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PREDICTION MARKETS: THE IMPACT ON SPORTS AND BEYOND

AHMAD RASHAD: Welcome back. Now, the next panel is something new that is taking the sports world by storm. Actually, it's taking the entire world by storm. What am I talking about? I'm not quite sure what I'm talking about, but I'm sure that I'll know by the time this panel is over. So together, let's learn a little bit more about the prediction markets.

We have a fantastic panel of innovators. Some have built these platforms, some run leading sports books, and all are driving the sports industry forward.

And here to lead our discussion is a journalist from the tech and business beats. Each night she brings compelling interviews and, throughout, thoughtful commentary to our television screens. Let's give a warm welcome to Stephanie Ruhle.



(Applause.)

STEPHANIE RUHLE: Thank you so much. Great to see you. Thank you so much.

I just want to turn to my panel first. We have 40 minutes up here. I placed a bet that we're going to clear the stage in 38, so let's talk fast.

And to our audience, you have the biggest players in the game on this stage, so I'm not going to waste time with long introductions, and what I'd like to do is actually just start with a jump ball to all of you.

LeBron James is not permitted to bet on any element of any games that he plays. And a week ago, Bad Bunny's backup dancers, who had full understanding of the halftime show, could bet on that show. How come that's okay?

Tarek?

TAREK MANSOUR: All right. Starting on a good start.

STEPHANIE RUHLE: Jumping right into it.

TAREK MANSOUR: LeBron James would not be able to trade on basketball or NBA on Kalshi. So we're a regulated exchange. I know some in the industry like to call prediction markets unregulated. The headline here is it's not true.

As a company, maybe a little bit of history, we spent four years getting regulated by the CFTC, which a lot of you are going to hear increasingly more about in this industry.

The CFTC oversees trillions of dollars of derivatives, swaps, a lot of the boring stuff, but the stuff that's been very essential to the economy. We spent four years getting regulated, and a lot of the stuff that we've worked on is building the systems to essentially build a market that has two pillars: market integrity and customer protection.

So when it comes to sports, a lot of the usual things that you'd expect from a regulated sportsbook, you would see in regulated prediction markets. Those are things like



KYC, age restrictions. We know who the customers are, and we ban players from participating in games or markets that relate to them or relate to people around them.

That's pretty much it. I mean, maybe the Bad Bunny piece, it's very much the same. Some of you may have seen the piece where I got grilled on CNBC a few days ago.

But the point here and the line that has been historically drawn to define insider trading in traditional financial markets is, essentially, if you own information that you're not supposed to reveal to the public, that you sign some paper that says you cannot reveal that information, trading on that information is one way to reveal it.

Either you can say it on TV, you can say it to a friend, or you can trade it, and that would constitute insider trading. So that would also be banned.

STEPHANIE RUHLE: Bill, but I could bet on whether someone's going to streak at the Super Bowl and then choose to streak myself. You have said you don't think there's a difference between traditional sports betting and predictive markets. Explain.

BILL HORNBUCKLE: So, look, MGM Resorts and, frankly, the gaming industry, generally speaking, brick and mortar, because we're in this business in a significant way, we compete with many of the folks up here, and we're all for it. We're all for competition. The idea of predictive markets, whether there's insider or not on non-sports related things, it is what it is.

A simple example. I knew Lady Gaga was going to be the performer because I was with her earlier that week. I mean, so people know things, and so that is what it is.

The broader issue to us is how is it regulated, how significant is it, and by who, and, frankly, is it a states' right issue or is it a federal issue?

There are 40 attorney generals who think it's a states' rights issue, there are 11 states who have taken action against this who think it's illegal, and there are several states of which we have jurisdictions and we pay a massive amount of tax in that don't want us participating in this activity. It's about industry protection. It's about regulations. It's about jobs.

That MGM alone last year paid \$956 million in taxes to many communities that need and want that money. So it isn't about whether it's a good idea or not, and the other issues like there always are with new technology and new innovation, granted, and okay, but it's really about where should it be regulated, how should it be conducted, and

should a state like Utah have the ability to have this or not?

An 18-year-old can bet in Utah. That's probably not cool to most folks in Utah.

STEPHANIE RUHLE: Shayne, how do you differentiate between the two, predictive markets and traditional sports betting, Polymarket?

SHAYNE COPLAN: Look, if you think about the history of MGM, right, like its -- the roots are in a place you go, you have a lot of fun, and you participate in these entertainment games that are presented as financial games where you can make money, and you're heavily disadvantaged.

Correct me if I'm wrong. Right? When someone enters in, their expected value on their money is that they're going to lose.

And I think when you extend that to the sportsbook businesses that a lot of you guys operate, it's the same thing. And you have these state licenses, and what it really is, is we're taking what could be a financial market and we're turning it into a game.

