



DREW & NAPIER

Legal Update

**WHEN IS A BET NOT A
BET? PREDICTION
MARKETS AND
SINGAPORE'S GAMBLING
LAWS
(PART 1)**

11 March 2026

**LEGAL
UPDATE**

In this Update

Prediction markets have surged in prominence following the 2024 U.S. presidential election, but their legal status remains uncertain. In this first instalment of a two-part series, we examine how Singapore's Gambling Control Act 2022 may apply to event-based contracts and explore the often-blurred line between speculative betting and legitimate investment hedging.

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INTRODUCTION

Prediction markets – markets in which contracts pay out based on the outcomes of future real-world events-have experienced rapid growth in recent years. Polymarket, a blockchain-based platform, drew global attention during the 2024 U.S. presidential election when its markets consistently predicted a Trump victory, diverging from national polls and demonstrating the growing effectiveness of such platforms.

This rise in prominence has intensified regulatory scrutiny, with regulators in certain jurisdictions questioning whether trading on such markets may constitute gambling. In early February 2026, for instance, a Nevada district court granted a temporary restraining order sought by the Nevada Gaming Control Board, preventing Polymarket from offering event-based contracts during Super Bowl week on the preliminary view that such contracts may amount to unlicensed wagering.

However, the question of whether prediction market trading constitutes gambling is far from settled. Proponents argue these platforms function as derivatives exchanges facilitating price discovery and information aggregation. Indeed, the distinction between speculation and gambling can be difficult to draw with precision. Notably, the U.S. Commodity Futures Trading Commission (“**CFTC**”) has also withdrawn its earlier proposal that would have imposed a blanket federal ban on prediction markets on public interest grounds.

In this first instalment of a two-part series, we examine where prediction markets may fall foul of Singapore’s gambling laws. In the second instalment, we turn to the Securities and Futures Act and consider when prediction market contracts might be characterised as derivatives subject to capital markets regulation.

WHAT ARE PREDICTION MARKETS?

It is probably useful to start with understanding what prediction markets are. Prediction markets enable participants to take positions using money or money’s worth (for instance, digital assets) based on real-world events, from political elections to sports results. Broadly speaking, the contract prices reflect the market’s collective assessment on the likelihood of a particular outcome. For example, a contract that pays out S\$1 if “Team A wins the Singapore Premier League” and trades at S\$0.70 implies a 70% consensus probability of that outcome.

At a functional level, this set-up resembles the trading of futures or derivatives. Participants take positions that pay out at a specified future time. In regulated markets, derivatives and futures contracts

have long been recognised as legitimate tools for managing risk, reducing exposure to volatility, and hedging against adverse price movements – without being characterised as speculative betting.

This functional similarity becomes clear through a hedging lens. An investor anticipating an interest rate cut might establish a position expecting equities to rise. To hedge, they could purchase an event-based contract paying out if rates rise or remain unchanged – offsetting potential portfolio losses much like a conventional derivative hedge.

Despite these functional similarities, when event-based contracts are offered outside traditional financial markets (and without accompanying regulatory safeguards), regulators may be inclined to view them through the lens of gambling law.

HOW DO PREDICTION MARKETS DIFFER FROM OTHER REGULATED FINANCIAL INSTRUMENTS?

Regulators typically distinguish prediction markets from derivatives with reference to the nature of their underlying reference. Traditional derivatives and futures contracts are tied to financial assets or their variables (e.g. commodities, currencies, interest rates) whereas prediction market contracts reference non-financial real-world events, such as election results or sporting outcomes. This distinction, however, becomes less persuasive where an event-based contract is used to hedge exposure arising from an identifiable economic risk.

These conceptual distinctions take on particular significance when viewed through the lens of Singapore law, which adopts a broad and deliberately precautionary approach to defining and regulating gambling activity.

STATUTORY DEFINITION OF “GAMBLING” UNDER SINGAPORE LAW

Singapore’s Gambling Control Act 2022 (“**GCA**”) adopts a technology-neutral approach to gambling regulation. Gambling requires a licence or exemption to be lawfully conducted. Statutorily, “gambling” is defined to include three broad categories of activity – betting, gaming activity and participating in a lottery (see section 4 of the GCA).

