

**UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK**

PEOPLE OF THE STATE OF NEW YORK,
by LETITIA JAMES, Attorney General of the
State of New York,

Plaintiff,

v.

COINBASE FINANCIAL MARKETS, INC.,

Defendant.

No. 26-cv-3300

Removed from Supreme Court of the
State of New York, County of New York
Case No. 451604/2026

NOTICE OF REMOVAL

Coinbase Financial Markets, Inc. (“Coinbase”), by and through its undersigned counsel, hereby removes the above-captioned action (the “Action”) from the Supreme Court of the State of New York, County of New York, Case No. 451604/2026, to the United States District Court for the Southern District of New York pursuant to 28 U.S.C. §§ 1331, 1441, and 1442. This Court has federal question jurisdiction over this Action under 28 U.S.C. § 1331.

By filing this Notice of Removal, Coinbase does not waive any defenses it has to this action whether in state or federal court, including, but not limited to, improper service of process and/or lack of personal jurisdiction. Coinbase reserves the right to amend or supplement this Notice of Removal.

In support of its Notice of Removal, Coinbase states as follows:

BACKGROUND

A. Coinbase and Federally Regulated Prediction Markets

1. Coinbase, Inc., through its affiliates like Coinbase Financial Markets, is a pioneer in the cryptocurrency industry and has focused on updating the financial system for its users while complying with relevant federal and state laws. For that reason, it has led the industry in advocating for responsible rules and calling for clarity on critical regulatory questions, carefully safeguarding the company’s reputation as a trustworthy financial platform focused on creating economic freedom in the United States and around the world.

2. Beginning in January 2026, Coinbase has offered event-contract trading to its customers throughout the United States, including in New York. Event contracts are derivative instruments that enable parties to trade on their predictions about whether a future event—which may relate to economics, or elections, or climate, or sports, or anything else of potential commercial consequence—will occur. Because these event contracts are paradigmatic “swaps” as defined by the

Commodity Exchange Act (“CEA” or “the Act”), they can only be traded on federally regulated exchanges that are subject to the exclusive jurisdiction of the CFTC. 7 U.S.C. §§ 1a(47)(A)(ii), 2(a).

3. To make event contracts available to its millions of users, Coinbase entered into an agreement with KalshiEX, LLC (“Kalshi”) that enables Coinbase customers to use Coinbase’s platform as an access point to trade event contracts listed on Kalshi’s exchange. Kalshi has been a CFTC-registered Designated Contract Market (“DCM”) since November 3, 2020. Kalshi began listing event contracts in January 2025, after complying with all applicable requirements under federal law. Coinbase Financial Markets, Inc. is a CFTC-registered Futures Commission Merchant (“FCM”), and it serves as an intermediary for customers trading regulated derivatives listed on a DCM, including event contracts on Kalshi. The event contracts that Coinbase offers fully comply with the comprehensive framework of federal laws and regulations that govern derivative trading on federal exchanges.

B. The Complaint in this Action

4. On April 21, 2026, Letitia James, in her capacity as Attorney General of the State of New York, on behalf of the People of the State of New York, filed a Complaint against Coinbase in the Supreme Court of the State of New York, County of New York. Even though New York recognizes that Coinbase announced the launch of its prediction markets business over four months ago—and even though the State is already involved in related litigation in federal court—New York filed for a temporary restraining order on no notice, with no prior engagement, and without articulating any actual emergency preventing this dispute from being heard in the ordinary course. Copies of the State’s Complaint and motion papers are attached hereto as Exhibit A. No other process, pleadings, or orders have been filed in this action to Coinbase’s knowledge.

5. New York purports to state a claim against Coinbase under New York Executive Law § 63(12) for facilitating access to federally regulated event contracts subject to the CFTC’s exclusive jurisdiction.

6. New York claims that Coinbase is “engaged in repeated and persistent illegal acts” because the company is supposedly promoting “unlawful gambling activity” and “unauthorized sports wagering” without complying with federal and state gambling laws. Ex. A at 2-3. Specifically, New York alleges that Coinbase is violating the Federal Interstate Wire Act, 18 U.S.C. § 1084; New York State Constitution Article I, Section 9; New York Penal Law §§ 225.05, 225.10, 225.20; and New York Racing, Pari-Mutuel Wagering and Breeding Law §§ 1367, 1367-a. *Id.*

7. As relief, New York seeks an order and judgment (1) “permanently enjoining [Coinbase] from continuing to operate a gambling business in New York without being licensed by the New York State Gaming Commission”; (2) “permanently enjoining [Coinbase] and its principals, agents, and employees from violating” federal and state gambling laws; (3) “directing [Coinbase] to produce an accounting of all bets placed, monies lost by customers in connection with its gambling business, and monies paid to [Coinbase] in connection with its gambling business”; (4) “directing [Coinbase] to pay restitution, disgorgement, damages, and penalties”; (5) “directing [Coinbase] to pay a penalty of three times the amount of [Coinbase’s] gain” from facilitating alleged gambling; (6) “directing [Coinbase] to pay a penalty of \$100,000 for each offer or attempt to offer sports wagering or mobile sports wagering in New York without authorization”; (7) “granting costs to New York of \$2,000”; and (8) granting any other relief that the New York state court deems proper. Ex. A at 3-4.

