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How to fix online gambling

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Introduction

Americans have never had more opportunities to gamble. Thanks to the rise of online sports betting, gambling has gained a new prominence in American life over the last few years. But state-licensed sports betting is hardly the only game in town. Illegal and unregulated gambling—on sites that are unlicensed in the United States or are based overseas—is easy to find online, including by teenagers. The same goes for a host of activities that are not legally categorized as gambling but act or look like gambling, from prediction markets to day trading to digital trading cards to video game skins.

What have been the consequences of the sudden proliferation of gambling in America? What should be done to address these consequences? This document offers a blueprint rooted in the goal of **preventing gambling from negatively affecting the wellbeing of gamblers**.

Gambling is not dangerous in and of itself. Gambling has been a human pastime for millennia. Card games, March Madness brackets, and a preseason Super Bowl bet can bring people together and can bring excitement to the sports they already love. Perhaps for that reason, no amount of repression has been able to end mankind's dance with the forces of chance.

However, most gambling today is different from the dice and card games of our ancient ancestors. The arrival of gambling on the internet and on smartphones means bettors today have the most engaging gambling platforms ever built available to them at essentially all times. Modern gambling apps are built to attract and maintain attention. Auspiciously-timed push notifications with bonus offers lure bettors in, and a seemingly endless betting menu, constantly updating odds, and other subtle design tricks help keep them betting. The result is an absence of friction, natural speed bumps to prevent someone from gambling too much, too often, or too recklessly. Relatedly, gambling platforms offer few guardrails to prevent someone who has begun gambling unsafely from causing themselves financial and emotional harm.

In-person legal gambling posed plenty of risks, but natural frictions existed: bettors had to be present in a specific location. And unless the casino let them bet on credit, they could only lose the cash in their pocket. Today, those same bettors can gamble from anywhere, with few restrictions preventing them from gambling every dollar they can get their hands on. Americans should be able to enjoy gambling. And they should be able to do so without needing to use products designed to encourage them to bet more than they intend or than they can afford.

Modern gambling is not confined to sports betting or casino games. The last two decades have seen a trend toward gamblification: the integration of gambling, and of mechanics borrowed from casino games, into a variety of online platforms—for example, a roulette wheel offering a random discount on an online shopping site. More problematically, gambling-like features have been embedded in video games and finance apps. Prediction market event contracts, same-day stock options, video game skins, and meme coins blur the line between gambling, investing, and gaming. Like traditional gambling, these products entail rapid and repetitive transactions, loss chasing, and intermittent rewards. Such products are generally less regulated than outright gambling, though they pose similar risks, particularly because users may not realize at first that they are gambling.

This document first lays out the prevalence of modern gambling and some of the evidence that shows it needs to be fixed. Then it presents the values that should shape reforms to the gambling ecosystem, followed by ten specific ideas to prevent gambling harm and bring the articulated values to life.

Americans—especially young men—like betting

The legalization of sports betting combined with the near ubiquity of internet access means more people are gambling than were just a few years ago. This is particularly true for young people, who have long found ways to bet, but for whom gambling has never been as easy as it is today.

57%

of American adults gambled in some form in 2025 (including casino, sports betting, iGaming [online casino games], lottery, pari-mutuel, and video lottery terminals).

OVER 27%

of American adults have an active online sports betting account, including over half (52 percent) of men ages 18-49, even as roughly 39 percent of all Americans live in a state with no state-licensed online sports betting.

67%

of students living on a college campus had bet on sports within the last year, as of 2023.

22%

of young adults currently or previously owned cryptocurrency, and 26 percent of 18-24-year-old men report using at least one sports betting, daily fantasy sports, prediction market, or other gambling platform in the last six months.

ROUGHLY 25%

of 13-14-year-olds in a cross-national sample report having purchased loot boxes in a video game.

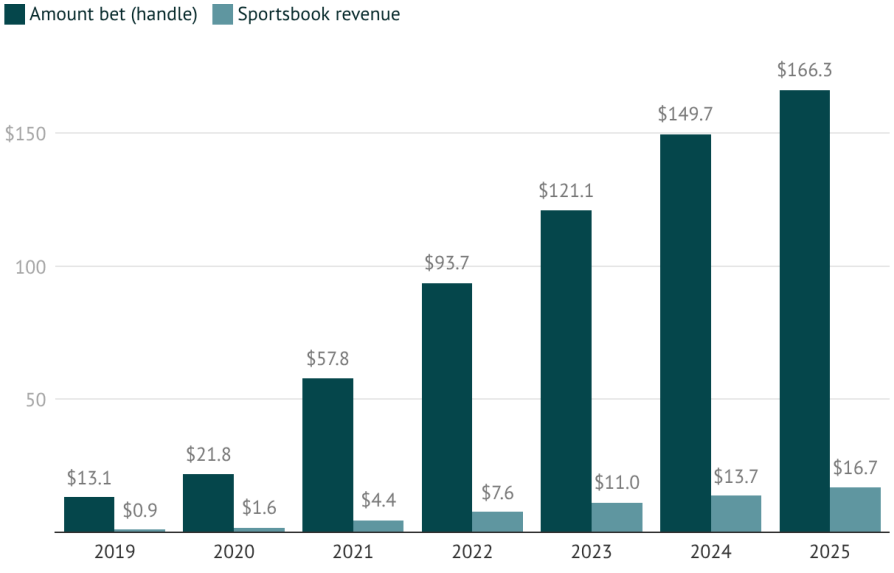
43%

of investors under 35 report having traded options.

FIGURE 1

Americans bet $166 billion on sports in 2025

Annual amount wagered on sports at state-licensed sportsbooks and sportsbook revenue (amount wagered minus winnings paid out to bettors), in billions of dollars



Sportsbook revenue is gross gaming revenue (GGR), before taxes and promotional costs.
Source: LegalSportsReport

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Evidence of gambling harm

The popularity of gambling is not in and of itself a problem. Most people who gamble do so safely. Some percentage of the population will run into gambling-related harm under seemingly any circumstances. But the last decade-plus has seen a clear increase in the number of people gambling. By extension, the total number of people who will suffer gambling-related harm has increased, as has the collateral damage from gambling, the families who have lost savings and loved ones to varying degrees of gambling harm and addiction.

Data has emerged that indicates the modern version of gambling is particularly dangerous. The increase in incidence of gambling harm is not purely the result of the increase in the aggregate number of gamblers. It is also the result of an increase in the share of gamblers

who, thanks to frictionless betting without enough guardrails, gamble more than they can afford or more than they intend. In 2024, 8 percent of American adults reported at least one indicator of problem gambling multiple times over the past year.

Some of the best evidence on the negative effects comes from sports gambling. Studies have taken advantage of the staggered state-by-state rollout to assess how states that adopted online sports betting fared in the months and years following its arrival, as compared with non-adopting states.

- The arrival of online sports betting in a state correlated with an increase in bankruptcies (10 percent), auto loan delinquencies (6 percent), and accounts with debt in collections (8 percent).
- Sports betting crowds out savings and investments: for frequent bettors, each dollar deposited into their gambling account reduced investment deposits by 20 cents.
- Sports betting correlated with increases in food insecurity among working-age adults without a college degree, child maltreatment cases, filled prescriptions or outpatient visits related to depression or anxiety, and rates of suicide among 15–34-year-old men.

It is worth noting that some of this evidence is contested. Other studies using similar methodologies—but different data sets—have reached different conclusions. One analysis, for example, found that bankruptcies declined in early-adopting sports betting states relative to other states. Another study found no association between sports betting adoption and suicide rate.

RELATED AIBM RESEARCH

For more on the harms of online sports betting, see AIBM's report: "Sensible Sports Betting: A Policy Framework"

State-level indicators have given off warning signs as well.

18%

of Arizona adults meet the criteria for moderate to high risk of problem gambling.

19%

of 18-24-year-old gamblers in New Jersey are at high risk for problem gambling.

51%

of state sports betting revenue in Connecticut in 2023 was estimated to come from the 1.8 percent of state residents with a gambling problem.

