Blockchain for Europe
Rue Montoyer 47
1000 Brussels
Belgium

Regulating Prediction Markets in Europe – Roundtable Summary

Blockchain for Europe · MERGE Madrid, 28 October 2026

Should prediction markets be regulated as gambling, as financial instruments, or as something new? On 28 October 2026, at MERGE Madrid, Blockchain for Europe brought regulators, industry and legal practitioners together to discuss that question. The roundtable was co-organised with Asensi Abogados and XReg Consulting.

Participants included Spain's gambling regulator, the Dirección General de Ordenación del Juego (DGOJ), and its securities regulator, the Comisión Nacional del Mercado de Valores (CNMV). They were joined by industry representatives, including from Crypto.com, legal and compliance practitioners, and participants with direct experience of the regulatory frameworks in Gibraltar and the United States.

The discussion was held under the Chatham House Rule. This summary presents the views shared without attributing them to any individual or organisation.

Key takeaways

- **Classification is the central question.** The answer determines who supervises prediction markets and which rules apply. Views in the room diverged on what should drive that classification.
- **In Spain, the subject of the event decides, that is, the underlying.** Gambling supervisors view a stake placed on an uncertain outcome as gambling, whatever the technology used and whatever the user's motive.
- **Under financial regulation,** contracts that fall within MiFID II become financial instruments, and may be treated as binary options, which cannot be offered to retail clients.
- **Industry argued that the structure of the contract matters too.** Features such as hedging, price discovery, full funding and the ability to exit a position early set prediction markets apart from traditional betting.
- **Bespoke regimes are an alternative.** Gibraltar sidestepped the classification debate by creating specific rules for prediction markets under its gambling framework.
- **Everyone agreed that no regulation is not an option.** Disagreement centred on whether the answer should come from coordinated national authorities or from harmonised EU rules.

1. The gambling-regulation perspective

Under Spanish law, a product is gambling when it meets three criteria:

1. an element of chance;
2. a stake, meaning something of value paid to take part;
3. a price that can be quantified in economic value.

A product that meets all three cannot be offered in Spain without a gambling licence.

Blockchain for Europe
Rue Montoyer 47
1000 Brussels
Belgium

Supervisors explained that, for them, the test is the subject of the prediction. The question is whether the underlying event relates to gambling or is clearly financial. The technology and infrastructure behind the platform are irrelevant to that assessment. So is the motivation of the user: whether someone takes a position on a World Cup final to bet or to hedge, it remains a stake on an uncertain outcome. Participants noted that this view is shared by a growing number of national authorities.

It was also noted that the dividing line between gambling and financial products is seen as clear in Spain. As a result, the debate over competences has been less intense there than in other jurisdictions. Some platforms had previously offered financial products, but came within the gambling regulator's remit once they moved into sports-related events.

On market entry, supervisors noted that prediction market providers had advertised heavily in Spain without seeking authorisation, and without being reachable when contacted. Their activity was therefore treated as unlicensed gambling. Supervisors made clear that "launch first, engage later" is not a welcome approach.

Can existing licence holders offer prediction markets? Potentially, yes, provided that the operator holds the necessary gambling licences in Spain. This would require the Betting General Licence, which can be obtained during a public licensing window or, alternatively, by acquiring the shares of an operator that already holds such general licence, as well as the appropriate single licence covering the specific product. It is generally understood that prediction market products could potentially be certified under the exchange betting single licences (Sports Exchange Betting and Other Exchange Betting), depending on the specific characteristics of the product.

2. The financial-regulation perspective

From the financial-regulation side, the reference point is Annex I, Section C(4)–(10) of MiFID II. If an event contract fits one of those categories, it is a financial instrument. It is then subject to MiFID and supervised by the securities regulator.

Participants recalled that ESMA has indicated that event contracts can resemble binary options. In the EU, binary options cannot be offered to retail clients. The question of the underlying event was also raised in the context of the recent MiCA review consultation, and prediction markets have already been discussed among supervisors.

Can a MiFID-authorised firm offer prediction markets? Yes, for contracts on financial underlyings, subject to MiFID rules, including the restrictions on binary options for retail clients.

3. The industry perspective

Industry participants stressed that whether these products belong under gambling or financial regulation is still an open debate, in the EU and globally. In the United States, prediction markets operate through designated contract markets registered with the CFTC, and the contracts traded there are treated as financial instruments.

They argued that the classification should consider the purpose and structure of the contract, not only its underlying. Several features were highlighted:

Blockchain for Europe
Rue Montoyer 47
1000 Brussels
Belgium

- **Hedging.** A contract on an interest-rate decision, for example, lets a user hedge that exact outcome without basis risk. Traditional instruments such as Treasury bills or options move with rates, but do not pay out on the specific question.
- **Price discovery.** Event contracts can serve as benchmarks for the expected likelihood of an outcome, which is of interest to financial markets.
- **Full funding.** Positions are fully funded and not over-collateralised, so users face no risk beyond the amount they commit.
- **Tradability.** Users can close a position before the event is resolved by selling it to any other participant. In traditional betting this is usually impossible, or possible only by selling back to the operator.