C. Coinbase and New York Are Already Litigating Identical Issues in Federal Court

8. This Action raises federal-law questions that are substantially similar to the issues that Coinbase, New York, other States, the CFTC, and other market participants have been litigating in

federal courts across the country—including in district courts within the Second Circuit—for the past several months. *See Coinbase Financial Markets, Inc. v. Tong*, 3:25-cv-02121 (D. Conn.) (motion for preliminary injunction under advisement); *Coinbase Financial Markets, Inc. v. Raoul*, 1:25-cv-15406 (N.D. Ill.) (same); *Coinbase Financial Markets, Inc. v. Nessel*, 4:25-cv-14092 (E.D. Mich.) (same); *KalshiEX LLC v. Williams*, 1:25-cv-08846 (S.D.N.Y.) (same); *see also United States v. Connecticut*, 3:26-cv-00498 (D. Conn.); *United States v. Illinois*, 1:26-cv-03659 (N.D. Ill.). Moreover, some of the very event contracts at issue in Plaintiff's complaint—sports-related event contracts listed by Kalshi—are being litigated in this Court, before Judge Torres. *See KalshiEx LLC v. Williams*, No. 1:25-cv-08846-AT (S.D.N.Y.). Appeals relating to similar issues are pending in the Fourth, Sixth, and Ninth Circuits, *see KalshiEX LLC v. Martin*, No. 25-1892 (4th Cir.); *KalshiEX, LLC v. Orgel*, No. 26-5235 (6th Cir.); *KalshiEX, LLC v. Hendrick*, No. 25-7516 (9th Cir.), and the Third Circuit recently issued an opinion rejecting the arguments of state gambling regulators in similar litigation, *see KalshiEX, LLC v. Flaherty*, 2026 WL 924004 (3d Cir. Apr. 6, 2026); *see also Kalshiex LLC v. Orgel*, 2026 WL 474869, at *7 (M.D. Tenn. Feb. 19, 2026) (same); *KalshiEX, LLC v. Hendrick*, 2025 WL 3286282, at *1, *14 (D. Nev. Nov. 24, 2025) (dissolving a previously issued preliminary injunction after concluding that sports event contracts are not swaps).

ARGUMENT

I. REMOVAL IS PROPER PURSUANT TO 28 U.S.C. §§ 1441 AND 1442.

9. Under 28 U.S.C. § 1441, any civil action filed in state court over which a federal court has original jurisdiction may be removed to the federal district court for the district in which the state court action is pending.

10. Removal is proper here three times over. First, New York's claims necessarily raise disputed and substantial questions of federal law. Second, those claims are subject to complete preemption. Third, New York cannot defeat federal-officer removal through artful pleading.

A. Plaintiff's Claims Necessarily Raise Disputed Issues of Federal Law.

11. This Court has federal question jurisdiction because New York's claims necessarily depend on the resolution of substantial questions of federal law. 28 U.S.C. § 1331; *Gunn v. Minton*, 568 U.S. 251, 258 (2013); *Grable & Sons Metal Prods., Inc. v. Darue Eng'g & Mfg.*, 545 U.S. 308, 313-314 (2005). Federal question jurisdiction exists when the adjudication of federal-law issues "are (1) necessarily raised; (2) actually disputed; (3) substantial; and (4) capable of resolution in federal court without disrupting the federal-state balance approved by Congress." *Gunn*, 568 U.S. at 258 (citing *Grable*, 545 U.S. at 313-314).

12. ***Federal law is necessarily raised.*** New York alleges that Coinbase has violated New York gambling laws by, among other things, operating an unlicensed platform through which its customers may "risk or stake something of value upon the outcome of a future contingent event not under the bettor's control or influence." Ex. A at 2. In addition, and importantly, New York alleges that Coinbase has violated the Federal Interstate Wire Act by using wire communication facilities "for the transmission in interstate commerce of (1) bets or wagers, (2) information assisting in the placing thereof on a sporting event or contest, or (3) of a wire communication confirming payments resulting from bets or wagers." 18 U.S.C. § 1084(a). New York cannot establish these claims without the resolution of disputed questions of federal law.

