

When a crypto company appears in a betting story, it is tempting to assume its role is simple: it moves money from a customer to a sportsbook. Sometimes that is true. But a company can also operate an exchange, route a customer's order, list a contract, or help decide which event contracts appear in an app. Those are different activities, with different regulatory consequences.

The distinction matters as prediction markets expand into sports and other event contracts. A customer may see a familiar financial app, fund an account with dollars or crypto, and trade a contract whose price moves with the chance of an outcome. The interface may look nothing like a traditional sportsbook. Yet state regulators may argue that the product is sports wagering, while the company may argue that it is a federally regulated derivatives product.

That dispute is not settled by calling a business a "payment provider," an "exchange," or a "prediction market." The important questions are what the company actually does, which entity does it, and which regulator has authority over the product.

First, separate payments from wagering

A payments company generally helps transfer or store value. It might process a card payment, provide a digital wallet, convert crypto to dollars, or help a merchant accept deposits and withdrawals. Those services can support betting without making the payment provider the operator of the betting product.

But the line can blur. A company that presents a market, routes an order, matches buyers and sellers, sets trading rules, or earns transaction-based revenue may be doing more than moving money. The precise legal analysis depends on the product, contracts, corporate structure, and applicable law—not on the label in a press release.

Role	What it may do	Why the distinction matters
Payment provider	Processes deposits, withdrawals, or transfers	May support a betting service without operating the market itself
Broker or routing service	Receives customer orders and sends them to a venue	Can affect which venue executes a trade and what disclosures apply
Exchange or market operator	Lists contracts and facilitates trading under market rules	May face exchange-specific obligations and oversight
Sportsbook	Accepts wagers under a state gambling license	Usually operates under state-by-state licensing, tax, and consumer-protection rules

One more distinction is essential: **contracts traded are not the same as dollars wagered**. A reported number of contracts can count units bought or sold; it does not automatically reveal the total amount customers risked. The contract's price, payout, fees, and whether the figure counts both sides of a trade all matter.

Three models that can look similar on a phone

State-licensed sportsbooks

A state-licensed sportsbook offers sports wagers under the laws of the state where the customer is located. Its license typically comes with rules on age checks, responsible-gambling tools, advertising, taxes, approved markets, and recordkeeping. A sportsbook may use outside vendors for payments, geolocation, identity checks, or software, but the licensed operator remains accountable for the wagering product.

Crypto can enter this model as a funding or payout method, depending on state rules and the operator's policies. That does not turn the sportsbook into an exchange. It also does not mean crypto is untraceable or immune from controls: platforms and payment intermediaries may restrict, report, or freeze activity where legally required.

Offshore operators

Offshore betting sites may accept customers in places where they lack state authorization. Some take crypto, which can make deposits feel quick and convenient. But the use of a blockchain does not grant a betting license, remove state-law exposure, or guarantee that a customer can recover funds after a dispute. The company's location and the customer's location can both matter, and enforcement may be difficult across borders.

"Offshore" is a description, not a legal conclusion about every company. The practical warning is simpler: a site's claim that it is licensed somewhere else does not establish that it is authorized to offer sports wagering in a particular U.S. state.



Prediction markets

Prediction markets offer contracts tied to the outcome of an event. A contract might pay a fixed amount if a specified outcome occurs and nothing if it does not. The venue may argue that these are derivatives or event contracts under federal commodities law, rather than wagers governed by state sportsbook rules.

That legal theory is contested, particularly for sports contracts. The Commodity Futures Trading Commission (CFTC) regulates designated contract markets and certain derivatives activity. State gambling regulators, meanwhile, generally enforce state laws governing wagering within their borders. When a sports-linked contract is offered to a state resident, the question becomes whether federal derivatives law displaces, limits, or coexists with state gambling rules.

Crypto infrastructure can be part of the product

"Crypto infrastructure betting" is often used as shorthand for the technology and financial services around a betting-like product. That can include wallets, stablecoin conversion, custody, identity checks, payment processing, and blockchain settlement. But infrastructure is not one legal category. A wallet provider may have a different role from a broker routing an order, and both may differ from the exchange that lists the contract.

Stablecoins deserve particular care in this discussion. They may be designed to track the value of a dollar, but that does not make them cash held in a bank account or prevent an issuer or intermediary from freezing them under certain circumstances. Nor does using a stablecoin decide whether the underlying [kalshi sports contracts legality](#) activity is gambling, derivatives trading, or something else.

Robinhood, Crypto.com, and the routing question

Robinhood is a useful example of why “just an app” can be an incomplete description. Robinhood has been associated with access to event contracts through its app, while exchange infrastructure handles the underlying market activity. In examining a product like this, it is important to identify the separate entities involved: the consumer-facing platform, any broker or routing entity, and the venue where contracts are listed or executed.