5.2x

increase in enrollments in Pennsylvania's self-exclusion program among 21–34-year-olds, comparing enrollments for online gaming in 2025 to enrollments for in-person casino only in 2018, the last full year before legalization.[1]

And these numbers do not capture harms from newer forms of gambling such as prediction markets, not to mention types of gambling that exist outside American regulatory oversight, such as certain types of cryptocurrencies and sites based offshore.

AIBM's approach

AIBM supports the existence of legal online gambling, provided certain protections are in place to prevent gambling harm. As of this writing, no state has met these standards for sports betting. And federal regulators have not approached this standard for prediction markets or for high-velocity trading products within traditional brokerages. Our conditional support for legalization rests partly on moral grounds: when it comes to leisure products for adults, governments generally should not be in the business of outright banning products that most people can enjoy safely. And it should not be overlooked that gambling can have pro-social benefits and is, quite simply, entertaining. The costs of legalized gambling can be tabulated. The simple pleasure of watching a baseball game with friends and putting $5 or $500 on the line cannot be quantified but should not be ignored.

AIBM's support for the existence of legalized gambling also rests on practical grounds. So many Americans have gotten a taste of gambling over the last few years that any attempt

to remove it entirely would send some—though not all—bettors to even less safe alternatives.

Regulation is possible: gambling can remain legal, most people can participate safely, and changes can be made to reduce many of the harms.

Successful regulation requires a holistic view of the field, an accounting of all the different avenues Americans are using to get their gambling fix. Online gambling takes place primarily on products that fall under five different regulatory buckets:

TABLE 1

Online gambling falls under five different regulatory buckets

Main categories of online gambling products, by how they are regulated, with examples

Regulatory category	Examples
State-licensed sportsbooks, online casinos, daily fantasy sports games, plus state-run lottery games	FanDuel, DraftKings, Fanatics, iLottery
Federally licensed prediction market, investment, and crypto platforms	Kalshi, Robinhood, Crypto.com
Video games with loot boxes and/or gambling mechanics	Roblox, EA FC
Unregulated or quasi-regulated daily fantasy sports, sweepstakes, and crypto sites	Fliff, Stake
Illegal offshore gambling platforms	Bovada, BetOnline

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These categories are overlapping. Many state-licensed sportsbooks and crypto platforms offer prediction market event contracts, and daily fantasy sites operate under regulatory

regimes in some states, while operating outside of any state oversight in others.

Gambling vs. investing

The line between gambling and investing has always been blurry. Both involve risking money in the hope of making more, and the two activities can feel similar for the person whose money is at risk. For this report, we distinguish them by looking at the purpose of the transaction on the part of the user. Investing involves putting money into a business or asset in a way that is expected to create economic value. The investor hopes to share in that created value. Gambling involves staking money on an uncertain outcome, primarily for entertainment or financial gain. The wager itself does not create underlying value. Buying stock in Texas Instruments, for example, gives the investor an ownership stake in a company that makes and sells semiconductors. Betting on the Texas Rangers to win the World Series gives the bettor no ownership stake and does nothing to improve the team's chances of winning.

An effort to reduce harm needs to account for the existence of all five categories. Otherwise, successful regulation of one domain may simply drive gamblers to other products. Regulating state-licensed sports betting, for example, has reduced utility when customers can place nearly identical wagers with fewer consumer protections on prediction markets or offshore sportsbooks. Furthermore, there are certain kinds of harmful behaviors—loss chasing, for example—that can occur in one form or another across all types of platforms. AIBM's approach entails eliminating opportunities for those kinds of behaviors no matter where they can be found.

AIBM's proposal is rooted in the following key principles:

- **The normalization of gambling should be undertaken cautiously:** The most dramatic change in gambling over the last two decades, and especially since 2018, has been the normalization of gambling, its transformation from an illegal vice to a mainstream consumer product. Some amount of normalization is an inevitable result of legalization. But the United States has gone too far too quickly and has normalized an unsafe version

of betting. Today's young people are the first generation to grow up with online gambling, which they have been taught is a safe, fun, and harmless activity.

- **Different rules for young people:** The younger someone starts gambling, the more accustomed to it they become, setting themselves up for greater risk of a gambling problem later in life. While 18 is the age of legal adulthood, modern gambling is sufficiently dangerous that even young adults should face different rules of the road.
- **Limits on high-speed gambling products**: When it comes to gambling, more speed means less safety. There is a meaningful difference between a bet on who is going to win the World Series six months from now and a bet on the speed of the next pitch. Fast-moving gambling products make it easier for users to get carried away. These products should include guardrails by default. In some cases, they should be removed.
- **A legal, regulated market is preferable to an illegal, unregulated one**: The rise of legalized gambling has been accompanied by the persistence—and even the expansion—of unregulated, illegal alternatives. These sites offer no consumer protections, raise no tax revenue, and have been known to refuse to pay out to their users. If Americans are going to gamble—and they are—it is preferable that they do so on regulated platforms—provided those platforms include sufficient guardrails to prevent gambling harm.
- **Gambling should be demarcated from investing and video games**: Gambling has no place on platforms that are not dedicated to gambling. Today, video games and investment platforms use gamified and gamblified mechanics to engage users. The nation needs to draw a thick and clear line around gambling and prevent the proliferation of gambling and gambling-like activities into other spheres.

AIBM's proposed fixes

AIBM proposes ten specific ideas to fix online gambling. Ideally, these would be adopted simultaneously. Some of the proposals, if enacted entirely on their own, might yield limited results if gamblers simply moved their unsafe behavior to a different platform. Nonetheless, the proposals are hardly all-or-nothing. Each, on its own, would make

gambling safer. Adopted in their entirety, they would address many of the worst and most dangerous features of modern online gambling.

1. **No gambling until 21**
2. **Automatic gambling limits for anyone under age 25**
3. **Make gambling guardrails opt-out rather than opt-in, plus escalation controls**
4. **Limit or eliminate high-speed gambling products, including microbets and iGaming**
5. **Rein in gambling advertising, especially toward young people**
6. **Change mandates for state gambling agencies to focus on consumer wellbeing**
7. **Crack down on illegal and unregulated gambling**
8. **Remove sports event contracts from prediction markets**
9. **Redraw the line between gambling and investing**
10. **No video game gambling integration**

Some of these proposals have more supporting evidence than others. As of this writing, these fixes represent AIBM's preferred policy solutions, barring new evidence from further research. The conclusion to this document details AIBM's approach to the constantly changing terrain around gambling, and the likelihood that these proposals will need to be updated in the coming years. In general, gambling products should be proven that they are safe before they are released, rather than allowing them to cause harm to the public and then undergo reform. There are tradeoffs between innovation and guardrails. When it comes to gambling, guardrails are preferable every time.

PROPOSAL 1

No gambling until 21

In the modern United States, gambling is typically reserved for those 21 and older. When it comes to online gambling, it should stay that way.[2]

In many ways, gambling works like an intoxicant. It provides a rush of pleasure. And the younger someone is when they start gambling, the less likely they are to be able to moderate that pleasure and control their pursuit of it. This is not to suggest that anyone who gambles at a young age is destined for addiction. But young people have less impulse control, which sets them up for less controlled gambling.

It bears acknowledging that 21 is not a particularly notable age, scientifically speaking. The prefrontal cortex—the part of the brain that controls risky behavior—can continue developing until roughly age 30. Further evidence may confirm that gambling in fact should not be available until later ages. But, out of practicality and in line with current rules around alcohol—and with the acknowledgment that 18 is the legal gambling age in many other countries—AIBM supports 21 as the national legal age for first access to gambling. Such a rule could be enacted federally and applied across platforms offering gambling and gambling-like activities.

Barring federal legislation, the practicalities of a 21-year age limit are simple in some places and complicated in others.

- **Sports betting:** State legislators or state gaming regulatory agencies can summarily set the legal gambling age at 21 in the few states where it is currently 18.
- **Daily fantasy:** Most states with daily fantasy games make them available to anyone 18 or older. The modern version of these games functions much like sports betting, and should be made 21+.
- **iLottery:** While physical lottery tickets have long been available to 18-year-olds, online lottery tickets—particularly online instant games, which are effectively slot

games—should only become available at 21.