13. To begin, New York's purported state-law claims each hinge on the proper construction of the federal Commodity Exchange Act. That is because each of these state-law claims, which ultimately prohibit some form of gambling or wagering, must be read in light of federal law's requirements. See *Armstrong v. Exceptional Child Ctr., Inc.*, 575 U.S. 320, 325 (2015) (federal law must prevail "when state and federal law clash"). Here, as the Third Circuit has already recognized, the CEA plainly preempts any state efforts to regulate the event contracts that Coinbase offers its customers—which range from sports to the weather to elections and geopolitics—because that statute

grants the CFTC “exclusive jurisdiction” over transactions involving swaps that are listed and traded on federally registered exchanges. *See Flaherty*, 2026 WL 924004, at *2; *see also* 7 U.S.C. § 2(a)(1)(A). Any construction of the state laws cited by New York must be read in light of this command, and thus issues of federal law are necessarily raised by these claims.

14. New York’s allegation that Coinbase violated the Federal Interstate Wire Act also necessarily raises issues of federal law. That is true even though New York presses this theory of liability pursuant to New York Executive Law § 63(12). As the Second Circuit has already recognized, “[a] state-law claim necessarily raises federal questions where the claim is affirmatively premised on a violation of federal law.” *New York ex rel. Jacobson v. Wells Fargo Nat’l Bank, N.A.*, 824 F.3d 308, 315 (2d Cir. 2016) (citation omitted). The resolution of New York’s claim thus inescapably turns on application of the Federal Interstate Wire Act.

15. ***Federal law is disputed.*** The federal legal issues in this action are substantially similar to those actively in dispute in federal courts in New York and across the country. *See supra* ¶ 7. Indeed, Kalshi—the DCM through which Coinbase customers can trade event contracts—has been litigating these precise issues in this District since October 2025. *See KalshiEx LLC v. Williams*, No. 1:25-cv-08846-AT (S.D.N.Y.). Ultimately, whether trading event contracts on a federally regulated DCM is conduct subject to New York’s gambling and licensing laws is “the central point of dispute” in this action. *Gunn*, 568 U.S. at 259.

16. This prong is also satisfied with respect to New York’s allegation that Coinbase violated the Federal Interstate Wire Act. New York expressly alleges that Coinbase has committed “repeated and persistent illegal acts” because Coinbase has, among other things, purportedly violated the Federal Interstate Wire Act. Ex. A at 2-3. Coinbase strongly disputes New York’s contention: Even if event contracts qualify as a “bet” or “wager” (which they do not), the Federal Interstate Wire Act includes a “safe harbor provision for bets placed to and from states” where that activity “is lawful.”

W. Flagler Assocs., Ltd. v. Haaland, 71 F.4th 1059, 1069 (D.C. Cir. 2023). Given that the CEA preempts all contrary state laws as to the event contracts at issue here, these contracts are legal in every State. Thus, the applicability of the Federal Interstate Wire Act is squarely disputed.

17. ***The federal question is substantial.*** A federal question is “substantial” when its answer is important to the “federal system as a whole.” *Gunn*, 568 U.S. at 260. Here, New York’s Complaint alleges that federally registered derivatives markets must obtain New York gambling licenses to facilitate access to event contracts in the State. That claim plainly raises “substantial” federal-law questions—namely, the scope of the CFTC’s “exclusive jurisdiction” to regulate swaps traded on federally designated exchanges and the States’ authority to countermand that federal regulation. Indeed, the CFTC’s recent lawsuits challenging state gambling regulators’ attempts to encroach on the Commission’s exclusive jurisdiction by regulating event contracts demonstrate that these issues are critically important to the broader federal system. *See, e.g.*, Complaint at 2, *United States v. Connecticut*, 3:26-cv-00498 (D. Conn. Apr. 2, 2026) (“Connecticut’s attempt to shut down federally regulated DCMs and an FCM intrudes on the exclusive federal scheme Congress designed to oversee national swaps markets.”).

18. Moreover, New York alleges that by facilitating access to event contracts, Coinbase is violating the Federal Interstate Wire Act. Ex. A at 3. The interplay between this federal statute and the CEA is yet another substantial federal question that will affect regulation of the Nation’s derivatives markets. *See Gunn*, 568 U.S. at 261 (underscoring that a question is “substantial” when it calls into doubt the validity of a federal statute).

