UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS

COINBASE FINANCIAL MARKETS, INC.,

Plaintiff,

v.

KWAME RAOUL, in his official capacity as Attorney General of Illinois; DIONNE R. HAYDEN, in her official capacity as Chairperson of the Illinois Gaming Board; SEAN BRANNON, in his official capacity as Member of the Illinois Gaming Board; STEPHEN R. FERRARA, in his official capacity as Member of the Illinois Gaming Board; CALEB J. MELAMED, in his official capacity as Member of the Illinois Gaming Board; and MARCUS D. FRUCHTER, in his official capacity as Administrator of the Illinois Gaming Board,

Defendants.

No. 1:25-cv-15406

Hon. Martha M. Pacold

REPLY BRIEF IN SUPPORT OF
PLAINTIFF'S MOTION FOR A PRELIMINARY INJUNCTION

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PRELIMINARY STATEMENT

Defendants concede (at 19) that under the Seventh Circuit's decision in *American Agriculture Movement* v. *Board of Trade of Chicago*, 977 F.2d 1147 (1992), the Commodity Exchange Act's exclusive-jurisdiction provision "preempts state laws that directly affect trading on a regulated market." That is a devastating admission. Illinois seeks to regulate event-contract trading on federally registered exchanges, and the event contracts at issue fall squarely within the CEA's definition of "swap." Attempts to apply state law to those same contracts are thus preempted.

Defendants dispute remarkably little of that analysis. They do not contest the overwhelming weight of authority holding that a grant of exclusive jurisdiction to a federal agency to apply federal law ordinarily preempts state law. They do not deny that Congress entrusted oversight of derivatives markets to the CFTC and adopted a broad definition of "swap" in delineating the CFTC's jurisdiction. And they do not dispute that the "swap" definition generally draws no distinctions based on subject matter—*i.e.*, whether an event contract relates to soybean futures, the weather, gold prices, or sports.

The State instead largely premises its opposition on a misreading of *American Agriculture*, arguing that the Seventh Circuit's analysis there forecloses Coinbase's preemption arguments here. The opposite is true: *American Agriculture* confirms that the CEA preempts Illinois's attempts to apply state law to restrict Coinbase from offering access to event contracts on a designated contract market. Beyond that, the State offers a grab-bag of arguments for why sports-related event contracts somehow fall outside the CEA's expansive definition of swap. Each argument fails on the merits—and none could possibly justify a categorical carve-out for all sports-related event contracts. Defendants' results-oriented arguments against preemption, premised largely on moral and practical intuitions equating such contracts to gambling and skepticism about the CFTC's ability to regulate them, likewise fail. Such I-know-gambling-when-I-see-it arguments are not new; States have long sought to brand various futures contracts as unlawful gambling. But it is Congress, not the States' intuitions, that defines the

CFTC's jurisdiction. As CFTC Chairman Selig reaffirmed just last month, Congress granted the Commission "exclusive jurisdiction over commodity derivatives" and event contracts, for that reason, have "operated within the CFTC's regulatory perimeter for more than two decades." Remarks at Joint SEC-CFTC Event (Jan. 29, 2026), https://tinyurl.com/ydv9r8wf. Indeed, the CFTC has moved to participate as an amicus in support of companies like Coinbase in a similar lawsuit that raises the exact same questions about whether state laws purporting to regulate event contracts are preempted.[1]

For decades, the CFTC has "surveille[d]" and "police[d]" a "nearly 500 trillion [dollar] notional [swaps] market" to protect consumers and ensure integrity; the Commission thus has ample authority, tools, and expertise to ensure that prediction markets have the same "investment protections that [one] would expect in the securities markets and [the] futures markets."[2] Injunctive relief is warranted.

ARGUMENT

I. COINBASE IS LIKELY TO SUCCEED ON THE MERITS.

A. The CEA Preempts Illinois's Gambling Laws Several Times Over.

1. Illinois's gambling laws are expressly and impliedly preempted as applied to Coinbase.

Defendants offer scattershot, results-oriented arguments to explain why the CEA's undisputed preemptive effect does not encompass state gambling laws. All fail.

a. Defendants begin (at 19-20, 22 & n.9) by lumping Coinbase's express and conflict preemption arguments together and claiming that the Seventh Circuit's decision in *American Agriculture* forecloses both avenues. That is doubly wrong: (1) *American Agriculture* did not discuss express preemption, and (2) rather than foreclose Coinbase's conflict-preemption argument, the Seventh Circuit endorsed it. Regarding the former, no party in *American Agriculture* argued that "the CEA

[1] Unopposed Motion of CFTC for Leave to File an Out-of-Time Amicus Curiae Brief, *N. Am. Derivatives Exch., Inc.* v. *Nevada*, No. 25-7187 (9th Cir. Feb. 5, 2026).

