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New York City Launches Sweeping Investigation Into Polymarket and Kalshi

Kevin T. Dugan, Katherine Long

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The New York City Council is investigating four prediction markets for alleged deceptive marketing practices and targeting minors, opening a new front in the bitter, state-by-state legal war over prediction-market regulation.

City Council Speaker Julie Menin sent letters to Polymarket, Kalshi, Coinbase COIN 0.99%increase; green up pointing triangle, and Gemini Titan, all of which have a presence in New York City, on Aug. 11 seeking answers about how the companies comply with consumer protection laws.

In a letter addressed to Polymarket founder and Chief Executive Shayne Coplan, Menin asked for details about Polymarket promotional videos that appeared to depict fake trades and promoted insider trading on social media. Some of the advertisements may have targeted minors, Menin wrote.

In June, a Wall Street Journal analysis of more than 1,100 videos made by Polymarket creators, along with instructional materials and interviews with influencers who have worked with the company, found that 70% featured dummy sites the company used to film fake trades.

“[T]roubling news reports allege that Polymarket conspired with marketing agents and social media influencers to target young adults—and thus potentially minors—with false, deceptive, and unconscionable advertising,” Menin wrote, according to a copy of the letter viewed by the Journal.

Gemini Titan didn’t respond to a request for comment. Spokespeople for Polymarket and Kalshi said the companies look forward to engaging with the city council.

In response to the Journal’s earlier reporting, Polymarket said it was “committed to maintaining accurate, fair, and transparent markets” and that it would undertake an audit of its promotional content. More recently, the company has restructured its marketing team, hiring Travis VanderZanden, founder of the e-scooter company Bird, as head of growth, VanderZanden wrote in a LinkedIn post Tuesday.

Polymarket has a data partnership with Dow Jones, the publisher of the Journal.

In a statement, a Coinbase spokeswoman said the company “fully complies with applicable laws.”

In the letters, Menin posed more than 60 questions about how much the companies earn in New York, how many users were city residents, and how their marketing operations work, and gave them 14 days to respond.

While the City Council has no power to bring criminal charges, it can issue subpoenas forcing the companies to turn over documents—an authority it has rarely, if ever, used on a private firm. Menin said the council was considering legislation authorizing “increased enforcement, public education campaigns, health measures, and/or the raising or redirecting of public funds” to address prediction markets, and that it intends to hold public hearings on the issue.

The letters come a little more than a week after New York Attorney General Letitia James sued Kalshi, accusing the company of illegally operating a gambling app. The suit is the latest salvo in a legal dispute that began in late 2025.

Kalshi and other prediction markets say their business model differs from sports gambling because users trade against each other, rather than against a house, more akin to an exchange.

“States can’t just shut down a federally licensed exchange,” Kalshi spokeswoman Elisabeth Diana said previously in response to the lawsuit.

In July, Kalshi made overtures to New York, offering a share of its trade revenue in taxes and volunteering to allow users to exclude themselves from the app, the Journal earlier reported.

What followed was a war of words over social media, with New York Gov. Kathy Hochul attacking the company’s bet-on-almost-everything ethos, arguing that Kalshi markets for whether drug trials will be successful are akin to wagering on death.

“There are some lines you don’t cross. Turning cancer patients into a prop bet is one of them,” Hochul said in an Aug. 5 post on X. “And it’s exactly why New York won’t let companies like Kalshi break our laws.”

“This is flat out a lie,” responded Kalshi’s co-founder and operating chief, Luana Lopes Lara, less than a half-hour later.

On Tuesday, the Commodity Futures Trading Commission, which under the Trump administration has asserted exclusive authority to regulate prediction markets, announced that it was exercising emergency authority in ordering Kalshi “to continue to operate in accordance with the Commodity Exchange Act’s Core Principles” in the face of James’s complaint.

“The New York State Attorney General does not set the rules for national derivatives markets,” said CFTC spokeswoman Brooke Nethercott. “That’s the Congressionally mandated role of the CFTC. As stated in the order, Kalshi is required to operate as normal to maintain market integrity and stability.”

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Kevin T. Dugan is a reporter at The Wall Street Journal covering the culture of business and Wall Street. Previously, he was a senior writer at New York magazine covering money and power, and he has worked for Bloomberg, the Information, and the New York Post. He is the 2022 winner of the New York Press Club award for metro feature writing, a two-time Sabew award winner, and a finalist of the Deadline Club award for local reporting. His coverage of Sam Bankman-Fried and the collapse of FTX is currently being adapted into a show on Netflix.

Katherine Long is a reporter on the Wall Street Journal's investigations team. She formerly reported for Business Insider, where she was a correspondent on the company's national desk. She also reported on Amazon, with a focus on the company's extensive warehousing and logistics operations, at Business Insider and The Seattle Times.

She is a graduate of Brown University and Columbia Journalism School's Stabile Center for Investigative Journalism.