Of these, trading in prediction markets could, depending on how it is structured, fall within the definition of betting. Section 5 of the GCA defines “betting” broadly as the making or acceptance of a bet

involving the payment or staking of money, money equivalents or any thing else of value on:

- (a) the outcome of a race, competition, sporting event or other event or process, taking place in Singapore or elsewhere;
- (b) the likelihood of anything occurring, or not occurring, in Singapore or elsewhere; or
- (c) whether anything is or is not true.

This definition is broad and may, on its face, encompass certain prediction market contracts. The scope is further expanded by the statutory concept of "money equivalents", which includes any encashable legal or equitable right to receive a financial benefit – covering virtual vouchers, credits, tokens or similar things used in connection with gambling. Notably, this would extend to stablecoins such as USDC, the cryptocurrency used on Polymarket. As a result, certain event-based contracts may warrant closer analysis under the GCA.

To understand how this broad definition operates in practice, consider a familiar derivatives contract. From a literal reading of section 5(1), an argument can be made that call or put options for assets such as commodities, digital assets, or stocks fall within the ambit of "betting" activity. To exemplify this, a call option over a company's share is essentially a bet involving the payment of money (price of the call option) on the outcome of an event (that price of the underlying stock will rise above the strike price). If so, why does the purchase or sale of such derivatives contracts not require a licence under the GCA?

The answer is that section 5(2)(a) of the GCA contains a key exclusion. "Betting" does not include contracts entered into "by way of business" where their making or performance constitutes an "investment activity" as defined under section 5(5) of the Civil Law Act ("CLA"). Section 5(5) of the CLA in turn sets out an exhaustive list of activities which constitute investment activity. These activities mainly refer to transactions relating to contracts or options pertaining to securities, commodity, currency or financial instruments.

The GCA exclusion reflects a deliberate regulatory boundary between (i) the Gambling Regulatory Authority ("GRA"), the authority that regulates gambling activities in Singapore, and (ii) the Monetary Authority of Singapore and Enterprise Singapore, which regulate the capital markets / commodities market in Singapore. Not every transaction which functionally constitutes a bet on an outcome constitutes gambling subject of oversight by the GRA. The specific carve out of commercial hedging and investment activity in respect of specific derivatives contracts and financial products from the GCA

suggest that it is possible for the list of investment activities to be widened to permit event-based contracts which serve legitimate commercial or investment purposes, to be excluded from the ambit of the GCA.

With this statutory framework in mind, we turn to how prediction markets fit within these boundaries. Prediction markets highlight a question of characterisation under the law. When an event-based contract is used to express a view for entertainment or recreation, it resembles conventional betting. However, when the same contract is used to hedge economic exposure, it appears to shade into the realm of legitimate investment activity.

A hypothetical example helps illustrate this tension. Consider a cash-settled bitcoin put option. Under this contract, the parties agree that on a specified future date, a cash payment may be made, depending on the market price of bitcoin relative to a predetermined strike price. No bitcoin changes hands and the contract is settled entirely in cash. If the market price falls below the strike price at maturity, the option holder receives a payout equal to the difference between the strike price and market price of bitcoin. If the market price is above the strike price, the option expires worthless and no payment is made.

Structurally, the contractual mechanic involves a possible payout determined by a future event (i.e. the price outcome of bitcoin) and, on its face, bears similarity to the statutory definition of betting under section 5(1) of the GCA. The context in which such a contract is entered into, however, may materially affect its characterisation. For example, a party holding bitcoin as part of its investment portfolio may use the contract to hedge against potential losses from a bitcoin price decline. Conversely, another party may enter the same arrangement purely to speculate on short-term cryptocurrency price movements in hopes of making a windfall.

Under Singapore law, the form of the contract is not ipso facto determinative. Rather, the analysis focuses on how the arrangement sits within the broader legislative boundary between gambling and legitimate commercial or investment activity. It is possible that a bitcoin option can fall within the “investment activity” exclusion under the CLA (as it is a “derivative”), and yet also fall outside the regulatory ambit of the Securities and Futures Act of Singapore (which only regulates crypto derivatives that are traded on an approved exchange in Singapore).