[2] Odd Lots: *New CFTC Chairman Michael Selig on How to Regulate Prediction Markets* (Podcasts, Feb. 12, 2026).

expressly preempts state law," so the Seventh Circuit "only address[ed] whether the statute erects field preemption or [obstacle] preemption." 977 F.2d at 1154. While the Seventh Circuit rightly analyzed the CEA's text, structure, and history to decipher Congress's "purposes and objectives," *id.* at 1156-1157 (cleaned up), the court did not hold, as Defendants assert, that "to the extent [the CEA's exclusive-jurisdiction] provision operates as express preemption, Congress's intent was to adopt a form of conflict preemption," Opp. 22—whatever that means.

Defendants thus shift to arguing (at 20) that the exclusive-jurisdiction provision would be "an unusually oblique way for Congress" to preempt state gambling laws. But there is nothing oblique about Congress granting a federal agency "exclusive" authority to regulate particular transactions and, conspicuously, the State does not dispute the robust body of case law construing such grants to broadly displace state law. CFM Br. 14-15.[3] And contrary to Defendants' assertion (at 20), Section 2(a)'s carefully crafted savings clause—which expressly preserves state regulatory authority "[e]xcept as hereinabove provided" in the grant of "exclusive jurisdiction" to the CFTC, 7 U.S.C. § 2(a)(1)(A)—reinforces the conclusion that state law *is* preempted as applied to swaps traded on DCMs, which are transactions within the CFTC's exclusive jurisdiction, *see Rice* v. *Bd. of Trade of Chi.*, 331 U.S. 247, 255 (1947) (reasoning that when a statute "use[s] such care" to preserve only "specific state authority," it is a "fair inference" that Congress intended to preempt regulatory fields "not saved to the States"). Eliminating any conceivable doubt as to Congress's intent, Congress *eliminated* the longstanding provision preserving concurrent state jurisdiction over transactions regulated by the Act at the same time that Congress enacted the "exclusive jurisdiction" provision. CFM Br. 15-16.

Rather than engage with these arguments, Defendants point out (at 20-21) that Congress did

[3] Defendants also emphasize a single quote—plucked out of context—from a case that found "[n]othing in the [CEA]" "deals expressly" with whether the Act "preempt[s] punitive damage awards for common law fraud in commodities transactions." *Kerr* v. *First Commodity Corp. of Bos.*, 735 F.2d 281, 288 (8th Cir. 1984). This case does not refute—or even relate to—Coinbase's position that the CFTC's exclusive jurisdiction over swaps traded on DCMs preempts state law as applied to sports event contracts (*i.e.*, swaps) traded on DCMs.

not mirror the preemptive language of 7 U.S.C. § 16. True, but irrelevant. The Supreme Court has never "require[d] any particular magic words in . . . express pre-emption cases." *Gade* v. *Nat'l Solid Wastes Mgmt. Ass'n*, 505 U.S. 88, 112 (1992) (Kennedy, J., concurring in part). Such a requirement is a particularly poor fit here, where the textual, structural, and historical evidence of Congress's preemptive intent is overwhelming and unrebutted. CFM Br. 13-16, 22-28.