- **Prediction markets:** Because prediction markets are legally treated as investment platforms, they are available to anyone 18+. From a user experience standpoint, these platforms function almost indistinguishably from traditional sports betting, and access should be regulated accordingly. Prediction market companies or the Commodity Futures Trading Commission could set the age for access at 21. Alternatively—and less desirably—certain markets that more closely resemble gambling, such as sports contracts or 15-minute markets on the price of Bitcoin, could be made available only to customers 21 and older.
- **Investment platforms:** It would be implausible and undesirable to limit young adults' access to traditional investment products like index funds. However, some investment products—like zero-day options—cross the line from investing into gambling, and access should be age-gated accordingly, with the possibility of limits for those under 25. Such a measure could be imposed by individual platforms or by the Securities and Exchange Commission.
- **Video games:** Games that feature gambling mechanics should be rated "Adults Only" and either the games or the gambling mechanics within the games should be age-gated to those 21+.

PROPOSAL 2

Automatic gambling limits for under 25-year-olds

Once an American reaches the age of 21, they are generally able to do anything they want within the confines of the law. However, some restrictions remain. Captains for major scheduled airlines need to be at least 23. Twenty-five is the standard minimum age to rent a car without incurring additional fees. And members of the U.S. House of Representatives need to be at least 25, U.S. senators at least 30, and presidents at least 35.

The nation needs to create a new age restriction, with full, unfettered access to online gambling beginning at age 25. While initial use can start at 21, young people should not, immediately upon adulthood, gain access to the most powerful and most engaging gambling platforms ever built. Instead, the version of the apps available to young people should come with guardrails: externally-imposed, nonremovable limits. These would be designed to help acclimate young people to gambling in an environment where they are less likely to get carried away or to adopt high-risk behaviors.

Restrictions for 21–24-year-old users could include some combination of the following:

- Limits on the number of hours users can spend on the app per day
- Limits on how much they can deposit or lose over the course of a month
- Limits on the number of deposits or bets that can be placed in a 24-hour period
- Inability to wager over certain amounts or to access certain high-risk products, such as microbets
- Ineligibility for VIP programs and certain types of promotions
- Additional affordability checks not required of 25+ bettors

Across various types of platforms, such restrictions would present natural guardrails that would facilitate safer play during a developmental period when users are especially prone to getting carried away. Built-in gambling limits would also change the incentives for gambling companies, which would no longer be as motivated to try to capture market share among younger bettors. Instead, player data from 21–24-year-old users would provide an indication of which young people will likely be unable to control their gambling after their 25th birthday. Gambling companies could be required to automatically flag these users and more aggressively limit their accounts if they show signs of problematic play after turning 25.

There is precedent for a 25-year cutoff. In 2025, the United Kingdom Gambling Commission mandated an online-slot stake limit of £2 for 18–24-year-old bettors, with a £5 limit for older adults. The following year, the Commission announced the gradual rollout of a new rule, mandating a financial risk assessment for anyone who deposits more than £1,000 in a 24-hour period or £3000 over 90 days, with a lower threshold (£750 in 24 hours, £2000 in 90 days) for those under the age of 25. Also in the U.K. (and Ireland), Flutter—FanDuel's parent company—implemented a £500 monthly net-deposit limit for under-25s, with increases permitted based on income verification. States or the federal government should adopt similar measures.

PROPOSAL 3

Make gambling guardrails opt-out rather than opt-in, plus escalation controls

When someone downloads a gambling app, the only real limit on how much they can bet is the amount of money in their bank account or that they can borrow. It would be entirely possible for someone to open a gambling app for the first time and, within a few hours, burn through the entirety of their savings.

This arrangement causes unnecessary harm. When someone first opens a gambling app, there should be guardrails in place to help them acclimate to the modern world of technologically supercharged betting.

According to proponents of legalized gambling, a key benefit of regulated platforms is the presence of self-limiting tools, labeled "Responsible Gambling" on gambling apps or "Responsible Trading" on select prediction markets. These tools include deposit limits, time limits, cool-down periods, and loss limits, and users can opt into them directly through the app.

Unfortunately, a vanishingly small percentage of users opt into these programs. In the six months beginning October 2025, the uptake of select Responsible Gambling tools by FanDuel users in Massachusetts was as follows:

- **Deposit limit:** 4.5 percent
- **Max wager limit:** 0.7 percent
- **Wager limit:** 0.6 percent
- **Voluntary self-exclusion:** 0.5 percent
- **Maximum play time:** 0.2 percent

The problem is not lack of awareness. According to a 2025 survey from the American Gaming Association, 84 percent of people who had gambled in the last year knew of at least one Responsible Gambling tool. Gamblers know these tools exist. They simply do not use them.

It is unrealistic to rely on users to recognize they may be unable to control their gambling and, before they run into any serious harm, to self-select into limits on their own app access. This is particularly true given the assumption some gamblers have that Responsible Gambling tools are only for individuals with a gambling problem, and therefore are not necessary or helpful for anyone else. Numerous European countries—for example, Germany, the Netherlands, Norway, and Sweden—require user-set loss or deposit limits at signup.

AIBM is not seeking to impose unwanted restrictions on adults' gambling, but to offer a default experience that meets the desires of the vast majority of people who download a betting app. Users age 25 and older will retain the freedom to opt out of these limits if they choose. Further research is necessary into player behavior during their first few weeks or months of gambling. It bears investigating whether gamblers are uniquely vulnerable during this period to escalating their betting baseline, and, correspondingly, if default limits would facilitate safer play that would endure following the removal of the limits.

Limits should be baked into apps by default, and should apply across all platforms of the same type (all online sportsbooks, all prediction markets, etc.). Users could set (reasonable) limits on first use, or defaults could be externally imposed, as decided by regulators. Additionally, users should have more flexibility with their limits than they currently do. For platforms that host some combination of sports betting, online casino, daily fantasy, and prediction market contracts, users should be able to set different limits for each product category—while also retaining the ability to set limits that apply across all channels.

For under-25-year-old gamblers, these limits would not be removable. For users 25 and older, the default restrictions could be removed or revised. Crucially, changes to these restrictions should only go into effect 72 hours after the user requests the change, to prevent a frustrated gambler from getting carried away in the throes of a betting binge.

And limit increases should only occur gradually. Someone nearing a monthly loss limit of $10,000 could not move their limit up to $1,000,000, effectively removing it. Instead, their loss limit could be raised by a set percentage of their baseline limit following the 72-hour waiting period. Such measures would prevent someone from chasing their losses and, in one fell swoop, removing all guardrails on their account.

It is easy, especially these days, to get carried away while gambling. Gambling apps should make it easier for users to stay in control of their betting.

PROPOSAL 4

Limit or eliminate high-speed gambling products, including microbets and iGaming

The internet has supercharged gambling. Not only do bettors have more ways to bet than ever before, they also have more things to bet on. New options include fast-moving products that are more dangerous than slower-developing bets. When people make quickly resolving bets, they are more likely to bet more and to chase their losses. This process can result in someone gambling more than they can afford or more than they intended when they first sat down to watch a game or first opened a gambling app.

Online sports betting

A new category of bets that has emerged since the arrival of legalized online sports betting is microbets: wagers on discrete events within a sporting event, for example on the speed of a pitch in a baseball game or whether a basketball player will make a free throw. These bets are designed to resolve in a matter of minutes or seconds.[3]

Microbets are, by their very design, more dangerous than slower-resolving wagers. These bets move so quickly that most people cannot reasonably have a well-developed belief as to the outcome of the next point in a table tennis match halfway around the world. Sports betting can augment users' viewing experience, offering a stake in an otherwise meaningless match. Microbets put stakes on every moment within the game, providing rapid bursts of dopamine that can much more quickly hook users than bets that will take hours or weeks to resolve.[4]

AIBM's preferred course is that microbets be eliminated. Doing so would prohibit state-licensed sportsbooks from taking bets on individual moments or plays within games, as has been proposed in New Jersey. This measure could be accomplished by legislatures or by

gambling regulatory agencies, either at their own discretion or as directed by their legislature or governor. Agencies can review their betting catalog—the list of leagues, games, and sub-game outcomes that sportsbooks can offer as betting markets—and could remove microbets as eligible bet types.

