

Prediction markets: summary of reasons for position taken by DIA

What are prediction markets and how do they fall under New Zealand law

1. Prediction markets are presented as markets where people buy and sell shares in the outcomes of future events such as elections, economic trends, or sports. Users buy and sell "shares" or "event contracts" whose price reflects the market's perception of the probability of an event taking place. Purchasers predict either "yes" the event in question will occur, or "no" it will not.
2. Shares are always priced between 0.00 and 1.00 (usually USD). These prices move as opinions and information shift. Purchases can sell shares prior to the event occurring to lock in gains or minimise losses. Once the event in question takes place, all the shares predicting the correct outcome are paid out at 1.00. Shares predicting the incorrect outcome lose all value and are priced at 0.00.
3. DIA's view is that prediction markets are caught by both the Gambling Act 2003 and the Racing Industry Act 2020 for the reasons outlined below. They will not be, and are not intended to be, caught by the Online Casino Gambling Bill, which will create a new licensing system for online casino gambling.

Gambling Act 2003

4. Even though these companies present their product as a financial instrument or even a crowd-sourcing research tool, they ultimately share characteristics with, and meet the definition of, more traditional types of gambling.
5. In our view, prediction markets meet both the general definition of "gambling" and the specific definition of "bookmaking" under the Gambling Act and are accordingly prohibited by s 9 of that Act.
6. In forming our position on prediction markets, we consulted with the Financial Markets Authority (FMA) who were comfortable with the conclusion that prediction markets are a form of gambling and should be regulated as such, and that doing so would not cause unintended consequences for the financial markets regulatory regime.
7. Our position is consistent with other regulators such as the Australian Communications and Media Authority, the UK Gambling Commission and most recently the Netherlands Gambling Authority. Australia ruled in 2025 that sites such as Polymarket are unlicensed gambling. The UK Gambling Commission confirmed a few weeks ago (4 Feb) that prediction markets are a type of betting and require licences to operate in the UK.

Racing Industry Act 2020

8. In addition to the restrictions in the Gambling Act, some of Kalshi and Polymarket's products are also prohibited by the Racing Industry Act.
9. Last year, the Government amended the Racing Industry Act to create a statutory monopoly for TAB NZ's online sports and race betting operation (s 74AAA). This prohibition captures the services provided by Polymarket and Kalshi (noting the broad definition of "other racing or sports betting" under that Act).
10. The services offered by prediction markets are also similar in nature to exchange betting, defined as "peer-to-peer betting through a facility or a platform under which offers to bet on a particular selection are matched with offers to lay against the same selection, with the result that bets are made between those offering to bet on the selection and those offering to lay against the same selection."
11. To the extent Kalshi or Polymarket are offering bets on sports or racing events, they are in breach of s 74AAA of the Racing Industry Act.
12. It is the Department's role to monitor and enforce compliance with s 74AAA. In the lead up to, and after the enactment of s 74AAA, the Department has been very clear with betting operators, including many well-known international brands, that they must withdraw immediately from the NZ market. Most have complied, geo-blocking their sites. In our view there's no reason why prediction markets should be treated any differently.

Why does it matter, and why now?

13. Operationally, DIA tends to prioritise overseas gambling providers who explicitly target New Zealand. Kalshi and Polymarket haven't done that, but there has been a surge in popularity and growth recently, so the time is right to take a clear regulatory stance.
14. Reporting from various news sources online suggests that transaction volumes on Kalshi and Polymarket approached \$40 billion USD (\$66.8 billion NZD) in 2025. This compares with Bet365's £4bn GBP (\$9bn NZD) revenue in 2025, and TAB NZ's total revenue of \$214 million NZD in 2025.
15. Although not directly marketing to New Zealanders, we are aware that these sites have been taking bets on NZ politics and the economy, with current "markets" including: "Reserve Bank of New Zealand decision in April?" Increase/decrease/no change (Polymarket).
16. There is an undeniable risk of gambling harm associated with these services – a concern shared by the Problem Gambling Foundation. They share the same characteristics as more traditional forms of gambling that can contribute to gambling harm, including:
 - a. Monetary losses/trading can be rapid and significant, which could encourage chasing losses
 - b. They can be highly volatile
 - c. Many prediction markets allow instant buy/sell decisions
 - d. The high frequency/high stimulation environment can create the same thrill and adrenaline as traditional betting or gambling

- e. They can reward risk taking
 - f. They are highly accessible and available 24 hours a day
17. Traditional gambling providers will have clear harm minimisation frameworks and mitigations in place. Polymarket doesn't appear to have any harm minimisation information or tools on its website. Kalshi does have some resources, which include categories such as such as "trading breaks" and "voluntary self-exclusion." These are very similar to problem gambling measures, indicating the true nature of these prediction markets.