Defendants pivot to legislative history, contending (at 21-22) that Congress enacted the exclusive-jurisdiction provision only to allocate turf between the CFTC and SEC. Tellingly, despite Defendants' repeated (and misplaced) appeals to *American Agriculture*, they fail to mention the Seventh Circuit's exhaustive inquiry into the "very reason why Congress used the phrase 'exclusive jurisdiction.'" Opp. 21. That is no wonder: According to the Seventh Circuit, the CEA's "proponents were concerned that *the states* . . . might step in to regulate the futures markets" and "subject[] the national futures trading apparatus to conflicting regulatory demands." *Am. Ag. Movement*, 977 F.2d at 1155-1156 (emphasis added); *see* CFM Br. 25-26. Defendants' theory that the CFTC's jurisdiction is exclusive only as to the SEC requires not only rewriting the CEA's text and history but also ignoring binding, directly on point Seventh Circuit precedent.

b. Defendants' conflict-preemption claims fare no better. Defendants start by conceding (at 19-20, 24) that under *American Agriculture*, the CEA "preempts state laws that directly affect trading on a regulated market." That is right, and that should resolve this case. As the Seventh Circuit made clear, the fundamental inquiry is whether the State's laws, "in effect, regulate the futures markets" (preempted) or instead affect "only the relationship between brokers and investors or other individuals involved in the market" (not preempted). *Am. Ag. Movement*, 977 F.2d at 1157. Here, that question answers itself. Defendants are threatening any DCM or FCM that offers access to sports event contracts—conduct that is permitted under *federal* law—with civil and criminal penalties under *state* law if they do not curtail operations. CFM Br. Exs. B-D. Put differently, Defendants are invoking

state laws to "directly affect"—indeed, outright dictate—whether and how sports-event-contract "trading" can occur "on a regulated market," and how the market "operat[es]." *Am. Ag. Movement*, 977 F.2d at 1156; Opp. 19. *American Agriculture* thus squarely forecloses the State's actions.

To escape this conclusion, Defendants contend (at 23-24) that Illinois's gambling laws do not conflict with federal law because Congress and the CFTC, in their view, have categorically banned event contracts that involve gaming and conduct violating state law under the Special Rule and Rule 40.11(a). Not so. Contrary to Defendants' account, the text of the Special Rule makes clear that the CFTC has discretion to "review" certain event contracts, including those that involve "gaming" or "unlawful" activity, and "may" prohibit such contracts that are contrary to the public interest. 7 U.S.C. § 7a-2(c)(5)(C). As the Supreme Court has "repeatedly observed," Congress's deliberate use of the word "may" rather than "shall" "*clearly* connotes discretion." *Opati* v. *Republic of Sudan*, 590 U.S. 418, 428 (2020). Indeed, the Special Rule's title—which can resolve any textual ambiguity, *INS* v. *Nat'l Ctr. for Immigrants' Rts., Inc.*, 502 U.S. 183, 189 (1991)—confirms that the CFTC may "review and *approv[e]*" the enumerated event contracts. 7 U.S.C. § 7a-2(c)(5)(C). Thus, even event contracts involving a statutorily enumerated category may be listed and traded unless the CFTC expressly finds that the contracts are contrary to the public interest. And the CFTC has never determined that the sports event contracts at issue here involve either gaming or unlawful conduct—let alone that any such contract is contrary to the public interest. *See* CFTC Letter, No. 25-36, at 2 n.4 (Sep. 30, 2025).

Nor does Rule 40.11 "preemptively forbid[]" event contracts that involve an enumerated category. Opp. 23. While Defendants read subsection (a) of Rule 40.11 in a vacuum, subsection (c)—which Defendants omit—makes clear that if an event contract involves a category enumerated in subsection (a), the CFTC "*may*" (1) determine that such contract "be subject to a 90-day review" and (2) then issue an order "approving or disapproving" the contract depending on whether it is contrary to the public interest. 17 C.F.R. 40.11(c) (emphasis added); *see* Provisions Common to Registered

Entities, 76 Fed. Reg. 44776, 44786 (July 27, 2011). This case-specific review process refutes Defendants' notion of a blanket ban, which would be inconsistent with the Special Rule's discretionary regime in any event. *Util. Air Regul. Grp.* v. *EPA*, 573 U.S. 302, 328 (2014) ("[A]n agency may not rewrite clear statutory terms to suit its own sense of how the statute should operate."). In fact, rather than prohibit sports event contracts pursuant to its Rule 40.11 authority, the CFTC has recently *withdrawn* guidance and a rule proposal that might have discouraged DCMs from offering access to such contracts.[4] The State cannot countermand the CFTC's determination.

Coming up short again on text, Defendants fall back (at 23-24) on legislative history. But the State's quotes from a Senate floor debate show, at most, that some members of Congress decided that the CFTC "needs the power to" determine whether certain contracts should be prohibited. These snippets of legislative history certainly do not demonstrate that by enacting the Special Rule—which provides that the CFTC "may" review and prohibit particular event contracts—Congress *itself* categorically prohibited any contract that, in a State's view, could constitute "gambling."