If states remain reluctant to eliminate microbets entirely, other options include:

- Limiting the amount that can be wagered on microbets, especially for young people. Microbets could be capped at a certain dollar amount.[5] The limits should be lower for bettors under the age of 25. Additionally, as currently in place for pitch-level bets, microbets could be excluded from parlays.
- Mandating a buffer between microbets. Once someone has placed a microbet and their bet resolves, they would be required to wait a designated amount of time before they can place another microbet.

Given the limited research on microbetting, AIBM's position is subject to findings from additional research. If further independent studies found that microbetting neither causes nor is associated with gambling harm, or if research showed a ban on legal microbets led an equal number of gamblers to place those same bets via offshore channels, AIBM would reconsider its current posture.

iGaming

Online casino games, known as iGaming, take microbets one step further. Currently available in only seven states (and coming soon to Maine), iGaming allows bettors to play a full array of casino games—slot machines, blackjack, craps, roulette—from the comfort of their couch. The convenience is part of the problem. With sports betting, most gamblers know to stop betting once the professional sports leagues wrap up their games for the night. But virtual roulette wheels never close. AI blackjack dealers are always open for business.

The other problem with iGaming is its speed. These games allow bettors to play extremely quickly, to rapidly spin an online slot machine or churn through hands of blackjack. With a

built-in house edge and fast-moving gameplay, losses can accumulate quickly.[6]

iGaming does not offer potential societal benefits and offers no long-horizon version (the equivalent of a bet on who will win the Super Bowl six months from now). As a result, AIBM believes iGaming falls in a different category than sports betting when it comes to potential harm.

AIBM supports eliminating iGaming and does not support its continued expansion. This position will stand until evidence is produced that these games can be operated safely, without exacerbating gambling harm or addiction. While illegal sites currently offer versions of online casino games, legalization would dramatically increase the number of players engaged in these games, and would therefore increase the harm they would cause.

If more states legalize online casino—and in theany that legalize it—some basic guardrails could be put in place to reduce negative consequences. In addition to the default loss and time limits outlined above, other restrictions could include:

- Mandating a certain number of seconds between slot spins
- Removing the option for turbo mode—in which slot reels spin more quickly and cards are dealt instantaneously
- Removing the option for autoplay, which automatically spins a slot machine on players' behalf

Additionally, slots should have stake limits, a rule in place in Germany and the U.K. And when players select their bet sizes, the maximum bet sizes shown by default should not be larger than $100 (players could opt in to see larger denominations). Players should also have easier opportunities to set up casino-specific loss limits, either for a single session or a designated period.

iLottery

Managed by state lottery commissions—which in many states are overseen by a different entity than casino or sports betting operations—online lottery tickets are currently available in 18 states. These tickets include daily draw games and jackpot games with multiple drawings per week. They also include eInstant games, online scratch tickets that are functionally indistinguishable from online slot games (see image).

FIGURE 2

Left: An iLottery ticket (demo), offered by the Massachusetts Lottery (screenshot taken August 26, 2026)
Right: An online slot game, available through FanDuel Casino in Connecticut (screenshot taken August 26, 2026)

iLottery should be treated like iGaming: it should not expand to additional states, and the states that have already legalized it should consider eliminating it, or at least adding guardrails in line with the proposals for microbetting and online casino outlined above. At the very least, the minimum age of access should be 21. States should not expand online casino games through the guise of a new lottery game.

Prediction markets

Part of the appeal of event contracts rests in their fluctuating value. Over the course of a game—or a political address—a user can buy and sell out of positions based on their real-time perception of the odds. This trading dynamic is fundamental to prediction markets. However, modern prediction markets offer new categories of event contracts that are rooted in speed, most notably contracts on the price of Bitcoin or other cryptocurrencies over the course of a designated 5-minute span. While trading in and out of positions will remain an important dynamic on prediction markets, markets with such short time horizons are closer to slot machines than to any realistic form of economic hedging. These markets should not be offered, certainly not without additional limits to protect customers.

PROPOSAL 5

Rein in gambling advertising, especially toward young people

For decades, the prospect of widespread advertising for gambling would have been unthinkable. Today, gambling advertising is not only widespread; according to many Americans, it is inescapable.

This advertising takes many forms, from sportsbook commercials during NFL games to social media posts from a prediction market company to an offshore casino platform partnering with a video game streamer. Americans, especially young people, encounter a wide variety of messages encouraging them to bet. In a study of teen boys, 50 percent or more of respondents said they had seen a gambling ad on YouTube or social media; while streaming or watching a live TV broadcast; and on a billboard.[7]

Gambling companies advertise heavily because their advertising *works*. Research from both the United States and Spain finds that ads increase sportsbook deposits, primarily by attracting new customers. As with many of its other activities, the gambling industry justifies its advertising by pointing to the illegal market. Sports betting and online casino operators insist that advertising is a crucial mechanism to help consumers differentiate between licensed, regulated sites and unlicensed, offshore alternatives.

Advertising has normalized gambling, transforming what was once a tightly restricted vice into a mainstream product, teaching Americans that gambling is easy, fun, and harmless. Gambling ads can also serve to inculcate gambling, to encourage someone who is not thinking about gambling to pull out their phone and place a few bets.

Proposed congressional legislation would ban ads targeting young people. The spirit of these bills is correct, though it would largely serve to codify restrictions that regulated online sports betting and casino companies have already imposed on themselves, as well as advertising codes of conduct enacted by the major sports leagues.

Reining in gambling advertising requires different sets of actions across different media, and across different regulatory regimes. Sports betting advertising is regulated by states. And while some states have robust rules and review policies in place, in other states, rules are lacking. Ads for illegal gambling need to be eradicated wherever they appear (see proposal #7).

Prediction market advertisements—like the platforms themselves—are nominally regulated by the Commodity Futures Trading Commission. However, the agency has not released advertising regulations since 2007 and provides no real oversight of marketing. Unlike investment products regulated by the Securities and Exchange Commission, prediction markets face no particular disclosure requirements surrounding paid promotional content and no real standards by which the CFTC can block future promotions if firms are found to have violated rules in the past. As part of its new responsibility overseeing a retail-facing product, the CFTC, on its own or as directed by Congress, needs to build a robust set of rules for prediction market advertising. These rules should reflect the ideas and the principles at the heart of this report.

Television advertising

The broadcasting of gambling ads during mainstream sports broadcasts normalizes gambling and makes it inescapable, including for those who do not want to view gambling content. However, logistical and legal concerns surround any outright ban. Whistle-to-whistle bans—prohibitions on gambling ads from game start to game end, including displays of gambling logos within stadiums and in on-field displays—seem like a reasonable starting point.

Promotions

Among the most concerning forms of marketing are promotions. These are inducements to gamble, offering bettors a deposit match ("deposit $X to receive $Y"), odds boosts (turning a slight favorite into a slight underdog, for example), or "no sweat" bets, which promise to reimburse gamblers if their bet loses. Not only are the terms of these offers often

misleading, but promotional offers significantly increase betting uptake among non-gamblers and relapse among those trying to quit. Relatedly, and even more targeted, is the use of VIP programs, which pair high-volume customers with company employees who are tasked with sending them bespoke gifts and inducements to help keep them betting. Reform options include:

- Ban bonuses linked to escalating frequency, deposit amount, losses, and bet size
- Ban all bonuses, inducements, and push notifications during late-night hours
- Ban or limit promotional inducements for all customers under age 25
- Mandate plain-language promo rules that ban "risk-free" terminology and require prominent disclosure of wagering requirements and expected cost. Most sportsbooks no longer use "risk-free" language in their promotions, but prediction markets do
- Bar VIP programs from rewarding players based on losses or signs of gambling-related harm, such as escalating deposit amounts or increases in bet frequency and amount

Online advertising

The internet is the Wild West when it comes to gambling advertising. Ads from illegal operators blanket social media, as does content sponsored by prediction markets, at times without disclosing any sponsorship. Given how easy it is for young people, including those below the legal gambling age, to view this content, this is the category of gambling advertising where reform is most sorely needed.

- Stricter enforcement of existing Federal Trade Commission rules around sponsorships, specifically if someone is paid by a gambling company or receives a share of the losses of their viewers. Social media influencers are supposed to name sponsors within each individual post, rather than simply in the posters' bio. There should be consequences imposed by an outside regulator when they fail to do so. For prediction markets, the Commodity Futures Trading Commission either needs to take its regulatory responsibility seriously when it comes to advertising, or hand this duty over to another

agency.