That is where **exchange routing contracts** becomes a useful phrase. Routing is not the same thing as operating the exchange, but it is also not necessarily the same as passively processing a payment. The customer-facing company may display a contract, collect an order, and transmit it to a venue. The legal significance depends on the company’s actual functions and the relevant rules.

Crypto.com has also been discussed in the broader debate over event contracts and sports-related markets. Its presence in that conversation does not by itself establish whether a particular product is a sportsbook, an exchange-traded derivative, or a payment service. The same fact-finding applies: who lists the contract, who routes orders, who holds customer funds, and which regulator has asserted authority?

Kalshi is a prediction-market operator that has pursued federal regulatory treatment for event contracts. Its position illustrates the central jurisdictional argument: a federally regulated market may contend that its contracts fall under commodities law, while a state may contend that sports-related contracts offered to residents are unlicensed gambling. The outcome can depend on the contract design and the court’s reading of the relevant statutes.

State action and federal oversight are colliding

State regulators have several tools when they believe a company is offering unlicensed gambling. These can include cease-and-desist orders, information requests, subpoenas, administrative proceedings, and enforcement campaigns involving multiple companies or service providers. A cease-and-desist demand is an agency’s position and instruction; it is not, by itself, a final court ruling on every legal issue.

Information requests can reach beyond the company offering the product. In Connecticut, for example, state information requests have referenced app stores in the context of investigating event-contract offerings. That does

not mean an app store is automatically the sportsbook or exchange. It does show that regulators may examine how a product is distributed and made available, not only who ultimately executes a transaction.

Federal oversight is also not a blanket shield. A company's federal registration or argument that a product is a derivative does not necessarily end a state's inquiry. Conversely, a state's gambling-law position may be challenged in federal court, particularly where the company argues that federal commodities law controls or preempts the state's approach.

Courts have not supplied a simple nationwide answer

Litigation over event contracts has produced uncertainty, including requests for preliminary injunctions. A preliminary injunction is an interim court order, generally issued before a full trial, and it may preserve a party's position while a case proceeds. It is not necessarily a final decision on the merits. Courts can reach different interim conclusions based on the record, the parties, and the legal questions presented.

That uncertainty has been described in terms of a developing circuit split. The practical point is that courts have not supplied a single, settled rule that resolves every sports event contract nationwide. The precise status of any claimed split can change as appeals are decided, so headlines should be checked against the actual rulings and the courts involved. A trial-court order in one state does not automatically settle the issue in another.

For companies, this means legal exposure can vary by jurisdiction and product design. For customers, it means a contract available in one state—or through one app—may not be available elsewhere, and availability is not proof that the product has been definitively classified by every relevant regulator.

What is fact, and what is inference?

- **Fact:** State-licensed sportsbooks operate under state gambling frameworks, while federal commodities law governs certain derivatives markets.
- **Fact:** Regulators can investigate distribution, payments, order routing, and market operation through different legal tools.
- **Fact:** Preliminary injunctions are interim orders, not automatically final judgments.
- **Inference:** A company that routes customer orders may face questions beyond those asked of a company that only processes payments. The answer depends on its conduct and the governing law.
- **Inference:** A federal-market argument may strengthen a company's position, but it does not guarantee that every state-law challenge will fail.

Questions to ask before calling a company a payment provider

1. **Who offers the contract?** Identify the legal entity, not just the brand in the app.
2. **Who lists and executes it?** A customer-facing platform, broker, and exchange can be different companies.
3. **What does the company earn?** Payment fees, routing compensation, and market fees may indicate different roles, though none decides the legal issue alone.
4. **Which regulator has acted?** Look for the actual state agency, the CFTC, and any court orders—not just a company's description of its status.
5. **What do the numbers measure?** Distinguish contracts traded from dollars wagered or customer exposure.

The bottom line

Crypto companies in betting are not all payment providers, and they are not all sportsbooks. Some may process funds; some may route orders; some may operate or support an exchange; others may offer a product that state regulators characterize as wagering. A single brand can sit across several layers, often through separate legal entities.

The jurisdiction fight—state gambling law versus federal derivatives law—remains unsettled for important categories of event contracts. Cease-and-desist orders, subpoenas, enforcement campaigns, preliminary injunctions, and appellate disputes are part of that story, but none should be mistaken for a universal rule without checking the underlying record.

The careful description is usually more useful than the headline: name the regulator, identify the company's actual role, explain the legal theory, and state whether the evidence concerns contracts traded or dollars wagered. That is how to tell whether a crypto firm is merely moving money—or helping build and distribute the market itself.