Finally, Defendants argue (at 24) that "federal and state law may coexist in harmony" if Coinbase "obtain[s] a license from the Illinois Gaming Board and follow[s] state regulations." That argument flies in the face of *American Agriculture*: State laws that, "in effect, regulate the futures markets" are preempted because they would "frustrate Congress' intent to bring [those] markets under a *uniform* set of regulations." *Am. Ag. Movement*, 977 F.2d at 1156-1157 (emphasis added). Defendants' command that Coinbase "follow state regulations" in addition to federal law when facilitating access to on-DCM derivatives undermines Congress's mission to create regulatory uniformity.

Illinois's attempt to explain (at 25) how federally registered exchanges could comply with the geographic limitations imposed on gambling licensees is telling. According to the State, if Coinbase

[4] *CFTC Withdraws Event Contracts Rule Proposal and Staff Sports Event Contracts Advisory*, CFTC (Feb. 4, 2026), https://tinyurl.com/2s3as6js [hereinafter *Event-Contract Rulemaking*].

obtains an Illinois gambling license, the company may continue offering sports event contracts to people located in other States "so long as it complies with those other states' laws," *id.*—*i.e.*, obtains from the other 49 States gambling licenses that impose similar geographic restrictions. CFM Br. 26. Or, Defendants suggest, Coinbase can simply create 50 different "state-specific market[s]" for sports event contracts across the country. Opp. 25. Alternatively, Defendants wonder whether Coinbase could establish a multistate compact governing sports event contracts. *Id.* Each of Defendants' proposals would result in a fragmented, state-driven regulatory regime, flatly contradicting Congress's aim of creating a uniform, maximally liquid nationwide derivatives market in which residents of different States may interact with each other. CFM Br. 25-26. Defendants' position would thus resurrect the patchwork of state regulations that compelled Congress to enact the CEA in the first place. Indeed, just last week, Nevada brought a lawsuit premised on nearly identical arguments to prohibit Coinbase from hosting *any* event contract in the State.

c. Defendants only briefly contest (at 26-27) Coinbase's field-preemption arguments, asserting that they are foreclosed by the Seventh Circuit's decisions in *American Agriculture* and *Effex Capital*. Defendants misread both. *American Agriculture* held that, because Section 2(a)'s savings clause expressly preserves "at least some state law causes of actions," Congress did not preempt "the field of futures trading," writ large. *Am. Ag. Movement*, 977 F.2d at 1155. So, for instance, futures investors are not prohibited from suing their brokers for common-law claims of negligence, fraud, and breach of fiduciary duty. *See id.* at 1155-1156. And *Effex Capital* restated *American Agriculture*'s conclusion that the CEA does not "occupy completely the *entire* field of commodity futures regulation." *Effex Cap., LLC* v. *Nat'l Futures Ass'n*, 933 F.3d 882, 894 (7th Cir. 2019) (emphasis added). But Coinbase does not contend that Congress occupied the "entire field of commodity futures regulation," *id.*, such that the CEA field preempts all state-law tort claims that may "tangentially" and "in some remote way" involve commodity futures. *English* v. *Gen. Elec. Co.*, 496 U.S. 72, 85 (1990). Instead, the CEA's text,

structure, and history reveal Congress's intent to occupy the narrower field of regulating swaps traded on DCMs—a field subject to the CFTC's "exclusive jurisdiction" and for which Congress has developed "a comprehensive regulatory scheme." *Effex Cap.*, 933 F.3d at 894; *see* CFM 23-25. Indeed, in this field, Congress explicitly made clear that state law would *not* be preserved. *See supra* at pp. 3-4. The logic of both decisions confirms that Congress occupied this narrower field. *Am. Ag. Movement*, 977 F.2d at 1156 ("Only in the context of market regulation does the need arise for uniform legal rules."); *Effex Cap.*, 933 F.3d at 894 (same).[5]

2. The substantive canons Defendants cite do not apply.

Defendants contend (at 7, 26-29) that Congress did not intend for the CEA to preempt Illinois's gambling laws because "gambling regulations" represent an exercise of the "states' traditional police powers." Defendants look to shore up this argument by invoking three substantive canons of interpretation—the federalism canon, the presumption against preemption, and the major-questions doctrine. As an initial matter, these canons have no application here because the CEA clearly and expressly reflects Congress's decision to regulate derivatives transactions—including event contracts—at the federal level. And it does not matter whether a State like Illinois brands some of these trades as "gambling in grain," *Cothran* v. *Ellis*, 16 N.E. 646, 647 (Ill. 1888), and others as "sports wagering," Opp. 28. Either way, the States cannot overcome Congress's deliberate choice.