- Major tech companies—Google, Meta, TikTok, Amazon—should crack down on gambling advertising and sponsored content.
  - Such content should be age-restricted to those 21+
  - Promotions for sites not based in the U.S. should be eliminated

FIGURE 3

Other countries restrict gambling advertising in a variety of ways

Types of restrictions on gambling advertising and examples of countries that use them

Restriction	Example countries
Live-sport ("whistle-to-whistle") ad bans	U.K. (voluntary by gambling companies), Germany, Australia
Limits on time of day and/or number of ads per hour	Australia, Spain, Cyprus, Sweden
Stadium and/or jersey sponsorship bans	Netherlands, Belgium, Spain, Australia, Italy
Restrictions on advertising inducements	Ontario, Australia
Athlete, celebrity, and influencer bans	Spain, Germany, U.K.
Online ads limited to verified adults	Australia
Ban on ads targeting young adults (18–23)	Netherlands
Total or near-total gambling ad ban	Belgium, Italy, Bulgaria

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Source: AIBM analysis of international regulations

PROPOSAL 6

Change mandates for state gambling agencies to focus on consumer wellbeing

Every government agency has a job to do. The specific job in question varies by agency and is codified in the agency's mission statement, an articulation of its responsibilities, goals, and scope of work. It would be naïve to suggest that the individuals who run these agencies consult their mission statement before every action they take, but the statements exist for a reason. They shape what the agency does as well as assessments of whether it is operating successfully.

Thirty-nine states and Washington, D.C., have legal, state-licensed sports betting, each overseen by a government agency. Of these agencies, only two (North Dakota and Connecticut) do not have a formal mission statement from a governing body.[8]

When it comes to sports betting, the existing missions need to be rewritten.

Gambling is a paradoxical project for state government. Nearly everything government does, from paving roads to funding arts programs, is intended to advance the common good. However, gambling is one of the few areas where government is charged with selling or facilitating the sale of a product. The proceeds benefit public programs. But this system creates a contradictory set of incentives, giving the government a stake in the proliferation of a potentially addictive product. Agencies are often not directed to worry about where the money comes from but are expected to produce ever-increasing sums of revenue.

This dynamic is on clear display for the nation's state sports betting regulators. Most agencies are governed by mission statements that specify the agency's responsibility to regulate and oversee gambling as well as to ensure that games are fair. Many also charge the agency with raising revenue for the state, protecting the public from fraud, and

operating transparently (see table).

However, just ten state agencies list protecting consumers from gambling harm as a component of their work. A slightly larger number of agencies are explicitly charged with protecting the public from fraud, which is important, but not the same as protecting from the harms associated with the product the agency is charged with purveying and overseeing. That needs to change.

Charging more state agencies with consumer wellbeing would go a long way toward a sports betting system rooted in commonsense protections, including many of the proposals included elsewhere in this report. At the very least, it would provide a justification and political cover for agencies to enact regulations that might sacrifice tax revenue in the name of consumer protection. An agency committed to a mandate of harm reduction, for example, would likely see little reason to offer a betting catalog that included obscure sports such as Dutch handball, or to allow thousands of dollars to be bet on the speed of a pitch in a baseball game, or to allow a 21-year-old to have a VIP host. Such an agency would likely also seek to more readily make data on gambling behavior available for researchers, particularly the demographics of high-volume gamblers and the percentage of overall revenue accounted for by this subset of players.

To date, no evidence exists that sports betting in the ten states with consumer protection mandates is operated meaningfully differently than in other states. Agencies that are charged with consumer protection should revisit their betting catalogs and their rules to ensure they are meeting their official mandate.

Part of the problem is the expectation of lawmakers. It is unrealistic and unsustainable for state legislatures to expect gaming commissions to produce consistently increasing revenue year over year. The tenure of officials should not hinge on meeting this standard, and the entire goal of government-overseen gambling should be rewritten to focus on a new conceptualization of the common good.

This proposal applies specifically to state-regulated gambling: sports betting, online casino, and iLottery. However, the principles should be applied broadly, including to the CFTC in its

FIGURE 4

Few state sports betting regulators are charged with preventing gambling harm

Number of state sports betting agencies whose mission statement includes each responsibility, and share of states with a mission statement

Mission includes	Agencies	% of states	Example
Regulation and oversight	27	71	Ohio Casino Control Commission's "responsibility to ensure the integrity of casino gaming, sports gaming, skill-based amusement machines and fantasy contests by licensing, regulating, investigating and enforcing state laws."
Game integrity	23	61	"To Ensure Honesty and Integrity in the Colorado Gaming Industry."
Revenue generation and economic development	18	47	"The Maryland Lottery and Gaming Control Commission['s] ... core mission is to generate revenue to help support the good causes of Maryland."
Consumer/public protection	16	42	New Jersey: "...to protect the public interest by maintaining a legitimate and viable industry, free from the influences of organized crime, and assuring the honesty, good character and integrity of casino owners, operators, employees and vendors."
Transparency and public trust	11	29	"The mission of the Mississippi Gaming Commission (MGC) is to ... maintain the public confidence in both the charitable gaming and casino gaming industries."
Responsible gaming and harm mitigation	10	26	"The mission of the Massachusetts Gaming Commission is ... to maximize consumer protections, minimize negative impacts, and promote responsible gaming through regulation, research, and informed policy making."

Of the 39 states and Washington, D.C., with legal sports betting, 38 have an agency with a formal mission statement (North Dakota and Connecticut do not). A mission statement can fall into more than one category.

Source: AIBM analysis of state agency mission statements

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oversight of prediction markets and crypto, and even financial regulators whose mandate includes investing platforms. Regulators should see their role as entailing more than simply making products available for the public. Their role should involve negotiating the tradeoff between consumer access and consumer harm, and ensuring at least a baseline set of protections is in place.

PROPOSAL 7

Crack down on unregulated and illegal gambling

Illegal and unregulated gambling is accessible everywhere in America. Both need to be eliminated. AIBM is open to the existence of many forms of online gambling, provided the games are in compliance with U.S. law and are subject to regulation. State and federal governments should do everything in their power to block illegal gambling and close loopholes for unregulated gambling operations.

Some definitions:

- **Illegal gambling:** Gambling made available to Americans in violation of state or federal law. These are typically sportsbook and casino platforms based offshore—most often in the Caribbean. Some of these platforms are licensed in their home jurisdiction but have no American license and are not subject to oversight from any American regulator. Some operate with cryptocurrency; many accept major credit cards.
- **Unregulated gambling:** Primarily "social" sportsbooks and casinos. These platforms offer online sports and casino betting through a loophole in U.S. law that permits sweepstakes, generally outside of any regulatory oversight. Users receive free virtual currency, a version of which they can also purchase, to bet with, and winnings can be withdrawn as cash. However, the games in question are indistinguishable from gambling and, AIBM believes, are in violation of gambling law through a clear overstepping of the definitional bounds of a legal sweepstakes. Also included in the unregulated category are some daily fantasy sports contests, which are licensed in some states but unregulated in others.

Estimates of the size of the illegal market are notoriously unreliable, but they illustrate the scope of the problem. One industry research firm claims offshore operators account for two-thirds of gambling market volume in the United States. In 2025, the American Gaming

Association estimated that Americans gamble $84 billion illegally on sports, with $123.4 billion bet on unregulated gambling machines and $466.2 billion on illegal table games and online slots, for a total of $673.6 billion, a 22 percent increase from the AGA's analysis three years prior (for reference, Americans legally gambled roughly $166 billion on sports in 2025). The demographics of those gambling on the illegal market are even more opaque, but a survey of online gamblers in Finland found that patronage of illegal platforms was more common among men and among younger people.

Trading cards and gambling

Gambling's newest frontier is the remaking of an old pastime. Trading cards—featuring athletes or characters from games like Pokémon—can now be bought and sold online in virtual packs. Users pay to open a pack and, after a flash of lights and/or a spinning wheel resembling a slot machine, their card is revealed. The player can have the card shipped to them, but most choose instead to cash out, to sell the card back to the platform, and to keep betting.

