

When a state challenges a prediction-market or gambling business, the company whose name appears on the app is the obvious target. But it is not always the only useful one. State regulators and attorneys general may also scrutinize payment processors, banks, app stores, marketing partners, and other businesses that help a platform reach customers or move money.

That strategy can sound like a workaround: if officials cannot easily shut down the platform, go after the companies around it. Sometimes that is part of the calculation. But there are also practical and legal reasons for investigating the wider business network. Payment flows leave records. App-store rules create a route to restrict distribution. And state officials may argue that a company enabling transactions is participating in conduct that violates state law.

The fight is especially visible in prediction markets, where companies such as Kalshi, Robinhood, and Crypto.com have offered or pursued event contracts tied to sports and other outcomes. Whether a particular contract is a federally regulated derivatives product or an unlicensed sports wager can be disputed. That dispute is playing out against a patchwork of state gambling laws, federal derivatives law, and court decisions that have not produced a simple nationwide answer.

First, distinguish the businesses and the products

“Sports betting” can refer to different legal and commercial arrangements. The label alone does not settle which regulator has authority.

- **State-licensed sportsbooks** operate under state-specific gambling licenses and rules. Those rules commonly cover age checks, geolocation, responsible-gambling measures, advertising, taxes, and approved payment methods.
- **Offshore operators** may accept customers in the United States without holding the required state license. Their location overseas does not, by itself, make offering services to residents lawful. Enforcement can be harder when operators, servers, or assets are outside the country.
- **Prediction markets** may list contracts whose value depends on whether an event occurs. Their sponsors may argue that the contracts are derivatives subject to federal oversight rather than wagers governed by state sportsbook laws. State officials may respond that sports-related contracts function like gambling for local customers.

That last disagreement is the jurisdiction fight: state gambling law versus federal derivatives law. The answer can depend on the contract’s structure, the operator’s regulatory status, the event involved, and the specific state law being invoked. Calling every sports contract “a bet” skips the legal question; calling every contract a “derivative” does too.

Why pursue payment providers?

Payment providers can be a practical point of leverage because they sit between a customer’s account and a platform’s balance sheet. A regulator investigating a company may want to know who processes deposits and withdrawals, which entities hold customer funds, what transaction labels are used, and whether a provider has safeguards for restricted jurisdictions.



That does not mean a processor is automatically liable for a platform's conduct. The legal theory matters. A state might seek records through a subpoena, send a demand for information, or allege that a business knowingly assisted unlawful activity. A payment provider may also face separate obligations under its contracts, licensing rules, or compliance program. Those are distinct questions, and a request for information is not itself a finding of wrongdoing.

Records can make a broad investigation more concrete

A platform may be incorporated in one state, operate from another, and serve users across the country. Payment records can help investigators identify customer locations, transaction volumes, merchant relationships, and the flow of funds. Those details may help a state test whether the company was doing business with residents in violation of local rules.

This is where the phrase **payment provider subpoenas** matters. A subpoena can seek documents from a third party that is easier to locate or compel than the platform itself. It may also provide evidence about the platform's business model before a state decides whether to bring a case. The subpoena is an investigative tool—not proof that the provider or platform broke the law.

There is a business incentive, too. A processor that believes a merchant creates legal or reputational risk can pause service, demand changes, or end a relationship under its contract. That can affect a platform's ability to accept deposits even when no court has ordered it to stop. But payment access is not a clean substitute for a legal ruling: providers must assess their own obligations, and payment disruptions can also be temporary or contested.

Why involve app stores?

App stores control an important distribution channel. Their review rules, geographic restrictions, and ability to remove or limit an app can affect how easily a service reaches users. For a regulator, asking an app-store operator about a product can reveal how the service was described, where it was made available, and what compliance checks were performed.

Connecticut's information requests have referenced app stores, illustrating why investigators may look beyond the platform itself. A request for information is not the same as a conclusion that an app store violated gambling law.

It can be a way to establish the facts: what the store knew, which app versions were available, and whether the platform used location or age controls.

The broader issue is **app store compliance**. Store operators generally have their own policies and legal-risk processes, but those policies do not decide whether a contract is a wager under state law or a derivative under federal law. Nor does an app's presence in a store necessarily mean the store has endorsed the product's legal theory. Still, regulators may regard distribution as part of the practical path by which a service reaches residents.

"Platform support businesses" and the reach of enforcement

The phrase **platform support businesses** covers a varied group: processors, app stores, cloud providers, advertising networks, data vendors, and customer-service contractors. These businesses are not interchangeable. A payment processor handles money; an app store distributes software; a cloud provider supplies computing capacity. Their legal exposure depends on what each one actually does and what law applies.

States may investigate these businesses for at least three reasons:

1. **Evidence:** Third parties may hold records that clarify how a platform operates and where it serves customers.
2. **Leverage:** A platform that loses payment or distribution access may find it harder to continue operating in a state, even before a final judgment.
3. **Separate responsibility:** In some circumstances, officials may argue that a supporting business has its own legal duties or has materially assisted conduct prohibited by state law.

