

Crypto firms do not need to own a sportsbook to benefit from betting-related activity. They can provide payment rails, custody, trading technology, customer access or market infrastructure to businesses that sit on very different sides of the legal line: state-licensed sportsbooks, offshore operators and federally regulated prediction markets.

That breadth can look like a contradiction. One company may court regulated financial markets while another product or partner serves sports fans; a platform may emphasize that it is not a bookmaker while helping route orders for event contracts. But the commercial logic is familiar: serve as infrastructure, let partners handle the customer-facing activity, and keep options open while rules are contested.

The legal logic is less tidy. Whether a sports-related contract is a financial instrument or an unlicensed wager can depend on the product, the operator, the state and the regulator making the argument. For crypto firms, the opportunity is real—but so is the risk that a regulator sees “neutral infrastructure” as participation in the underlying activity.

The market has more than one lane

“Betting market” is often used as if it describes a single industry. It does not. At least three models matter for firms choosing where to build or partner.

- **State-licensed sportsbooks** accept sports wagers under state law. They typically face licensing, consumer-protection, geolocation, tax, advertising and responsible-gambling requirements. Payments providers may support deposits and withdrawals, subject to their own risk controls and legal obligations.
- **Offshore operators** may serve customers in the United States without the state license required to offer sports wagering there. Their legal status and accessibility vary, but “offshore” is not a magic exemption from U.S. law. Banks, processors, app platforms and other intermediaries can face their own exposure and compliance questions.
- **Prediction markets** offer contracts tied to future events. Some operators argue that particular contracts fall under federal commodities law and oversight by the Commodity Futures Trading Commission (CFTC), rather than state gambling law. States may dispute that characterization, especially for sports-related contracts sold to residents.

These categories can overlap in their audience and subject matter without being legally interchangeable. A sportsbook wager and a prediction-market contract may both concern who wins a game, but the legal theory, contract structure, regulator and operating obligations may differ.

Crypto as neutral infrastructure—and a useful business strategy

For a crypto company, the appeal is often not “sports betting” by itself. It is the chance to become useful across several models. Crypto as neutral infrastructure can mean providing stablecoin settlement, wallet services, identity checks, trading systems or access to customers without taking the other side of a sports outcome.

That positioning has commercial advantages. Infrastructure can be sold to multiple counterparties; a company is less dependent on any one operator or legal category. Payments settlement services can also be attractive where customers expect fast deposits and withdrawals, or where a platform wants to move funds across products. And a firm that partners across models may be able to reuse technology—while adapting its controls to each partner’s licensing and risk profile.

But “neutral” is a business description, not a legal defense. Regulators may ask what a provider knew, what it enabled, how it was paid and how directly its services supported a product they consider unlawful. Processing a payment, routing an order and marketing a contract are different activities, but none is automatically beyond scrutiny.

Contracts traded are not dollars wagered

Market volume claims need the same care. **Contracts traded** count units bought and sold; they do not necessarily equal **dollars wagered**, customer deposits, net exposure or revenue. A contract can change hands multiple times, and its price may represent only a fraction of its maximum payout. Comparing a prediction-market contract count with a sportsbook’s handle—the total amount wagered—can therefore create a misleading impression of scale.



For crypto firms, [thecoinrepublic](#) the distinction matters commercially as well as editorially. A high number of trades may signal activity and liquidity, but it does not by itself show how much money customers put at risk or how much revenue a platform earned.

Why firms may partner across models

There are several reasons a company might want to work with licensed sportsbooks, prediction markets and other betting-adjacent businesses rather than choose one lane.

1. **Different routes to customers.** A sportsbook reaches customers through state-by-state licensing. A prediction market may seek a federally regulated route. A crypto app may already have a large base interested in trading and digital assets. Partnerships can connect those audiences.
2. **More than one source of revenue.** A firm may earn from transaction fees, technology licensing, custody or payment services, rather than relying only on the outcome of a single product’s regulatory fight.
3. **Infrastructure can travel.** Identity, fraud prevention, order routing and settlement systems are useful in more than one market. Firms may see an opportunity to adapt existing systems rather than build separate stacks from scratch.
4. **Regulatory uncertainty creates option value.** If courts ultimately accept one model and restrict another, a company with several partners may be better positioned to adjust. That is a strategic rationale, not a

guarantee that every partnership can continue.

Robinhood illustrates how the lines can meet in a retail investing app. The company has described exchange infrastructure that routes event-contract orders, giving users access to contracts through its platform. The important point is not to call every such product a sportsbook wager. It is to ask who lists the contract, which exchange or venue handles it, what law the operator relies on, and what role Robinhood performs in the customer's transaction.

Crypto.com has also entered the event-contract conversation, while Kalshi has become a prominent example of a prediction-market operator arguing that federal commodities law governs its markets. Their business models and legal positions are not identical. The shared commercial attraction is access to event-driven trading; the shared challenge is that states may view sports-related contracts as gambling offered without the required state authorization.