Industry also noted that some underlyings are easier to classify than others, with sports among the most debatable in certain jurisdictions. Sports are currently among the most traded events, driven by retail users. But the market is evolving, as crypto-assets did, and institutions are starting to explore other underlyings and products.

A participant from the asset-management side raised a practical difficulty. Event contracts have no conventional underlying and no analogous existing product, which complicates pricing, hedging and how such positions are held on the books. Industry participants agreed that the link between hedging and prediction markets needs further discussion.

Gambling supervisors responded that the classification of a product cannot depend on the objectives or motivation of whoever offers or buys it. Where money is staked on a question with an uncertain outcome, it is gambling, and these additional characteristics do not change that. They noted that some stakeholders also describe sports betting as an investment, without that changing its treatment: this is still gambling.

4. A bespoke regime: the Gibraltar approach

Gibraltar has taken a different route. In 2018, rather than deciding whether crypto-assets were securities, financial instruments or commodities, it created a bespoke regime for crypto. Participants familiar with that framework said this avoided confusion and gave clear rules, classifications and robust compliance expectations.

Gibraltar has applied the same logic to prediction markets. Rather than settling whether an event contract is a financial instrument or a gamble, it created a dedicated regime. Prediction markets remain under the Gambling Act and are supervised by the gambling authority. The regime sets specific requirements on:

- contract rules and settlement arrangements;
- prohibits certain markets;
- market manipulation;
- conflicts of interest;
- participant protection; and
- safeguarding of client monies.

Providers must show the regulator that they meet these requirements.

Blockchain for Europe
Rue Montoyer 47
1000 Brussels
Belgium

This prompted a wider question from participants: how much should the underlying event matter in determining which licence a provider needs?

5. Coordination, fragmentation and the EU dimension

Supervisors explained that, where grey areas arise, the gambling and securities authorities coordinate to resolve them. They had done so when prediction market providers entered the Spanish market. The outcome confirmed a simple line: what is gambling is gambling, and what is a financial instrument is a financial instrument, with binary options excluded for retail. Supervisors said they prefer to settle grey areas through dialogue between authorities rather than leave products unregulated.

Industry participants agreed that no regulation is not a good outcome. However, they argued that the test should be which approach best protects users from the actual risks, and that this deserves a more open debate. They also raised the risk of gambling and financial regulators competing for the mandate over the same contracts.

Industry called for an EU-level answer. Although its arguments were the primacy of EU law and the free provision of services within the single market, it is not to forget that certain subjects still remain national. In its view, harmonised EU rules allowing services across the Union should prevail over national approaches that fragment the market. Industry said it would prefer EU legislation that settles these questions across the Union to 27 different national approaches.

6. Election markets and market integrity

Participants asked whether betting on election results is ethical and should be allowed. From the gambling-regulation perspective, election markets are a grey area, but look closer to betting on the winner of a game than to a financial product. In that view there is no real difference between betting on the World Cup or on the Oscars, and such bets can be offered by a provider holding the appropriate licence.

Others raised a moral question: whether prediction markets could end up influencing the outcome of elections themselves.

Industry participants noted that in the EU some events cannot be bet on at all for public-safety reasons. They added that clear prohibitions already apply to participants on insider information and market abuse.

7. Open questions for further discussion

Several questions were raised that the session did not resolve:

- **Benefits of the technology.** Is the debate giving enough weight to what blockchain-based prediction markets can bring?
- **Lessons from the United States.** The US has controls on what can be listed on prediction markets, yet many instances of abuse have been reported. What should Europe learn from that?
- **Settlement.** Should winnings be paid out in stablecoins or only in fiat currency? This links to wider EU discussions on settlement.

Blockchain for Europe
Rue Montoyer 47
1000 Brussels
Belgium

- **Different business models.** Prediction markets can be blockchain-native, built on DeFi protocols or run by centralised exchanges. This adds complexity that needs clarifying before the products can be properly assessed.
- **Hedging and institutional use.** How should event contracts used for hedging be treated, priced and accounted for?
- **The role of the underlying.** How far should the subject of the event determine the regime and licence that apply?

Thanks

Blockchain for Europe thanks all participants for a frank and constructive exchange, and especially the DGOJ and the CNMV for joining the discussion. We also thank our co-organisers, Asensi Abogados and XReg Consulting, and MERGE Madrid for hosting the roundtable.

We look forward to continuing this dialogue between regulators, industry and practitioners as the European debate on prediction markets develops.