What is more, Defendants' substantive canons would not apply even on their own terms. Consider first the presumption against preemption and federalism canon; both apply only to fields that the States have traditionally and exclusively occupied, not areas with "a history of significant federal presence." *United States* v. *Locke*, 529 U.S. 89, 108 (2000). After all, those substantive canons are premised on the notion that Congress must act clearly before "effect[ing] a significant change" in

[5] Nor can Defendants draw support from the Special Rule's unlawful-activity provision, which authorizes *the CFTC*—not a State—to review and prohibit event contracts involving an underlying activity that is "unlawful under . . . State law," that *the CFTC* determines are contrary to the public interest. 7 U.S.C. § 7a-2(c)(5)(C)(i)(I).

the federal-state relationship. *United States* v. *Bass*, 404 U.S. 336, 349 (1971). But in the sports-gambling context, federal law has *already* shaped the landscape: Until 2018, federal law prohibited States from authorizing sports gambling. *Murphy* v. *NCAA*, 584 U.S. 453, 474 (2018). Moreover, when, as here, a statute includes express-preemption language, courts must disregard "any presumption against pre-emption." *Puerto Rico* v. *Franklin Cal. Tax-free Tr.*, 579 U.S. 115, 125 (2016). Thus, this Court's only task is to give full weight to the "plain wording," *id.*, of the CEA's grant of "exclusive jurisdiction" to the CFTC, unencumbered by any "thumb on the [preemption] scale" in Defendants' favor. Opp. 7.

Nor does the major-questions doctrine support Defendants in this context. The crux of the State's slippery-slope argument (at 28) is that if sports event contracts are swaps, so are sportsbook wagers, meaning that state laws would be "entirely displaced" and the Illinois "sports wagering industry" would fall within the CFTC's purview—which raises a "major question." But as Coinbase has already explained (Br. 19-21), affirming the CFTC's exclusive authority over sports event contracts would not displace the States' role in regulating sportsbooks and casinos, given the structural and transactional distinctions between exchange-traded event contracts and traditional sportsbooks. Indeed, Congress expressly authorized the CFTC, acting jointly with the SEC, to define the term "swap," 15 U.S.C. § 8302(d)(1)—authority the CFTC has exercised in the past to preserve the States' role in regulating other financial products, Further Definition of "Swap," 77 Fed. Reg. 48208, 48247 (Aug. 13, 2012). Thus, Defendants cannot claim (Opp. 18 & n.14) that CFTC jurisdiction over sports event contracts constitutes a question of "vast economic and political significance" simply because the *Illinois* sports wagering industry generates billions of dollars. Nor can Defendants credibly contend that the "history" and "breadth" of the CFTC's authority provide a "reason to hesitate" before concluding that such power extends to sports event contracts, *Biden* v. *Nebraska*, 600 U.S. 477, 501 (2023). Such contracts are a drop in the bucket when assessed in light of the broader, multitrillion-dollar derivatives market—over which the CFTC has undisputed regulatory authority.

The major-questions doctrine is particularly inapposite because this case does not involve reliance on "modest words," "vague terms," "elliptical language," or "subtle devices." *West Virginia* v. *EPA*, 597 U.S. 697, 723 (2022). Instead, Congress in 2010 deliberately and explicitly conferred exclusive jurisdiction on the CFTC to regulate "swaps," and further empowered the CFTC to "review" and either "approv[e]" or "prohibit[]" event contracts that involve "gaming," 7 U.S.C. § 7a-2(c)(5)(C)—which is, ultimately, how Defendants conceive of sports event contracts, Opp. 23. When Congress has spoken clearly, the major-questions doctrine has no application.