And when people go and use the BetMGM app, you guys have a monopoly on what prices they pay for every single market. Right?

BILL HORNBUCKLE: We don't have any monopoly. We have competition.

SHAYNE COPLAN: No, for your users, once they enter your app, the only person who can offer them a price is your business.

BILL HORNBUCKLE: But they don't have to offer it. They don't have to bet.

SHAYNE COPLAN: Exactly. So what our businesses do is it lets people compete on what price users can get. So let's say that MGM is saying, hey, we'll give you these odds. And someone else, who doesn't have a ton of brick-and-mortar locations, et cetera, can come and say, oh, we've run our model, and we'll give you a better price. Someone else can say, hey, well, we'll give you a better price than that.

The consumer wins because you have an efficient marketplace. And the consumer, who may actually not care that much about what the price is, the pillar of American financial markets is when you have retail flow, you go and let the other side of institutional money be competitive so that the user can get the best price.

That's what's happening on these marketplaces. And I think that it's disingenuous and it's actually un-American to go and say that this should not be allowed to work and this should not be allowed to proliferate in America, while you guys go and have these apps where you have a monopoly on pricing, and you gouge the consumer. Respectfully.

So people can choose whatever they want.

(Laughter.)

SHAYNE COPLAN: People can choose whatever they want, but if you're going to go and let there be a marketplace, there has to be a way for that to flourish in America.

BILL HORNBUCKLE: And it could, and it should.

Appreciate the states' rights issue versus this federal issue. We're in the state of California right now. State of California, on behalf of the tribes and every -- look, we all spent \$100 million last year or two years ago trying to get this on in California, and we're told no thank you.

Guess what? The state has spoken. The people of California have spoken. We have a marketplace that anyone can go yes or no, I'm in or I'm out.

So while I understand the point, predictive markets join the party to help us get to a better place, but not the way it's being conducted today or regulated today.

STEPHANIE RUHLE: Luana, just take us to the court. Right? We are here for the NBA All-Star Game. How do predictive markets make sports better?

LUANA LOPES LARA: I think the live experience itself on prediction markets is a lot better. Similar to what Shayne said. Consumers have access to better prices to be able to trade and bet or trade on a sport --

STEPHANIE RUHLE: I mean the game, not how does it make gambling better. We're here for sport, the love of sport. How does what you do make this sport better?

LUANA LOPES LARA: What we've seen a lot is the second-screen behavior. When you see on Kalshi and Polymarket, you actually see the chart of the odds over time and the trading behavior of people trading, buying up, buying down.

And we see that's why, for example, in the Super Bowl, we were the biggest brand in the Super Bowl. We're now doing over a billion dollars a week on basketball alone.

TAREK MANSOUR: Without a Super Bowl ad.

LUANA LOPES LARA: Without a Super Bowl ad.

Because consumers actually really like the fact that it's fair, it's transparent, and you can see the activity in the market in real time, which you can't see in a sportsbook because it's all very opaque and obscure how the price is done and, like, what are they -- are they're trying to -- yeah, what they're trying to do. And that transparency is very good for consumers, and we're seeing a lot of that.

AMY HOWE: Can I just quickly go back to the regulatory issue for a minute because -- so Bill's right, right, we're back to the is this a federal versus states' rights issue. And ultimately that's going to go to the Supreme Court, and it's probably going to take several years for that to happen.

But in the meantime, whether it's a federally regulated product or a state regulated product, it's up to the regulator to determine what is and isn't appropriate, right? So we can all sit up here on stage and opine on whether it's appropriate to offer these markets, but the regulator actually is the one that needs to make that call.

STEPHANIE RUHLE: FanDuel.

PAUL LIBERMAN: Yeah, I would say the same thing. I think it's up to the regulators. We were innovative when we started DraftKings in 2012. We were doing daily fantasy sports, and that was innovative. And people were coming and saying, you know, this is not okay. And then it turned out to be fine, and it's still a very active market.

So we believe it's up to the regulator. We think it's important. We actually are big supporters of prediction markets.

The one thing that I would say, I think it's disingenuous to say that the sportsbook experience is worse than the prediction market experience because when you go to a prediction market, you're going and you're talking to a market maker. You're taking all the sharps that are trying to make money. They're going and they're putting volume and liquidity.

When you go to a sportsbook, we have things like early exit. Do you guys know what early exit is?

TAREK MANSOUR: We know what early exit is.

LUANA LOPES LARA: We have a --

PAUL LIBERMAN: Yeah, if a player gets injured. And you

can get some insurance-type products. But if a player gets injured, we'll refund that part of the parlay. So there are things that we do, and there's value that we provide to the customer that's also important.