The jurisdiction fight: state gambling law versus federal derivatives law

The central legal disagreement is not simply whether customers are "betting." It is about which regulator has authority over a particular product and whether federal law displaces, limits or coexists with state rules.

Prediction-market operators may argue that they list swaps or other derivatives on a federally regulated designated contract market, subject to the Commodity Exchange Act and CFTC oversight. That argument gives them a potential federal framework, including rules for exchange operations and market integrity.

State regulators may counter that a sports outcome contract functions like a wager offered to state residents. They can argue that state gambling laws apply regardless of the product's label or the venue's federal status, particularly when the contracts concern sports and the state has established a licensing regime for sports wagering.

The answer is not necessarily uniform across every contract. A court could treat one event category differently from another, or distinguish the exchange's status from the specific contract being offered. Federal oversight also does not automatically mean that every product on a platform is lawful in every state. The contract terms, listing process, federal rules and state law all matter.

Question Why it matters to an infrastructure partner Who lists and clears the contract? It helps identify the regulated entity and the operational role played by the partner. What law does the operator rely on? A federal derivatives theory and a state gambling license impose different obligations and risks. Where is the customer located? State rules, geolocation controls and access restrictions can vary by jurisdiction. What service does the crypto firm provide? Payment processing, order routing, custody and promotion may raise different compliance questions.

Cease-and-desist letters, subpoenas and enforcement campaigns

When state officials believe a product is being offered unlawfully, their tools can include cease-and-desist orders, information demands, subpoenas and litigation. These steps do not by themselves settle the underlying legal question. They do, however, raise the cost of doing business: a company may have to restrict access, preserve records, explain its role or defend its legal theory in court.

Connecticut provides a useful example of how scrutiny can extend beyond the operator. State information requests have referenced app stores, including questions about how apps are distributed and made available to customers. That matters because a regulator examining access to a product may look at the surrounding

ecosystem—platforms, technology vendors and payment channels—not just the entity that lists the contract. An information request is not the same thing as a finding of liability, but it signals where investigators may be looking.

Enforcement campaigns can also create pressure to act before a final court decision. A state may send a cease-and-desist letter; the company may challenge the state’s authority; a court may issue or deny temporary relief; and the dispute may continue through appeals. For firms with payment or routing roles, that sequence makes partner due diligence essential. A counterparty’s claim that it is federally regulated should be verified, not treated as a blanket permission slip.

Preliminary injunctions and the uncertainty of the courts

In fast-moving disputes, preliminary injunctions often shape what happens while a case is pending. A judge may temporarily prevent a state from enforcing a particular action, or may decline to do so. Either outcome is provisional: it generally does not resolve every legal issue on the merits, and its reach may be limited to the parties or circumstances before the court.



That distinction is easy to lose in headlines. “Court blocks state” can sound like a nationwide green light, when the order may be narrow, temporary or subject to appeal. Conversely, a state enforcement action is not proof that the state’s legal theory will ultimately prevail.

There is also talk of a circuit split, but that phrase needs precision. Different federal courts can reach conflicting results without creating a formal circuit split. A true split generally requires federal appeals courts to adopt incompatible legal rules on the same question. Until that happens, it is safer to describe the landscape as unsettled or divided among courts, rather than imply that the U.S. Supreme Court is already facing a clean, established split. The practical point remains: rulings in one jurisdiction may not settle the question elsewhere.

What this means for crypto firms

Partnering across models can be rational, but it calls for a partner-by-partner risk assessment rather than a single “betting” policy. Firms should identify the actual service they provide, the customer locations involved, the licensing or federal status claimed by the operator, and the controls used to block restricted activity.

- Separate licensed sportsbook integrations from prediction-market and offshore relationships.

- Review whether geolocation, age checks, identity verification and responsible-gambling controls match the product and jurisdiction.
- Understand whether payments involve bank transfers, cards or stablecoins—and remember that stablecoins can be frozen by issuers or constrained by other controls.
- Track regulatory demands, court orders and appeals, including their scope and whether they are temporary.
- Describe volumes accurately: distinguish contracts traded from dollars wagered, customer balances and revenue.

For customers, the practical lesson is to look past the app's branding. Ask who operates the market, what regulator it answers to, what protections apply, and whether access is lawful where you live. A familiar crypto platform does not make every product equivalent to a state-licensed sportsbook or a federally supervised derivatives market.

The bottom line

Crypto firms may want to partner across betting models because infrastructure, payments and customer access can generate value in more than one regulatory lane. Robinhood's event-contract routing, Crypto.com's participation in the broader market and Kalshi's federal-law position show why the distinction between the platform, the exchange and the product matters.

But "crypto as neutral infrastructure" should be treated as a strategic claim, not a conclusion about legality. States are asserting gambling-law authority; prediction-market operators are invoking federal derivatives law; courts are issuing interim rulings while the merits remain contested. Until the legal boundaries are clearer, firms that partner across models will need to distinguish their roles carefully—and resist any headline that makes a complicated jurisdiction fight sound like a settled market opportunity.