B. The Event Contracts At Issue Are Swaps Subject To The CFTC's Jurisdiction.

Faced with binding precedent that directly refutes their preemption theories, Defendants try three times to excise sports-related event contracts from the CEA's scope altogether. None succeeds.

First, Defendants argue (at 10-14) that sports event contracts turn on an event's "outcome" rather than its "occurrence." But the ordinary meaning of "event" includes "outcome," such that contracts based on an event's "outcome" are also based on an "event," as courts in this District have recognized.[6] The CFTC has thus explained that event contracts are "a type of derivative . . . based on the *outcome* of an underlying occurrence or event." 89 Fed. Reg. 48968, 48969 (emphasis added).

And even under Defendants' cramped definition of "event"—"a happening of some significance," Opp. 11—sports event contracts would *still* qualify as a swap. After all, no one doubts that the Cubs fans who were in Cleveland for Game 7 of the 2016 World Series knew they had witnessed "a happening of some significance" occur when Chicago won its first title in over a century. And it strains credulity to suggest (Opp. 12) that when ordinary Americans describe the 1973

[6] *In re Karim*, 612 B.R. 904, 913 (Bankr. N.D. Ill. 2020) (ordinary meaning of "event"—"a broad, general term"—is "the outcome of an action or occurrence" (cleaned up)), *aff'd sub nom. Karim* v. *Ill. Dep't of Revenue*, 2021 WL 4499503 (N.D. Ill. Mar. 30, 2021); *Event*, Webster's II New College Dictionary (3d ed. 2005) ("[t]he actual outcome or final result"); *Event*, Webster's Encyclopedic Unabridged Dictionary of the English Language: Deluxe Edition (1st ed. 2001) ("the outcome, issue, or result of anything"); *Event*, Collins Dictionary (10th ed. 2009) ("the actual or final outcome"); *Event*, Student's Dictionary of American English (2008) ("result; outcome"). None of these sources describes that definition as "archaic." *Cf.* Opp. 11.

Kentucky Derby as an unforgettable event, they are referring not to Secretariat's record-shattering victory but simply to the fact that the Derby took place—as it does every May. At bottom, what makes the World Series and Kentucky Derby "happening[s] of some significance" is that a particular team *wins* the contest and etches its name in history.

Defendants' artificial outcome-occurrence distinction, moreover, will often reduce to semantics. The State suggests (at 13-14) this is true only for a "best of four" playoff series, but that proves too much. An event contract premised on a regular season Cubs game can be phrased as either "the Cubs will win" (outcome) or "the MLB recordkeeper will increase the Cubs' total wins by 1" (event). Or take the reverse: A contract based on that same Cubs game can be framed as either "the Cubs will play the game" (event) or "MLB will decide to cancel the Cubs game" (outcome). None of Defendants' attempts to imbue their contrived distinction with substance accounts for why some of those event contracts are swaps but others are not. Nor can Defendants' outcome-occurrence distinction be limited to sports; on Defendants' view, commonplace event contracts involving a range of topics—such as public health (outcome of a clinical trial), technology (outcome of a patent application), and politics (outcome of an election)—would fall outside the swap definition. And in many contexts, where to draw the line between an "outcome" and "occurrence" is anyone's guess.[7]

Finally, Defendants ignore that sports event contracts also qualify as "swaps" because they depend on the occurrence of a "contingency," 7 U.S.C. § 1a(47)(A)(ii)—*e.g.*, the "possibility" that a particular team will win a game or a player will score a certain number of points, *Contingency*, Black's Law Dictionary (9th ed. 2009). That is an independent basis to reject Defendants' attempt to "'game the system' by labeling" classic event contracts as event-"outcome" contracts beyond the CEA's reach.

[7] The Justices striking down public-school segregation was both a seminal event and the outcome of *Brown* v. *Board of Education*. The same goes for the Treaty of Paris—the colonies earning their independence was both a happening of some significance and the outcome of the American Revolution. And when the world watched Neil Armstrong walk on the moon, it witnessed the occurrence of a historic event as well as the outcome of the Apollo 11 mission. Congress did not intend for the swap definition to hinge on linguistic gymnastics.