Some trading card sites operate using a similar loophole to sweepstakes platforms. Because users technically have a free method of entry for part of the game—however difficult it may be to find this method—the sites skirt the definition of gambling. However, as they involve paying for a random chance at a prize that has monetary value, trading card sites should be treated and codified as gambling. Other sites dispense with this pretense entirely, offering no free-to-play option and straightforwardly offering illegal gambling.

Illegal and unregulated gambling platforms are more dangerous than regulated, licensed platforms. Many offer no age verification whatsoever. On some sites, the games are not guaranteed to be fair. Players seeking to withdraw winnings or deposits can suddenly find their money inaccessible. And advertising for these platforms is purposefully designed to resemble marketing for legal platforms, tricking Americans into using a less safe platform.

The persistence of illegal gambling creates a backdoor that neuters efforts to tighten regulations on legal gambling. Any regulatory wall is only as strong as its weakest section, and the persistence of illegal gambling weakens the other regulations outlined in this report.

Part of the challenge around the illegal market is its rhetorical misuse by the gambling industry. Especially since 2018, the industry has used the existence of illegal gambling not only to justify the legalization of gambling but also to ward off additional regulations and taxes. These measures, gambling companies have claimed, would only serve to drive gamblers to the illegal marketplace.

Such claims have been overstated. It is fallacious to assert that legalizing an online gambling product will allow regulated entities to replace and eliminate illegal versions. Some gamblers simply prefer the illegal market—in order to avoid paying taxes on winnings, for example, or to bet on credit—and no amount of product differentiation will bring them to the regulated sphere. According to AGA research, nearly half of online casino players use both the legal and illegal markets. Similarly, one study from Europe shows that increasing taxes on gambling companies does not drive users to the illegal market.

Nonetheless, the illegal market is a real problem. If Americans are going to gamble, it is preferable that they do so on regulated platforms. But contrary to some of the industry's arguments, the only way to defeat the illegal market is through enforcement.

Below are some of the tools available to state lawmakers and regulators, federal officials, and private sector firms in combating the illegal market.

States

- **Cease-and-desist letters:** Over the last few years, multiple states have issued cease-and-desist letters against offshore gambling companies or sites utilizing the sweepstakes loophole, ordering these platforms to discontinue operations within their borders. Generally speaking, these measures seem to be effective (barring the use of a VPN). On its website, one of the largest offshore platforms, Bovada, lists multiple states where it

is inaccessible.

- **Anti-sweepstakes bills:** States have the ability to close the loophole that allows sweepstakes or dual-model currency sites from legally operating in their borders. As of this writing, 18 states have passed such bills. More should do so. And states that have passed anti-sweepstakes bills should enforce the legislation against card pack websites, not only social casinos and sportsbooks.
- **Target companies providing services to the illegal market:** Some illegal gambling platforms utilize contractors—for example, payment processors, data firms, CRM providers—that also do business with legal, regulated companies. State gambling agencies have many rules in place governing contractors for state gaming licensees. These rules should be amended to include a new restriction: any firm providing services to companies that operate illegally or without licensure in the United States is barred from providing their services to state-licensed entities.

Federal

- **Enforce existing anti-gambling rules:** In 2025, 46 state attorneys general signed a letter requesting assistance from the U.S. Department of Justice to address illegal offshore gambling.[9] Significantly, the DOJ would not require new legislation to facilitate this effort. It would need to increase its enforcement of laws already on the books, including, most prominently:
  - The Wire Act (1961)
  - The Illegal Gambling Business Act (1970)
  - The Unlawful Internet Gambling Enforcement Act (2006)

  The same would apply to offshore prediction markets (and regulated platforms have begun to parrot the claims of the gambling industry, that any regulations on licensed prediction markets will drive players offshore). It is the responsibility of the CFTC to target platforms operating illicitly in the United States and to charge them under the terms of the Commodity Exchange Act.

- **State Department involvement:** Given that many illegal gambling sites are based offshore, the most direct way to address them might involve international diplomacy. The State Department could pressure the countries that host and license offshore operators to crack down on them and stop them from serving U.S. customers. Notably, however, these host countries have pushed back before: at the World Trade Organization in the 2000s, Antigua and Barbuda successfully challenged U.S. restrictions on cross-border gambling. Any diplomatic effort will need to be designed to withstand similar challenges.

Private sector

- **Social media advertising:** Illegal gambling companies advertise flagrantly on social media, often with undisclosed affiliate marketing. Major social media companies should change their advertising rules to bar these platforms from marketing, especially to anyone under the age of 21.
- **Payment processors:** Many offshore sites boast that they accept major credit cards, including Mastercard and Visa. Mastercard announced it would investigate its use by illegal gambling merchants following a European investigation in 2025. Payment processors should cease offering services—even indirectly—to offshore sites. Doing so would dramatically increase the friction involved in using these platforms, thereby reducing their ease of access for American bettors.

Efforts to rein in illegal gambling will inevitably result in a game of whack-a-mole, with unlicensed operators moving to new countries or identifying new loopholes in U.S. law. Nonetheless, the enforcement effort against illegal gambling should become, and remain, a law enforcement priority. The result would be fewer Americans gambling on unsafe, unregulated platforms, as well as more effective regulation of firms that have done the work to operate legally in the United States.

PROPOSAL 8

Remove sports event contracts from prediction markets

Prediction markets are interesting technology products. They offer opportunities for hedging against risk and for people to put their money where their mouth is about what they think the future holds.

Prediction markets as they currently exist in the United States are not interesting technology products. They are primarily gambling sites, used for sports betting by young men in states that have not legalized sports gambling. Combined, markets on sports, parlays (which are almost entirely sports), and the price of crypto account for the vast majority of volume on modern prediction market platforms (see chart). And nearly 70 percent of trading volume comes from states with no legalized online sports betting, with 43 percent from California and Texas alone.

AIBM supports the continued existence of prediction markets but supports the closure of the regulatory loophole that has allowed these platforms to effectively legalize sports gambling across the country.

RELATED AIBM RESEARCH

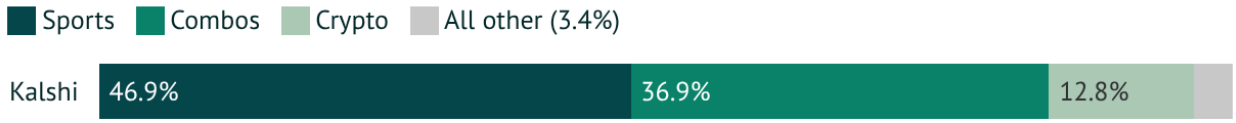
For an in-depth explanation of prediction markets, how they work, and the regulatory questions surrounding sports event contracts, see AIBM's report: "Prediction Markets: Regulation, Risk, and Areas of Research" (2026)

Prediction markets look and behave like gambling platforms. Users log on, deposit money, and can stake money on the outcome of real-world events, from elections to gas prices to baseball games.

FIGURE 5

Sports and parlay-style combos make up 84% of Kalshi trading

Share of total trading volume on Kalshi by market category, October 1, 2025 to October 1, 2026



Combos are custom combinations of multiple markets, the prediction-market version of parlay bets. The vast majority contain at least one sports market. All other includes commodities (0.6%) and elections (0.6%); every other category accounted for less than 0.5% of trading volume.

Source: TickerTracker

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Legally, though, the platforms are not treated as gambling. When users buy and sell event contracts, they are technically not betting but trading. Prediction market companies insist that their platforms are designed for hedging, for converting opinion into information, and for pricing the probability of real-world events. As a result, the companies insist that event contracts are a form of swap, a financial commodity regulated by the Commodity Futures Trading Commission (CFTC), and not a bet regulated by state or tribal entities. The result is that, until recent court orders, prediction markets were available in all 50 states—even those without any legalized gambling. They are not subject to state and tribal gambling law, are available to anyone 18+ (in most states sports betting is 21+), and pay no state taxes. The legal debates over prediction markets remain hotly contested in state and federal courts, and will likely result in a Supreme Court case in 2027 or 2028.