So I'm a fan of -- like I said, I'm a fan of prediction markets. I think it does open up states like California and Texas, and we're willing to compete. But I think it's disingenuous to say that the experience on a sportsbook is worse because our pricing is actually better or -- you know, than prediction markets in many cases.

TAREK MANSOUR: I mean, I'll -- kind of a few things just to kind of sum this up. So I don't think that Shayne was just sort of like making a statement about which product is better. He was just making a statement about how they're different.

So we're not here -- we let the consumers decide. Maybe like -- maybe this is -- something that's missing a little bit from this panel, it's like -- so, I mean, I hear you guys. The regulators, some regulators are being hurt and some others -- but at the end of the day, we've got to focus on the consumer, and the consumer is speaking pretty loudly right now.

STEPHANIE RUHLE: And who's protecting that consumer?

TAREK MANSOUR: The CFTC, and there's a bunch --

LUANA LOPES LARA: The federal government.

TAREK MANSOUR: But maybe just to kind of round off that point, like we believe, and we'll see kind of how this evolves over time, that there is a better incentive structure in the prediction market model because there's more competition.

On the point of market makers, yes, there are market makers. On Kalshi, at least, these market makers are a very small percentage of the liquidity. It's actually mostly peer-to-peer. We have the data.

But the broader piece that I think, and oftentimes I feel -- and I'm really sorry to do this on this panel, but it really feels like oftentimes how the attacks on Uber felt in the early days. Like the attacks were always about customer protection. It was always like Uber is unsafe. That was, like, the attack.

The taxis didn't come out and say, hey, Uber is a problem because this is real significant competition. They came out and said Uber is a threat because there is one ride out of 3 million where some bad thing happened, and thus we

should ban the entire thing. Right? And I think -- I'm assuming most of you here came in an Uber, not a taxi.

And I think there's a little bit of that discussion happening. We've got to be focused on the consumer. And none of us here -- I don't think Shayne is saying that either -- is against customer protection. We spent four years getting regulated up front. We didn't just launch this product and, you know, start listing it to customers.

We are very focused on customers. There is work to do with policymakers and regulators. We don't have all the answers. But hopefully all of us together can figure those out.

STEPHANIE RUHLE: As it relates to consumers being protected, the government is obviously involved in a big way.

Shayne, I'd love for you to weigh in on this because you experienced such a different scenario, even in the last four years. The last administration was definitely not open to the kind of business that you're doing. The current administration absolutely is.

Two years from now, when we have a different president, and that president won't have a son that has an access card to your office because he's an advisor to your company --

(Audience chuckling.)

STEPHANIE RUHLE: -- what will that be like for you and the way you run your business?

CARSTEN KOERL: I feel the tension, Shayne, I feel the tension.

(Laughter.)

SHAYNE COPLAN: No, this is fun, this is -- this is all it was marketed for. If people weren't having fun before, they're definitely having fun now.

(Laughter.)

SHAYNE COPLAN: So, look, I think there's a --

STEPHANIE RUHLE: How are you going to prepare for that next administration that's not so open?

SHAYNE COPLAN: Yeah, well, there's two parallel tracks to reason about this space. There's the regulatory side, and there's the ethical side. And I think on regulatory, we can all agree -- none of us are lawyers, as far as I know --

it's going to play out how it does in the courts.

I believe that it's better if there's a federal marketplace that has federal -- that has nationwide liquidity as opposed to segmented liquidity or as opposed to apps where you can only trade against the people who own the app.

And sometimes these apps will have better prices than the open markets, and that's because they don't have to give you the price. They can show you a price, and they can only give you \$5 at that price. Right?

So, ultimately, when you look at finance, it doesn't work where you go into some app and you can only trade against the app, and the app can go and surveil you and give you a price accordingly, and they can say, oh, if you lose a lot of money, we'll give you a better price; and if you make a lot of money, we won't even let you trade. Right? And that's how it currently works.

But, again, it's up to the consumers. I think that what we're doing, it's the way of the road. It's the sort of evolution of markets in America when you look at any different vertical.

STEPHANIE RUHLE: Would you call it the Wild West?

SHAYNE COPLAN: Of course not. It's probably an order of magnitude more transparent than the existing opportunities. You can go and look at all the trading history. You can go and look at the order book. It's transparent. When you see an order, they're not surveilling and saying, oh, well, you can take it because you have a history of losing, and you can't take it because you have a history of winning. How's that fair? That doesn't make any sense.

There were financial businesses that operated like this, and anyone can Google it. They were called bucket shops. This is not like an unknown concept. This is a bucket shop, but for sports markets.

That's not to say that it can't be fun, and that's not to say that consumers can't go and download other apps and tell us new guys to go kick rocks. And that's fine, too. We're just saying that from -- when you think from first principles, this new category of product, it makes sense, it deserves to exist.