156 Cong. Rec. S5923 (daily ed. July 15, 2010) (Sen. Lincoln).

Second, Defendants halfheartedly assert (at 9-10) that the ordinary meaning of "swap" does not encompass sports event contracts because these derivatives lack a "clear commercial benefit." But as even Defendants concede (at 14), sports have become a major industry with significant economic consequences for sponsors, hotels, restaurants, fans, merchandisers, and others. CFM Br. 22. Sports event contracts offer obvious hedging value—and thus "clear commercial benefit"—for all of these parties. Just recently, a sports insurance broker announced that it is using sports event contracts to hedge performance bonuses for sports teams.[8] In any event, nothing in the CEA requires that a derivative have a "clear commercial benefit" to qualify as a swap. *See Van Buren* v. *United States*, 593 U.S. 374, 387 (2021) ("When a statute includes an explicit definition of a term, we must follow that definition, even if it varies from a term's ordinary meaning." (cleaned up)). To the contrary, Congress in 2000 *eliminated* the requirement that futures contracts have such an "economic purpose." Commodity Futures Modernization Act of 2000, Pub. L. No. 106-554, 114 Stat. 2763A-365.

Third, Defendants contend (at 14-18) that sports event contracts cannot be "swaps" because sports are not "associated with" a potential economic consequence. Even Defendants effectively concede that this claim is at odds with the provision's plain text, given that sports events bear obvious financial ramifications for local businesses, investors, and many others. Opp. 14. So Defendants pivot to arguing (at 16) that the "swap" definition requires an underlying event with an "inherently" financial connection. That interpretation is unmoored from the CEA's text and structure. To begin, the word "inherently" does not appear in the relevant clause of the swap definition, prong (ii). Instead, Congress framed that clause expansively to include events "*associated with*" "*potential*" economic effects, 7 U.S.C. § 1a(47)(A)(ii) (emphasis added)—in direct contrast to other provisions of the CEA where

[8] Vismaya V, *Kalshi Taps Sports Insurance Market with Game Point Capital Deal as Regulatory Battles Mount*, Yahoo! Fin. (Feb. 13, 2026), https://tinyurl.com/v3svym5n.

Congress required a closer nexus, *e.g.*, *id.* § 1a(42); 15 U.S.C. § 78c(a)(68) (defining "security-based swap[s]" based on whether the underlying event "directly affects" the issuer's "financial condition").

Defendants cannot save their atextual reading of clause (ii) by pointing (at 16-17) to other disjunctive subparts of the swap definition, some of which refer to inherently financial measures. *Cf. Reiter* v. *Sonotone Corp.*, 442 U.S. 330, 339 (1979) ("Canons of construction ordinarily suggest that terms connected by a disjunctive be given separate meanings."). "[T]he overall statutory context" does not suggest that inherently financial measures "were the exclusive focus of the [swap] provision." *Ali* v. *Fed. Bureau of Prisons*, 552 U.S. 214, 226 (2008). To the contrary, other clauses of the swap definition explicitly *include* "weather swap[s]," "metal swap[s]," and "agricultural swap[s]," even though those underlying subjects are not "inherently" financial. 7 U.S.C. § 1a(47)(A)(iii); *see Graham Cnty. Soil & Water Conservation Dist.* v. *U.S. ex rel. Wilson*, 559 U.S. 280, 288 (2010) (*noscitur a sociis* does not apply when items do not all share same attribute). The Special Rule provides further confirmation. There, Congress expressly granted the CFTC authority to review "swap[s]" involving "terrorism," "war," and "assassination"—none of which are inherently economic. 7 U.S.C. § 7a-2(c)(5)(C)(i).

Lacking a foothold in the CEA's text and structure, Defendants pivot (at 17-18) to purpose and consequences. But the "best evidence of [Congress's] purpose is the [CEA's] text," *W. Va. Univ. Hosps., Inc.* v. *Casey*, 499 U.S. 83, 98 (1991), which codified an expansive definition of "swap" unconstrained by any "inherently" limitation. The Special Rule unambiguously confirms that Congress intended this definition to "sweep[] as broadly as its language suggests," *Ali*, 552 U.S. at 226: After all, if Congress's sole goal was targeting "unregulated trading" "based on *inherently* economic events," Opp. 18, it would not have empowered the CFTC to regulate swaps running the gamut from terrorism to gaming. Nor is Defendants' parade-of-horribles argument (at 14-15) persuasive. The CFTC has already rejected the claim that consumer agreements, like an increased allowance from tutoring a sister, entered into "primarily for personal, family, or household purposes" qualify as swaps,

given that those transactions are not ordinarily traded on organized markets. 77 Fed. Reg. at 48246-47. If Illinois were right that these household agreements are not swaps because they are not *inherently* economic, the CFTC could have saved a great deal of ink by saying that in 2012.