However, the vast majority of prediction market usage does not involve hedging. It constitutes gambling, particularly given the overwhelming prevalence of sports contracts. There is no public benefit to knowing what prediction market platform users think will happen in a basketball game whose outcome will be decided over the next two and a half hours. And the only people who would reasonably need a sports event contract as a hedging instrument are the players, coaches, and league officials who determine the

outcome of the games in question—the very people who are prohibited from purchasing the contracts because of their access to inside information and their ability to manipulate the markets.

AIBM's preferred solution is that sports event contracts not be brought under the oversight of state and tribal gambling regulators. They should simply be removed from prediction market platforms. As the rest of this report makes clear, state-regulated online sports betting is in need of serious reform to protect consumers. But states and tribes have agencies in place that are charged with regulating a public-facing gambling product. The CFTC is ill-suited for such an exercise, and was formed to regulate things like maple syrup production derivatives, not Toronto Maple Leafs parlays. If pending legal cases do result in state and tribal oversight of prediction markets, event contracts should at the bare minimum be subject to the same level of regulation as traditional online sports betting, including the types of additional regulations proposed in this report.

The elimination of sports event contracts could be accomplished directly by the CFTC, which could revise its interpretation of commodities law. Such a change could also be effected by Congress, and numerous bills have been proposed seeking to do just that. None has received a vote.

PROPOSAL 9

Redraw the line between gambling and investing

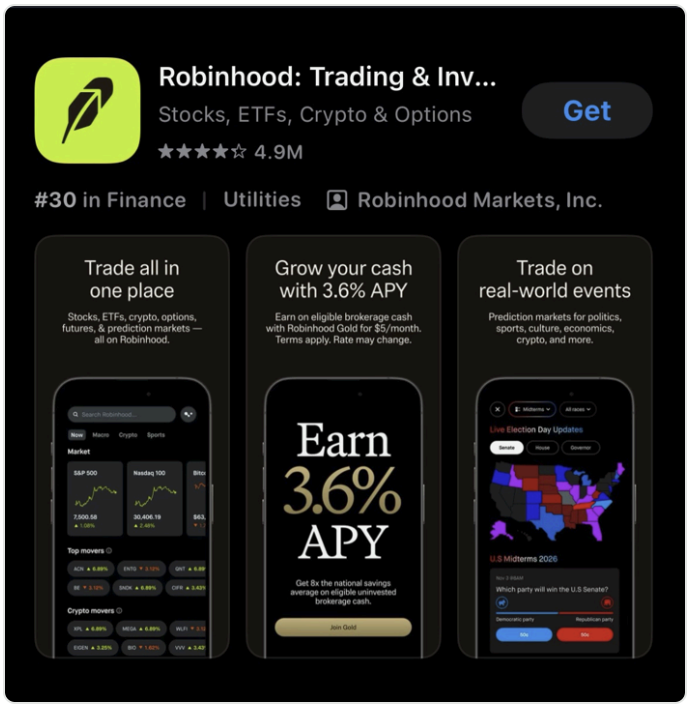
Gambling should happen on platforms dedicated to gambling. And investing should happen on platforms dedicated to investing, not entertainment or quickly-resolving action. "There should be a line of separation," Alexander Hamilton wrote in 1792, "between respectable stockholders … and mere unprincipled Gamblers."

Today, the line of separation between gambling and investing has been all but erased. This blurring is manifest in multiple ways, from meme coins to the rise of zero-day expiry options. The trend that is most concerning to AIBM—and which promises the cleanest regulatory solutions—is the integration of prediction market event contracts into brokerage apps. Placing sports wagers alongside stocks and index funds blurs a distinction that is important for consumers' financial wellbeing.

Robinhood illustrates how quickly the boundary between gambling and investing has shifted. In late 2024, the company employed a new tactic to engage users: prediction market event contracts, first on the presidential election, and then on sports. Prediction market event contracts are classified by the current Commodity Futures Trading Commission as a form of financial derivative, known as swaps. As a result, they can coexist on the same platform as stocks, options, and other traditional investment products.

Prediction markets have quickly become a meaningful part of Robinhood's business. Users traded 13.6 billion event contracts in the second quarter of 2026, generating $156 million in revenue for the company (12 percent of total net revenue). And while Robinhood began routing trades to its own exchange in June 2026, it routes most trades to other prediction markets. According to one estimate, the company drove nearly 60 percent of Kalshi trading volume in September 2025, though that percentage has fallen since.

FIGURE 6



Robinhood in the Apple App Store, prominently showcasing the chance to "trade on real-world events" via prediction markets (screenshot taken October 20, 2026).

For the vast majority of users, there is little difference between gambling on sports via a sportsbook and purchasing a sports event contract via a prediction market. While passive investments in the United States have a strong historical track record of accruing in value over time, event contracts—like sports bets—are structurally negative-sum: they can quickly become completely worthless and can cost even moderately successful users money over the long term because of fees.

But their presence on platforms built for investments and retirement savings obscures this dynamic. According to a Bank of America survey, Gen Z is already twice as likely as other generations to view sports betting as a form of investing, and also more likely than other generations to view purchasing event contracts as a form of investing. If someone bets on the Jacksonville Jaguars on DraftKings, there is no doubt they are gambling. If someone purchases a Jacksonville Jaguars event contract on a prediction market integrated into their brokerage account, they can plausibly convince themselves that they are investing, and that

the outcome of a sporting event is a reasonable, responsible way to plan for their financial future.

AIBM's proposed solution is fairly straightforward: event contracts should not exist on brokerage apps, even platforms meant to democratize finance. Such a measure could be instituted by the Securities and Exchange Commission, the Commodity Futures Trading Commission, or Congress. Proposal #8 in this report calls for removing sports event contracts from prediction markets altogether. This additional separation would apply to all types of event contracts, and would be particularly important for protecting consumers if sports contracts continue to be permitted.

There should be friction between money set aside for investing and money used for what is tantamount to gambling. Users cannot currently purchase event contracts with retirement accounts like 401(k)s or IRAs—though three firms are seeking to launch ETFs composed of event contracts, which would presumably allow them to be purchased directly from IRAs. Even more separation is needed: any platform that offers traditional investments should not be in the business of gambling under the guise of prediction markets. And any app that hosts retirement and other savings accounts should not offer event contracts. The principle is straightforward: people should have to make a deliberate decision to move from investing to betting, with a clear understanding that they are using their money for a different purpose.

PROPOSAL 10

No video game gambling integration

Video games are a valuable and important pastime. They are entertaining and offer players, particularly young people, the chance to experience feelings they might not have in other parts of their lives: exploration, excitement, relaxation, camaraderie, and mastery.

Many modern games, however, are less about artistic craft than about extracting attention and revenue from players. Whereas the video game business model was once rooted in enticing players to purchase a game, the industry has identified another path to surer profits: in-game transactions. And among the surest ways to encourage in-game transactions is the use of gambling mechanics, such as loot boxes and gacha (randomized rewards). As with investing, the line between gambling and gaming needs to be redrawn with a thick pen.

Various gambling mechanics are built into modern games. These mechanics involve variable rewards, uncertain odds, and the chance to chase losses. Gambling within video games exists on a spectrum:

Studies have found a clear association between loot boxes and problem gambling. While this research is correlational, the potential of these products to cause harm is well established (here, here, here, here, and here).[10]

Prevalence

While product prevalence is difficult to quantify, in the United Kingdom, around 80 percent of the highest-grossing mobile games (like Roblox and Brawl Stars, which are extremely popular with children) have some sort of gambling mechanic. Only 2–3 percent of PC and console games contain gambling or gambling-like mechanics, but some of those that do are among the most popular titles, for example Counter-Strike 2 and League of Legends.

TABLE 2

Gambling within video games exists on a spectrum

LOW CONCERN Some resemblance to gambling, but little chance for unsafe play	MODERATE CONCERN Greater resemblance to gambling, real chance for unsafe play	HIGH CONCERN Greater resemblance to gambling or outright gambling, significant chance for unsafe play
Games with internal gambling mechanics and variable rewards, but no ability for players to spend money to engage with these mechanics, just randomness built into the game.	Closed-loop loot boxes. These are effectively slot machines that players can access through purchases. The contents of each loot box are random, determined by odds set by the game. What makes these loot boxes "closed loop" (and therefore of slightly less concern) is that the received items *cannot be sold or exchanged with other players*.	1. Platforms that host "social casino games," which allow players to stake in-game currency (bought with real money) on casino games or other games of chance. 2. Non-closed-loop loot boxes: Prizes from these loot boxes—often cosmetic items for character decoration (known as "skins")—can be sold or traded to other players, often on separate websites. They can also be used to gamble on casino games and esports events.