And we'll see with the regulation. I think that it was well put where, when you have these new verticals, people are going and -- I can assume, speak for us, it's like we're trying to go and figure out where there's latent demand, what consumers want in this new vertical, we're experimenting. And the terminal state of how this works, it'll be collaborative between regulators, and maybe the

control of government will change, and maybe that will go and change temperature.

But one thing's for sure, and that is that the American public, there is a large portion that prefers these markets as a way to engage in markets on the underlying event, and also that they really find the information interesting. And it's enough of a public good, and there's enough consumer demand where it's here to stay.

STEPHANIE RUHLE: Carsten, what is your take on the current guardrails in predictive markets versus traditional sports betting?

CARSTEN KOERL: Shy observation from the Swiss guy here on the stage. There is a bit of tension here. I have to say, backstage was much better.

(Laughter.)

AMY HOWE: Switzerland.

STEPHANIE RUHLE: Literally.

CARSTEN KOERL: You know what? We are sitting here on the panel of the NBA. Beautiful game. So we didn't speak about how do we protect the game. I know that we all aligned. We all aligned to protect the game. I think we are all aligned to protect the player outside, the better.

We are not aligned on what is good, what is bad, what the regulator is doing. I think we all aligned this thing is generating a lot of taxes, is generating a lot of income from the sport.

UNIDENTIFIED SPEAKER: This thing being?

CARSTEN KOERL: Sports betting. And I know we can interpret this in many ways, but let's say it's an opportunity for all of us. That's how I see it.

Should we not sit together and say, How can we work together to protect the integrity of the sport? First thing.

I know that the whole NBA mission is working on this. They are focused on how can we make sure the players are protected? And I think we are all willing to share information. We have systems for doing this. Would be a good starting point to go into this direction.

Next, we want to generate money for the sport. How can we make an equal, fair playing ground? And I understand all your arguments, 51 percent taxation in New York, I think, against how much taxation if you're going on predictive markets.

So, yes, there are some inconsistencies. At the end, the customer will decide what the customer wants to get. If we protect the sport, if we are working hand in hand on this, I think there must come -- there must be a point that's not a dumb Swiss guy, that the regulators are sitting together and saying, hey, we need to figure out something how to get this going.

STEPHANIE RUHLE: Amy, let's talk cheating because there's been recent examples and allegations of cheating in the NBA. Do you think the explosion of sports betting has made it easier?

AMY HOWE: Look, I think this is one of the more misunderstood topics. And let me build on what you were just talking about, right? So you think about all the publicity that has happened with the NBA and Major League Baseball. That was caught because of the state-regulated model, right?

And the way we work together, right, we all work -- all the regulated companies work together with the data companies. So, you know, Carsten's company would be working with us, we have integrity monitoring services, we're working with the leagues and the teams.

And in the case of the NBA and Terry Rozier, we found those -- you know, we found that nefarious behavior was five hours before the game tipped, and we shut it down.

So to me, I think there's a lot that we can learn from the way the regulated market works today. And I'm guessing, you know, Tarek and Shayne, you guys would be in violent agreement and say we should be bringing some of those same measures to prediction markets. Because it actually works beautifully.

And, you know, people can spin whatever narrative they want, but at the end of the day, all that behavior is happening underground, right? You got a \$675 billion black market. California's not legal. Up until prediction markets, the only option was a black market, gray market product, or basically nothing.

So I think that the integrity piece is really important, and we got to figure out how do we bring that into prediction markets.

STEPHANIE RUHLE: Paul, DraftKings now has an add-on. You have your own predictive markets. Help us understand the rationale. Is that regulatory arbitrage? Is it if you can't beat them, join them? What's the rationale?

PAUL LIBERMAN: I mean, ultimately, we want to provide

a great customer experience. And whether you're in California or Texas or New York or Massachusetts, you want to get action on the game. And our prediction markets -- and we support prediction markets. We think prediction markets are a great, innovative product, and agree with many of you.

And that's where we want to be. We want to provide that customer experience because that is the product that we are delivering to the customer, which is that ability to do that. But also agree that we think it's critically important for the integrity of the game also to be responsible patrons. So we do a lot with responsible gaming and trading.

Also for the customers that are able to limit the amount that they're exposed on these types of markets I think is a really important part in the evolution, whether it's prediction markets or gaming, and making sure that the regulators are working with the companies to make sure we're doing that.

LUANA LOPES LARA: I just want to clarify something. We actually implement the almost exact type of industry protections that you're talking about for consumers, and we actually go beyond that on Kalshi and prediction markets.

STEPHANIE RUHLE: Then do you think in the future there will be no difference between predictive markets and traditional markets?