A second hypothetical further exemplifies how the line between event-based contracts and investment hedging activities can blur. Consider an investor who believes that the Lion City Sailors football club (a Singapore football club) will perform well in this year’s Singapore Premier League, and takes a long position in Sea Limited (“**SEA**”), a

NYSE-listed company that owns the team. To hedge this exposure, the investor could adopt one or both of the following strategies:

- (a) purchase a put option over SEA shares, allowing the investor to sell those shares at a predetermined price if their market value falls due to, for example, the team's underperformance in the Singapore Premier League; or
- (b) take on an event-based position that pays out if the Lion City Sailors lose.

Economically, both strategies manage the risk arising from the same real-world outcome (admittedly, SEA's share price as a technology conglomerate is influenced by more than the Lion City Sailors' playoff prospects – but such is the price of a neat example). Yet, strategy (a) is uncontroversially treated as a regulated financial transaction, while strategy (b) could be characterised as gambling.

This disparity is all the more striking when you consider that event-based hedging can produce greater certainty than traditional derivatives. For example, a conventional put option would require correctness on price direction, timing, and magnitude of price movements. By contrast, a binary event-based contract eliminates this risk and price sensitivity – the payout is fixed if the specified outcome occurs. Yet, it is this very simplicity that invites characterisation as betting, despite serving the same economic function.

These examples underscore a broader point: the functional distinction between gambling and legitimate investment conduct lies not in economic logic but in regulatory classification and consumer protection.

SINGAPORE'S REGULATORY RESPONSE AND POLICY POSITION

The GCA was enacted against a backdrop of legislative concern over the social harms of gambling, particularly in the online context. As part of this policy stance, Singapore has implemented a comprehensive remote gambling regime, empowering authorities with tools to, amongst other things, restrict access to unlicensed gambling websites. In addition, Singapore's regime does not focus solely on operators but also addresses participation in unlicensed gambling services, reflecting a policy choice that considers both demand and supply.

The upshot of this extensive enforcement arsenal necessarily imports an extra-territorial reach: offshore operators offering remote gambling services accessible in Singapore may be subject to regulatory measures, even if they have no local presence. This is particularly

relevant for prediction markets, which are typically conducted online and hosted outside Singapore. In January 2025, the Gambling Regulatory Authority (“**GRA**”) ordered local internet service providers to block access to Polymarket, on the basis that the services it offered constituted an unlicensed remote gambling service. Although no detailed reasons were published nor further enforcement action (if any) publicly disclosed, the blocking order exemplifies Singapore's cautious approach to platforms offering event-based contracts outside the regulatory framework.

Notably, the Singapore Police Force (“**SPF**”) also performs the enforcement functions of blocking access to unlawful remote gambling services, the advertising of such services and payment transactions. In accordance with the statutory and policy objectives of the GCA, enforcement is directed at both operators and participants of unlicensed gambling services. As of December 2024, the SPF has blocked more than 3,800 illegal gambling websites and more than 145,000 illegal gambling transactions amounting to approximately \$37 million, reflecting the application of Singapore's tightly-controlled, exemption-based regime. In practice, these enforcement actions are targeted at channelling all remote gambling activity through Singapore's sole licensed operator, Singapore Pools (Private) Limited, and access to unlicensed platforms is actively restricted.

Interestingly, as at the time of writing, March 2026, we note that Kalshi, a prediction markets platform that allows trade in future events (such as inflation, fed rates and unemployment), can still be accessed by users in Singapore. Could the difference be that Kalshi is a CFTC regulated exchange, which tips the balance in favour of the argument that the trades on their platform constituted investment activities excluded from the GCA?

CONCLUSION

As illustrated above, the line between betting and hedging is less clear than regulatory frameworks might imply. Both activities involve taking positions on uncertain future outcomes. As prediction markets continue to mature and as participants increasingly recognise their potential utility in managing exposure to volatile markets, it will be interesting to observe how regulators across jurisdictions respond. The challenge lies in accommodating legitimate hedging use cases while addressing concerns around speculative activity and consumer protection.

What is clear is that the traditional binary distinction between gambling and investment may require reconsideration as financial innovation continues to blur the boundaries.

In part 2, we will consider prediction markets in the context of capital markets regulation.

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