A.A.C. R19-4-111. EWOs paid \$42,701,533.00 in privilege fees to the State in calendar year 2024.

The Act is thus a reflection of the fact that the people of the State wanted only certain entities to operate event wagering, to eliminate illegal sports betting in the State, to carefully limit and regulate event wagering in a manner reflecting Arizona values, and to use it to raise money for all Arizonans. It is a simple fact that the CFTC, in regulation of the DCMs, will *never* establish all the above requirements, compensate the State for lost revenue, and otherwise protect Arizona's citizens to the same degree as set out above. Moreover, the Act was passed by the Arizona legislature with a broad coalition of support to include Tribal nations, which have the opportunity under the Act to apply for licensure as EWOs. In fact, the Act is embodied in the State's most recent tribal-state gaming compacts (signed pursuant to the Indian Gaming Regulatory Act and approved by the Secretary of the U.S. Department of the Interior) entered into with 22 Tribes existing within the exterior boundaries of the State. These compacts follow over 30 years of cooperation between the State and Tribes to balance their respective interests and carefully regulate and share in the benefits of legal gambling. Yet now the DCMs have come into Arizona and upset these carefully constructed agreements, despite the extensive requirements surrounding

Arizona Comment on Prediction Markets

June 2, 2025

Page 4 of 5

gambling on Indian lands, the most relevant of which is that the gambling must be operated by Tribal nations themselves.²

Congress has long recognized that the individual states must be able to decide what approach to gambling best suits their citizens. Federal legislation relating to gambling is geared towards supporting state law gambling restrictions.³ The State does not accept the idea that for years states have blindly passed legislation and regulated event wagering without knowing that Congress secretly upended its historical approach to gambling in the Commodities Exchange Act, a fact only just now revealed by the DCMs.

Presently, the DCMs offering event contracts are avoiding State requirements and regulations by claiming classification as financial derivatives under CFTC oversight. This gives them a competitive advantage over other EWOs. They do not incur any regulatory costs or costs associated with State law compliance. They also avoid all licensing and privilege fees. The public suffers as a result. The DCMs operate in a manner that does not reflect State policy and the EWOs, that do pay fees to the State, suffer unfair competition. The amount of illegal online gambling currently taking place in Arizona is unprecedented, and the fact that the DCMs can conduct unregulated event wagering only encourages bad actors to further ignore State law. All of this in turn has a negative financial impact on other legal (and carefully regulated) gambling taking place in the State by Tribal nations pursuant to A.R.S. § 5-601.02. Those Tribal gambling operations contributed over \$170 million to the State and local jurisdictions last year.

The DCMs claim that, earlier this year, the CFTC allowed their sports outcome contracts to take effect without review or comment. Since then, the CFTC, at the last minute, cancelled a scheduled roundtable to discuss State and Tribal concerns. And, most recently, the CFTC dropped its appeal against Kalshi in the U.S. Court of Appeals for the D.C. Circuit. The CFTC's inaction in enforcing its own rules, specifically, 17 CFR 40.11(a)(1), has prioritized the private business concerns of a handful of DCMs over the public's interests. The State respectfully requests that the CFTC reconsider its actions and inaction in light of the State's concerns and conclude that the DCMs' offering of event contracts is gambling, is contrary to the public interest, and should be prohibited.

Sincerely,

Jackie Johnson
Director
Arizona Department of Gaming

² Under the Indian Gaming Regulatory Act, 25 U.S.C. § 2710(b)(2), a Tribe must "have the sole proprietary interest and responsibility for the conduct of any gaming activity" on its lands and all net revenues from that gaming are to be used only to benefit the Tribe.

³ For example, the Illegal Gambling Business Act, 18 U.S.C. § 1955 (1970), makes it a federal crime to conduct an "illegal gambling business," which it defines to mean, in part, a business that violates "the law of a State or political subdivision in which it is conducted."

Arizona Comment on Prediction Markets

June 2, 2025

Page 5 of 5

Cc via U.S. mail to:

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Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
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Brian Young
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