LUANA LOPES LARA: I think prediction markets will be safer because you're able to look at the data of the entire country, surveil the data in the markets of the entire -- all -- it doesn't matter if you're in one state or another state trying to do something bad. You can look at the entire country, all the states, get all the data, surveil the markets.

We also have a lot of customer protection, like deposit limits and all those things that you see. And we actually go above and beyond there. And we're actually working with the CFTC and the federal government to really, How do we even make this better? How do we make the game safer? And the federal regime is just a lot better because you have one versus a patchwork of a gazillion states that you're trying to work between.

STEPHANIE RUHLE: There's steam coming out of Bill's ears and it's burning the right side of my face; so I'm going to need him to weigh in.

AMY HOWE: It's a good thing, Paul, you're sitting in between.

PAUL LIBERMAN: I don't want to get hit here.



BILL HORNBUCKLE: A couple of things that -- points that were made. So go back -- I want to go back to the CFTC for a second.

So the regulated gaming industry has over 8,000 regulators in roughly 40 states for various things. They have the option to say in a place like Massachusetts, hey, we don't want you betting on college sports for teams that are Massachusetts. Whether I agree with that or not, and I don't, but, okay, I get the principle, so we don't.

Okay. The CFTC has about 500 employees in it against those 8,000. You know who the CFTC reports to? The commission is the Agricultural Committee for the Senate and the House. It is not currently structured to administer and oversee this industry, and therefore it causes us great concern.

And so to say that it's prepped and prepared, no, it's not the same regulatory environment we all have. We have -- we self-define many of our mistakes because of the scale and scope of what we have at stake.

And so to think that it's an equal playing field, it's not. But cut to the top of the line, it's still a states' rights issue, and the idea -- look, federal gaming across the board, I don't know what that brings to the industry. Never mind just this industry, but the brick and mortar and everything else.

Of course it's simpler. That's why you guys went there. Of course it's access to everybody. I get that. Gee, that would be nice.

But that's not how gaming has been regulated for 75 years. And I know I'm the old gray guy in the room here, but it's worked. And we've protected people and we self-report and we tell the leagues, as does Amy and the other folks up here, look, this has happened, because we also have the same protection. And if someone doesn't want to take a bet they move to the next site.

So this fact that, you know, it's a one -- oh, and the other -- the one-way street thing. So you guys have petitioned now the CFTC to say if you guys want to make layoffs, meaning me to you, you can do that. How is that peer-to-peer? That's not peer-to-peer.

TAREK MANSOUR: That is peer-to-peer.

STEPHANIE RUHLE: Tarek?

TAREK MANSOUR: Sorry. Bill, that's just not true. But I'm --

STEPHANIE RUHLE: Hold on, hold on, hold on. What are

you saying is not true?

TAREK MANSOUR: Peer-to-peer, when you lay off -- if you want to lay off risk on Kalshi, you're not laying off to Kalshi, you're laying off to other participants. Same exact mechanism, whether you're, you know, a participant like Carsten who wants to place a trade on the game or you want to lay off risk.

But there's a few things I want to address. Just on the data sharing piece, and I believe, Shayne, you have a similar position, and we've been chatting with all the leagues, we have a partnership with the NHL where we finally can do some data sharing.

But we want the data. Please give us the data. That will help market integrity and help game integrity. That's a solvable problem, and we can all work together with the leagues, with you, Carsten. We'll figure this out.

It's on Chairman Selig to defend the CFTC, but I will say a few points about this regulator that has been coming under attack by the gaming industry for the last few months.

Our amazing moderator, I just learned that you were a trader during the financial crisis in Dodd-Frank. One thing you might remember that in Dodd-Frank in 2008, pretty much every single exchange and clearinghouse on the planet failed except for one subset of exchanges, the ones that were CFTC regulated. No CFTC-regulated exchange or clearinghouse has failed in the 2008 financial crisis, when every single other financial institution has failed on the planet.

This is a competent regulator. This is a well-staffed regulator. Yes, I agree it is a bit weird that the Ag Committee is the overseer, but the Ag Committee oversees interest rate swaps, credit derivatives. It oversees crypto now. And that entire market is a trillion dollar --

UNIDENTIFIED SPEAKER: That's going really well.

TAREK MANSOUR: Sorry, it's trillions of dollars of volume. But -- part of it, at least. But I think this can be done right. And at the end I do believe, like, the steady state here -- and maybe this is playing off of Amy and Paul. I think there will be a steady state where the two industries will coexist. There will be people that prefer staying on the traditional sports with the people that do prediction markets.

And at least so far the numbers are not showing much cannibalization. I mean, a lot of you, you had -- you just had your quarterly earnings. A lot of you have been talking about this. It seems like the impact of prediction markets

on you guys is not meaningful. Right? So maybe the impact on taxes will not be that meaningful.