User base prevalence is also difficult to assess. On average, most players spend very little—or nothing—on these gambling mechanics. However, as with other forms of gambling, a small percentage of users account for a huge share of revenue. Still, many video game players—especially young people—have experimented with these products. In an Australian study of 12–17-year-olds, 40 percent had played a game with a gambling component—even just a spinning wheel—while 32 percent had played a game with a gambling mini-game.

As with other forms of betting, boys are more likely to have engaged in video-game-integrated gambling. In a survey from the United Kingdom, boys were twice as likely to have purchased in-game items with real or virtual currency (45 vs. 22 percent); three times more likely to have paid to open loot boxes (31 vs. 10 percent); and four times more likely to have bet with in-game items on third-party websites (4 vs. 1 percent).

Potential fixes

AIBM's preferred solution is to eliminate loot boxes that can be purchased with real money (or in-game currency that is purchased for real money), especially non-closed-loop loot boxes. While loot boxes can bring excitement to the video game experience, the risks involved outweigh the benefits. They should be eliminated in their entirety. Belgium declared loot boxes illegal under its gambling law, but enforcement has been lacking.

Barring their elimination, the following measures could be enacted to make loot boxes safer:

- **Require transparency:** Rather than govern loot boxes under existing gaming and consumer law, they should be treated and regulated as the gambling products that they are by a commonsense definition. This would subject them to gambling regulation and to basic consumer protections. In one company's settlement with the Federal Trade Commission over loot box marketing to children, it was required to transparently present: odds for winning different prizes; the range of potential costs in U.S. dollars for obtaining the most desirable prizes; how much each loot box costs in U.S. dollars; and the exchange rate between virtual currencies and U.S. dollars. At the very least, all games with loot boxes should do the same.
- **Gambling and game ratings:** In the United States, games receive age-based ratings from the Entertainment Software Rating Board (ESRB), an industry-funded group. ESRB lists "Gambling Themes," "Simulated Gambling," and "Real Gambling" as factors in its rating guide. For some game ratings, the reference to the presence of in-game purchases also notes the inclusion of "random items." However, a review by AIBM of popular games with loot boxes revealed that none had gambling included as a rating factor. And the

existence of loot boxes does not affect the age component of a game's rating. Loot boxes should be categorized as a form of gambling and should immediately result in a game rated as "Adults Only (18+)." In Australia, any game with loot boxes is rated M (Mature), while games with simulated versions of traditional gambling are restricted to adults (R18+). In most of Europe, games with paid loot boxes are rated as 16+, in some cases 18+; in Germany, which uses its own rating system, such games have been rated at least 12+ since 2023.

- **Age gating:** As an alternative to—or in concert with—gambling-content ratings, loot boxes and other gambling mini-games should be age-gated. They should only be accessible to those 21 and older. Game hosting platforms, such as Steam, the Apple App Store, and Google Play, should be required to verify the age of players, which would allow each game to determine automatically whether a player should be granted full access to loot boxes. The age verification method should be robust, relying on biometrics, for example, and not based on self-declarations that can be easily circumvented.

CONCLUSION

Fixing gambling as it exists today and as it will exist tomorrow

Gambling is a fast-moving product category. Gambling as it exists today is very different from the gambling of a few years—and even a few months—ago. Online pack ripping remains a relatively nascent product, one that has thus far evaded scrutiny by lawmakers. Prediction markets are at full bore, but the threat of judicial crackdown may mean that this moment represents their short-lived apex. iGaming remains available in just seven states, but the gambling industry is salivating at the prospect of expansion.

The solutions outlined in this document should be treated as something of a time capsule, a reflection of fixes for gambling as it exists in the final months of 2026. Inevitably, sometime in the next few years, some new gambling product will emerge through yet another unlikely legislative loophole and will throw the industry into yet another state of disarray. At that time, the solutions for fixing gambling will need an update.

Better data would help identify the most effective of the reforms proposed in this document and would allow for continued iteration around potential solutions. Many of the ideas outlined above have been tried in other countries. Some are currently being tried in individual U.S. states. But further evidence would help reveal the most important principles for the safe design of gambling products. For example, it could show whether age is as important as AIBM suggests, or whether it would be more important to focus instead on the initial period following account creation.

This document was written for the present moment, but also to lay out an approach to gambling that can respond to technological change. When new products arrive, the principles outlined here—particularly around age of access, speed of play, and the demarcation of gambling from other activities—should be brought to bear to assess the safety of the product, possible guardrails, and a framework for sensible regulation.

The gambling products that today are on the cutting edge may soon be old news. Gambling will never be definitively fixed, but it can be made safer, both today and for the future.

About the author

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Footnotes

1. From January 1 to December 31, 2018, 428 21-34-year-olds self-excluded with the Pennsylvania Gaming Control Board. At the time, the only option for self-exclusion applied only to in-person casinos. From January 1 to December 31, 2025, 2,208 21-34-year-olds self-excluded from iGaming, which includes both online casino and online sports betting (but does not include fantasy contests, VGTs, or the lottery): 428 x 5.1588 = 2,208. The 2,208 self-exclusions does not include anyone in this age bracket who self-excluded from in-person casinos, as the PAGCB counts self-exclusion by enrollments, not individuals. If someone self-excluded from both physical casinos and iGaming, they would be included twice. The number of self exclusions for iGaming and casino for 2025 was 3,516. All data from https://gamingcontrolboard.pa.gov/compulsive-and-problem-gambling.
2. With the exception of lotteries and, in some states, casinos, sports betting, and horserace betting.
3. Microbets are a type of prop bet—a bet on part of a game other than its overall outcome—and are just one form of live betting, meaning bets placed after a game has begun.
4. There is, as yet, scant evidence on the dangers of microbetting. In a 2018 Australian online convenience sample weighted toward frequent sports bettors, 78 percent of those who bet on microbets met criteria for problem gambling (compared to 29 percent of the non-microbettors), and only 5 percent of microbettors showed no sign of gambling risk. A separate, more recent Australian study reaches a similar conclusion, finding that people at high risk of gambling harm reported higher use of in-game betting markets like microbets. However, both studies are cross-sectional and establish concentration, not causation. They cannot distinguish "microbets escalate harm" from "already-high-risk gamblers select into microbets." Either situation bolsters AIBM's case for elimination: either they are escalating harm or, if not, then they are a harmful form of betting utilized primarily by those who already have or who may soon have a gambling problem.
5. Currently, all pitch-level markets are capped at $200 for sportsbooks that have partnerships with Major League Baseball, a measure instituted in the wake of a scandal involving two pitchers who allegedly colluded with gamblers to win microbets.
6. A study from Denmark, Finland, and Sweden finds online casino "the most harmful" gambling category, "associated with increasing harms to help-seekers." A separate study from Sweden found a disproportionate concentration of harms among online slots players. Slot machines are already a highly addictive form of gambling because they allow bettors to play rapidly, provide variable rewards, and are engineered for bettors to enter a flow state in which they chase losses. iGaming makes slots even more ubiquitous, available at the click of a few buttons.
7. The types of gambling included in the survey were: gambling related to online gaming (for example loot boxes), conventional gambling, in person or online, and sports-related gambling.

8. South Dakota's mission statement is included in the analysis though it is not technically a mission statement, but a set of goals articulated in an annual report of the state's Gaming Commission: https://dor.sd.gov/businesses/gaming/

9. Attorneys general for American Samoa, Northern Mariana Islands, Washington, D.C., and the U.S. Virgin Islands also signed.

10. Existing research cannot easily distinguish between 1) someone who has a pre-existing gambling addiction and buys more loot boxes than average; 2) someone who develops a gambling addiction from buying loot boxes; and 3) someone who develops an addiction fed simultaneously by loot boxes and other gambling products.