Instead, it is *the State's* interpretation that would result in absurdity. Under Defendants' theory, an event contract premised on whether a hurricane strikes Florida's Gulf Coast would not qualify as a swap because any loss in tourism revenue, disruption to the agriculture and fishing industries, or decline in property value is simply a "downstream economic impact[]." Opp. 14. There is no basis to exclude such event contracts—which are tied to non-financial events yet trigger obvious, predictable economic consequences—from the CFTC's jurisdiction. Congress deliberately enacted a sweeping definition of "swaps" in the aftermath of the global financial crisis, and "it is up to Congress—if it so chooses—to change it." *Kousisis* v. *United States*, 605 U.S. 114, 135 (2025).

Most importantly, Defendants cannot tenably maintain (at 18, 23) both (i) that sports event contracts involve "gaming" and are thus categorically prohibited under CFTC Rule 40.11, and (ii) that Congress did not intend for the CEA's "swap" definition to include sports event contracts. Basic logic confirms that if sports event contracts involve "gaming" (as Defendants assert), and if gaming event contracts are swaps subject to the CFTC's jurisdiction to *prohibit* (as Defendants concede), then sports event contracts necessarily fall within the CFTC's jurisdiction to *permit*. Defendants' concession that the CFTC may prohibit gaming event contracts is thus fatal.

II. COINBASE FACES IRREPARABLE HARM ABSENT INJUNCTIVE RELIEF.

Defendants dispute remarkably few of the irreparable injuries that Coinbase identified. CFM 28-29. In fact, the State's only argument (at 29) is that Coinbase "inexplicably" filed its preliminary-injunction motion in December 2025—almost immediately upon announcing its plans to host sports event contracts—even though Illinois expressed its position on sports event contracts in April 2025. But that is beside the point. Coinbase's irreparable injury derives from the "prospect" of Illinois

pursuing civil and criminal penalties against the company based on its preempted state laws. *Morales* v. *Trans World Airlines, Inc.*, 504 U.S. 374, 382 (1992). This prospect of state enforcement developed into a "live" and "immediate" threat, *Cassell* v. *Snyders*, 990 F.3d 539, 546 (7th Cir. 2021), when Coinbase announced its partnership with Kalshi in December 2025. That Coinbase did not rush to court in April to obtain an advisory opinion on the legality of Illinois's regulatory activity demonstrates not an unreasonable delay or a self-inflicted emergency but adherence to settled case law governing the availability of a preliminary injunction. *Susan B. Anthony List* v. *Driehaus*, 573 U.S. 149, 158 (2014).

III. THE PUBLIC INTEREST FAVORS INJUNCTIVE RELIEF.

Defendants err as a matter of law in arguing (at 30) that the State and public have an interest in the enforcement of preempted state laws. CFM Br. 29-30. Defendants' public-interest analysis thus boils down to the policy argument that if Illinois's gambling laws are preempted as applied to sports event contracts traded on DCMs, the State's citizens will be left without legal protection. Defendants are fundamentally wrong. *Federal* law provides an exhaustive set of requirements that govern event contracts, as well as the DCMs and FCMs that facilitate those transactions. CFM Br. 9-10, 23-25. DCMs and FCMs are subject to ongoing, robust oversight by the CFTC, including CFTC audits and examinations to ensure full compliance with applicable regulations, and CFTC and DOJ enforcement actions in the event of any violation. This comprehensive federal oversight—reinforced by the CEA's anti-manipulation and insider-trading protections—is designed to protect customers who transact on derivatives exchanges. What is more, the CFTC is actively regulating in this specific context, including by initiating a rulemaking to specifically address event contracts. *Event-Contract Rulemaking*, supra note 4. The question in this case is not *whether* event contracts will be regulated; the only question is *who* is the proper regulator. Federal law squarely answers that question: The CFTC.

CONCLUSION

For the foregoing reasons and those stated in our opening brief, injunctive relief is warranted.

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Respectfully submitted,

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