CARSTEN KOERL: It's not much cannibalization, but if we are focusing now on the data, and data is my topic, it's something at the moment, there are markets created for the NBA. They are not settled with official data from the NBA. To protect the match, and we are all aligned with this, we should do this. That's the first step of saying, hey, we're going to need to put a framework, no matter how we are fighting on the regulator, we should do this.

And I think we all aligned on this topic. So if we do this now step by step, if we are reporting in guidelines and saying -- I think I have a lot of sympathy for you, Bill, saying, hey, there must be --

BILL HORNBUCKLE: I'm okay.

CARSTEN KOERL: -- some protection, I totally get it. But I think the guys here all want to have some rail guards in there. And I know it's a tough fight from a commercial perspective, but next time, Stephanie, you should invite CFTC directors so --

STEPHANIE RUHLE: We have no more seats.

(Laughter.)

AMY HOWE: Are you volunteering to help this whole group self-regulate?

CARSTEN KOERL: Let's make a circle later on in the back room and figure out the way.

So, look, I think we are all speaking the same thing. We want to protect the game. That's the most important one. We want all to make business. But why to not start there and saying market settlement, this thing is there. So the consumers are there. It's millions of consumers. Why not make a starting point? That's what I'm saying.

STEPHANIE RUHLE: Shayne, both Polymarket and Kalshi have raised billions. You're worth billions. And the two of you are in somewhat of an arms race when it comes to sort of no limits on what you're willing to spend to buy talent, on advertising. How do you rationalize to your investors this business you're spending where it's going forward? Because while your businesses are booming, they're not businesses that are making money for your investors, at least not yet.

SHAYNE COPLAN: Right. I wanted -- if I can come back to that one, I want to go just ask Bill a question for a sec.

So, Bill, you're talking about how for the past 75 years the state-by-state regulation has worked well. I look at -- I'm a big sports fan. I mean, I've been a sports fan since I was, you know, a kid. I grew up in New York. I'm a diehard Knicks fan. I was the type of kid that wasn't that good but was an encyclopedia of all the players.

And if I look at the product offerings under the state-by-state basis, I see all products that look the same that are not that good. And, you know, when you go and you look at -- when you take a step back and you look at tech products and consumer products in America, it's very competitive. People innovate.

And if you look at the state-by-state regulatory matrix, you look at something where young entrepreneurs like us, we would have never been able to enter that because we would have never been able to get the money to be able to go and lobby and get all the licenses across all the states and then innovate on the product offering.

And I guess my question for you is just fundamentally, like take a step back, why is it better for the American consumer that these sports markets are state-by-state regulated versus federally regulated?

BILL HORNBUCKLE: Because each state wants to make its choice and historically, and continues to this day, wants to make a choice, whether it's through public referendum -- people in Northern Virginia today are going to debate ultimately whether there's another casino there. There's going to be a public referendum. They get the opportunity --

SHAYNE COPLAN: We're aligned on casinos.

BILL HORNBUCKLE: No, no, no --

SHAYNE COPLAN: I'm talking about sports markets.

BILL HORNBUCKLE: You don't think we have a sportsbook in a casino?

SHAYNE COPLAN: I'm just asking about the sports. You guys can have your casinos.

BILL HORNBUCKLE: Okay. By the way, slot machines and roulette are coming, believe me.

LUANA LOPES LARA: There not, they're not.

STEPHANIE RUHLE: All right, let's stay --

BILL HORNBUCKLE: Anyways.

CARSTEN KOERL: That's a cool product idea.

TAREK MANSOUR: Not for us.

BILL HORNBuckle: We've had that for a while.

So, look, I understand the point and the question. We are not against innovation by any stretch, but to say that the product is less a product, to say it's not a great product, it's just not fact. It is simply does the state reserve the right to say yes or no.

STEPHANIE RUHLE: Now to my question.

SHAYNE COPLAN: Yeah, look, we're spending a lot of money. You know, it's a large TAM. We probably could have a conversation and figure out how to spend a little bit less money, I think. Some people are really hitting meal tickets off of us. You know, we're both well capitalized.

And, you know, I think that it's been exciting and people believe in the long-term vision. But similar things have happened in the past in these really large open-ocean industries. I'm sure --

STEPHANIE RUHLE: Like where?

SHAYNE COPLAN: -- Paul can talk a lot about that stuff. But, you know, it's capitalism.

STEPHANIE RUHLE: Luana?

LUANA LOPES LARA: I mean, we believe the same things. We started the company around the same time with the same -- we talk about the markets and the part of that being important, we didn't talk about the importance of the data that comes out of those markets. If you look at the election market, how prediction markets forecasted the election a lot better than any poll, any alternative.