There is a limit to that strategy. A regulator generally needs a legal basis to demand information or impose penalties, and the facts matter. A company that provides a general-purpose service is not automatically responsible for every customer's conduct. The closer a provider is to designing, promoting, or knowingly facilitating a regulated activity, the more relevant its role may become—but that is a case-specific analysis, not a universal rule.

Where federal derivatives law enters the picture

Prediction-market operators have argued that certain event contracts fall under the Commodity Futures Trading Commission's authority and federal derivatives law. Under that view, a state cannot simply treat a federally regulated contract as an ordinary local sportsbook wager. State officials, in turn, may argue that sports-event contracts offered to residents meet the state's definition of gambling and require a license.

The federal question can be complicated by details: Is the operator registered or otherwise authorized? What kind of contract is being listed? Does a federal statute preempt the state rule at issue? Does the state's action regulate the contract itself, or address a different concern such as consumer protection or local gambling conduct? These questions cannot be answered by a marketing label.

Robinhood provides a useful example of why the infrastructure matters. Its exchange infrastructure can route event contracts, connecting users and market operations in ways that are different from a conventional sportsbook's betting interface. The routing arrangement may be relevant to understanding who lists, matches, or handles a contract. But infrastructure alone does not settle which regulator has jurisdiction or whether a particular offering complies with state law.

Crypto.com and Kalshi have also been part of the wider debate over event contracts and state authority. Their involvement should not be treated as proof that all platforms use the same structure or face the same legal posture. The product, counterparties, regulatory status, and court orders can differ.

Cease-and-desist letters, subpoenas, and enforcement campaigns

State responses can range from information gathering to formal enforcement. A regulator may send a cease-and-desist letter, alleging that an operator must stop offering a product in the state unless it obtains a license. An attorney general or agency may issue subpoenas or other compulsory demands for records. States may also announce broader enforcement campaigns aimed at operators, payment channels, or related businesses.

These steps carry different weight. A cease-and-desist letter is an assertion of the state’s position; it is not a court judgment. A subpoena seeks information and may be challenged. A lawsuit asks a court to decide a dispute, and the eventual decision may be appealed. Headlines that describe a company as “banned” or “cleared” can overstate what has happened if the matter is still at the investigation or preliminary-injunction stage.

Preliminary injunctions and the uncertainty in court

Courts have sometimes been asked to decide whether an operator may continue offering contracts while a case proceeds. A preliminary injunction is temporary relief, generally issued before a final decision on the merits. It can preserve access, restrict an activity, or prevent enforcement while judges consider the parties' arguments. It is important, but it does not necessarily settle the underlying legal question for good.

Different judges may weigh federal preemption, state police powers, statutory definitions, and the public interest differently. Early rulings can therefore point in different directions. That creates a real uncertainty for companies, states, and supporting businesses: a product may remain available under one court order while another state continues to assert its own authority.

It thecoinrepublic.com is also worth being precise about the phrase “circuit split.” Conflicting trial-court outcomes or different state-level approaches do not automatically amount to a formal split among federal appellate circuits. A true circuit split generally means federal appeals courts have adopted conflicting interpretations of federal law. Until appellate courts squarely resolve the same legal question differently, it is more accurate to describe the landscape as unsettled or divided in approach—not to claim a settled circuit split.



What the strategy means for companies and customers

For platforms, the scrutiny of payment and distribution partners can create operational pressure before a final court ruling. Businesses may reassess contracts, restrict certain states, change product descriptions, or strengthen geolocation and age controls. For customers, that can mean an app is unavailable, deposits are paused, or an account's features change while a dispute is pending.

For support businesses, the lesson is to distinguish a request for information from a legal finding, and to understand the specific service being provided. A generic app listing, a dedicated payment flow, and a system that routes event contracts present different facts. Companies should not assume that a platform's legal position automatically protects every vendor in its supply chain.

Fact versus inference

- **Fact:** States can investigate businesses beyond the platform, including payment providers and app stores, using applicable information-gathering tools.
- **Fact:** A subpoena, information request, or cease-and-desist letter is not, by itself, a final court ruling that a company violated the law.
- **Fact:** Prediction-market disputes can raise competing questions under state gambling laws and federal derivatives law.
- **Inference:** States may view pressure on payment or distribution channels as a way to make enforcement more effective. The specific purpose should be established from the agency's statements and filings, not assumed from the existence of a request.
- **Inference:** A support business's risk may increase when its role is more direct or its knowledge more specific, but liability depends on the governing law and evidence.

The bottom line

States look at payment providers and app stores because they can hold useful records, control important routes to customers, or—depending on the facts—have their own legal responsibilities. That does not make every provider an accomplice, nor does it establish that a prediction-market contract is necessarily illegal gambling.

The central question remains the legal classification of the product and the reach of each regulator. State-licensed sportsbooks operate within state gambling systems; offshore operators can be difficult to reach; and prediction markets argue that some event contracts belong under federal derivatives oversight. Until courts, including appellate courts, clarify the boundaries, enforcement letters, subpoenas, preliminary injunctions, and changing business arrangements will continue to shape what customers can access—and where.