And just the other side of those markets, on the data, how relevant it is, not just for traders, but for America and for the world at large.

And we believe in the same thing. We took very different strategies to get where we are, but I think that this is -- the capitalism and competition is important.

STEPHANIE RUHLE: And your investors are good about your spending?

LUANA LOPES LARA: I mean, I think our investors really -- yeah, they trust both of us a lot, and we are making quite a lot of money. So the investors are not concerned about it.

TAREK MANSOUR: Investors are pretty happy right now. But, like, the one thing I want to maybe is about the rivalry because maybe it's first time we can address it, which might be a little bit of fun.

But, you know, my perspective is, and I will tell you, Shayne, like, I think without you we, wouldn't have been as intense and aggressive as a company, and it might be vice versa. Like, I do really believe in rivalry now. Like, I'm thankful and grateful to you in some ways.

STEPHANIE RUHLE: A heated rivalry, we might say.

(Laughter.)

LUANA LOPES LARA: Not that far, I guess.

TAREK MANSOUR: Yeah, but I do think that, like -- I think in many ways -- and I was a soccer fan growing up, like, and it was Messi-Ronaldo rivalry. And, like, people made them out to, like, hate each other, but actually when they hung out, they were actually, like, you know, pretty chill.

But I think that, like, in these big markets, like Uber-Lyft, you know, FanDuel-DraftKings, like, you kind of need it. Like, you wouldn't push yourself to your limit if you don't have it. And Tom Brady talks a lot about that as well.

And I think we've pushed each other to new heights, and I'm kind of excited for the next few years. I think this is how it becomes a multi-hundred-billion dollar --

LUANA LOPES LARA: And it all goes back to consumer, customer protection and the kind of, like, what the customer wants. Because we're going to try to be the best product and compete so that -- and in the end, it's better for the customers because they're going to have the best product.

STEPHANIE RUHLE: And sometimes that customer is a young, excited, vulnerable male. And I want to get Amy and Paul into this conversation.

SHAYNE COPLAN: Before you move in --

STEPHANIE RUHLE: Nope.

SHAYNE COPLAN: -- I want to say, you know --

STEPHANIE RUHLE: You're going to do that -- you're going to have all this time to talk all weekend with each other.

Michael Lewis, one of the greatest authors of our time,

recently said that sports gambling is going to ruin sports and ruin a lot of young men's lives.

These apps are highly addictive. They draw in young men. They are fun. They are exciting. What are you doing to protect those users?

PAUL LIBERMAN: Yeah, I think that it is extremely important to protect, you know, vulnerable population, young kids from playing. A lot of our regulations around sports betting are designed to make sure that we're not targeting minors, that we're not putting advertisements on college campuses, that we're not --

STEPHANIE RUHLE: You don't think that your advertisements are on my 19-year-old son's phone?

PAUL LIBERMAN: So they obviously can get to --

STEPHANIE RUHLE: They're not outside his dorm room; they're on his smartphone.

PAUL LIBERMAN: They definitely can, but we do not target your son as a 19-year-old minor. As a matter of fact, we do a lot to avoid either the channels that he may be watching or the type of media that he might be consuming and not targeting those individuals.

And I think that that's a really important part. I think it's important for us to protect the consumer, I think it's important to have those controls and it's important to have the integrity of the underlying contest.

And I don't actually think it's going to ruin sports. I think it's quite the opposite. I think that these products engage people in sports. It makes watching sports more entertaining.

And the vast majority of our customers do so in a responsible way. They have \$10 on the Super Bowl, and that Super Bowl is way more exciting for them to watch and engage. Whether it's the NFL or the NBA game tonight, it is way more exciting. And I actually think it makes sports a better experience for the average customer.

So I think it's important to have integrity. I think it's important to have some regulation on how we think about marketing to those consumers and not have, you know, marketing going to 18-year-olds or, you know, even younger 17, 16, 15, the KYC and a lot of the practices that we do collectively put in, whether it's CFTC or, you know, DraftKings Sportsbook regulated.

But that's critical, and I would like to see at least the markets, whether what you guys are doing or what we are

doing, to take a more responsible stance on how we talk about our product to the general consumer. Whether you think states' rights or federal rights, I think it's all of our responsibility to make sure that we're responsible.

UNIDENTIFIED SPEAKER: That's very true.

STEPHANIE RUHLE: Amy, how do you -- how does AI play into this, right? When you think about --

AMY HOWE: Can I --

STEPHANIE RUHLE: Yes, you can.

AMY HOWE: Can I just comment on that last? I think that perspective is unfortunate and incredibly misleading, and here's why. I mean, as a regulated operator, I mean, my company spends \$100 million a year on responsible gaming tools and education and awareness.

My son goes to the University of Texas, where there's not a single legal sports betting product, or hasn't been. Every single one of those kids are gambling, underage, they are bookies, they have bookies.

And so it's actually the regulated operators that are investing. And we send Craig Carton, who's one of our ambassadors, Randy Livingston, who's a former NBA player. They are ambassadors, and they are going to these campuses, educating kids about the perils of underage gambling and how to, you know, keep it as a form of entertainment.

So to actually point the finger at the regulated operators is unfortunate and misleading because the behavior is happening. We're all in different spots. But, like, the enemy here is the \$675 billion black market --

UNIDENTIFIED SPEAKER: Totally agree.

AMY HOWE: -- where there are no protections at all.

STEPHANIE RUHLE: Yes, but while those kids are sitting in their dorm rooms, there's not a black market bookie knocking on their door. But in their smartphone, with the use of AI, you know when a 19-year-old boy is sitting in his dorm room. AI will tell you when a person's getting their paycheck. You know when they're vulnerable.

AMY HOWE: And we are using AI to actually -- one of the applications right now is for realtime -- what we call Real-Time Check-Ins, right? So we can look at our data, and the models can identify changes in behavior that we think are abnormal or problematic. And we'll intervene with the customer and say: Time for a checkout. Right?

 . . . when all is said, we're done.®

So we're using that technology. You think an offshore operator is doing any of that? Heck no. They're happy for young teenage kids to be spending as much as they want on the platform.

PAUL LIBERMAN: Chances are it's not a bookie, it's a prediction market that's targeting them, to be fair.

UNIDENTIFIED SPEAKER: And it shouldn't start at 18. It just should not start at 18.

STEPHANIE RUHLE: Do you want to respond to that, Shayne?

SHAYNE COPLAN: No.

(Laughter.)

STEPHANIE RUHLE: Luana, how about you? Okay, Bill. I feel it.

BILL HORNBUCKLE: Look, I saw an ad recently by somebody up here that talked about paying your rent.

STEPHANIE RUHLE: Okay, tell us who.

BILL HORNBUCKLE: No. Go figure it out.

About paying your rent. It's just irresponsible.

STEPHANIE RUHLE: Does it rhyme with Smalshi?

BILL HORNBUCKLE: I didn't say anything.

And it's a young woman. And I mean a young woman. It should be 21. This 18 makes means it's 15. It's just reality. I'm passionate about that.

STEPHANIE RUHLE: What do you think?

CARSTEN KOERL: On the 21 question?

STEPHANIE RUHLE: Yes.

CARSTEN KOERL: No, look, I think you're all talking the same thing. So for me it's a protection of the player, and it's a protection of the game. Here we are discussing now how do we put the underage gaming into a monitoring system, what are the criterias. We are discussing black markets outside of the U.S.

I think we're all aligned on this. There is not a dispute here. Everybody wants to care about this. Let us discuss now with the regulator how we get this done.

I personally filed 4,500 pages each state, and I file 40 states. It's terrible. It's really a lot of overhead, which is great, and everybody has its own rules.

I think we all would applaud if we have a federal regulation. We don't have a federal regulation. But at least we can begin to define what are our rail guards, what is what we want to do. If we do this, we do at least something good for draining out this irregular market.

LUANA LOPES LARA: We echo that, I think. The alternative to a regulated marketplace in the U.S. is an offshore unregulated, which is way -- I think no one would question that it's way more unsafe. There's no customer protection, and the incentives are very, very different. I think that all of us can align on that.

STEPHANIE RUHLE: Bill, is your overarching concern that it feels like everything is turning into a casino?

BILL HORNBUCKLE: No. I'm not up here saying innovation is bad, I'm not up here saying gaming particularly on sports and what it's done for sports in terms of eyeballs and content and the ability to keep people more engaged longer. All of that's been positive to all of us. I think we're all on the same page generally about responsible gaming.

And so, no, I'm not saying that at all. It is just simply about how it's done, what rights should be and where it should be regulated and how it should move forward.

It isn't about whether it should exist or not. God bless them. Let's go. I'm all for competition on all this.

STEPHANIE RUHLE: I know we're out of time. Amy, five years from now, if we're having the same -- if I'm sitting up here with the most significant players in sports betting, is it going to be the same companies?

AMY HOWE: I don't think any of us know because it depends on how this whole state versus --

STEPHANIE RUHLE: We could probably bet on it, huh?

AMY HOWE: -- (indiscernible) Kalshi.

(Laughter.)

STEPHANIE RUHLE: We're out of time.

(Applause.)

AHMAD RASHAD: So that was a panel about prediction

markets. So now I have a prediction of my own. I predict that lunch is ready. It's available in the hospitality area. So go grab some food and bring it back to your seat. We're going to get started again in a few moments.

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