19. ***The federal questions are capable of resolution without disrupting the federal-state balance.*** This Court is best situated to resolve the federal questions at issue in this Action: whether Coinbase’s activity is authorized by federal law and thus subject to exclusive federal regulation, and whether a federally registered FCM’s full adherence to the CEA’s comprehensive

regulatory regime can violate the Federal Interstate Wire Act. *See In re Int. Rate Swaps Antitrust Litig.*, 261 F. Supp. 3d 430, 445 (S.D.N.Y. 2017) (explaining that Congress amended the CEA to “establish a comprehensive new regulatory framework for swaps” and vested the CFTC “with exclusive jurisdiction to implement that framework” (cleaned up)). Deciding these uniquely federal issues—which involve federal laws, a federal regulator, and federally registered derivatives intermediaries—will reinforce the harmonious application of federal and state law and “portend only a microscopic effect on the federal-state division of labor.” *Grable*, 545 U.S. at 315.

B. New York’s Claims Are Subject To Complete Preemption.

20. Complete preemption gives rise to federal jurisdiction when “federal statutes are construed to have such extraordinary preemptive force that state-law claims coming within the scope of the federal statute are transformed, for jurisdictional purposes, into federal claims—i.e., completely preempted.” *Sullivan v. Am. Airlines, Inc.*, 424 F.3d 267, 272 (2d Cir. 2005) (quotation omitted). When a federal court is confronted with “a completely preempted state-law claim,” it “is obliged to construe the complaint as raising a federal claim” that necessarily may be removed to federal court. *Id.*

21. This Court has jurisdiction over New York’s claims because they are completely preempted by the CEA. The CEA grants the CFTC “exclusive jurisdiction” over event contract trading on federally regulated exchanges through federally regulated intermediaries like Coinbase. *See* 7 U.S.C. § 2(a)(1)(A). The CEA only preserves the jurisdiction of the States except with respect to the subject matter of the grant of exclusive jurisdiction. *Id.* (savings clause for state jurisdiction “[e]xcept as hereinabove provided”). And the CEA supplies a federal cause of action that “replac[es] the state cause of action.” *Caterpillar Inc. v. Williams*, 482 U.S. 386, 391 n.4 (1987). Thus, Congress has created a scheme under the CEA by which claims, like New York’s here, are treated as federal claims that fall within this Court’s federal question jurisdiction.

C. New York Cannot Defeat Federal Officer Removal Through Artful Pleading.

22. Removal is also proper due to New York’s artful pleading of its claims. *See Sullivan*, 424 F.3d at 271 (“The artful-pleading doctrine . . . rests on the principle that a plaintiff may not defeat federal subject-matter jurisdiction by ‘artfully pleading’ his complaint as if it arises under state law where the plaintiff’s suit is, in essence, based on federal law.”). New York seeks injunctive relief under Executive Law § 63(12). But New York Civil Practice Law and Rules § 1001(a) is clear that such relief requires naming as parties any person “who ought to be parties if complete relief is to be accorded . . . or who might be inequitably affected by a judgment in this action.” New York is undoubtedly aware that the CFTC has claimed a “substantial interest” in the “scope of its exclusive jurisdiction,” including the “CEA’s preemption of state laws attempting to regulate trading on CFTC-registered contract markets,” *N. Am. Derivatives Exch., Inc. v. Nevada*, No. 25-7187, Dkt. No. 30.1, at 1-2 (9th Cir. Feb. 5, 2026), like the trading facilitated by Coinbase. Nevertheless, New York did not name the CFTC in this Action. Had it done so, as is required by CPLR § 1001(a), there would be yet another basis for removal pursuant to the federal officer removal statute. *See* 28 U.S.C. § 1442(a)(1); *Chevron USA Inc. v. Plaquemines Parish*, 2026 WL 1040461, at *6 (2026). New York “may not defeat federal subject-matter jurisdiction by ‘artfully pleading’ [its] complaint.” *Sullivan*, 424 F.3d at 271 (citing *Franchise Tax Bd. v. Constr. Laborers Vacation Tr. for S. Cal.*, 463 U.S. 1, 22 (1983) (“[I]t is an independent corollary of the well-pleaded complaint rule that a plaintiff may not defeat removal by omitting to plead necessary federal questions in a complaint.”)). This Court should also exercise jurisdiction over this case under the federal officer removal statute.

II. COINBASE MEETS THE OTHER PROCEDURAL REQUIREMENTS FOR REMOVAL.

23. New York filed its Complaint on April 21, 2026, and Coinbase learned of the filing on the same day. Removal is timely because Coinbase has not yet been served with the Complaint. 28 U.S.C. § 1446(b)(1), (c)(1); *see Murphy Bros. v. Michetti Pipe Stringing, Inc.*, 526 U.S. 344, 354 (1999).

24. Venue is proper pursuant to 28 U.S.C. §§ 102, 1441(a), and 1446(a) because the United States District Court for the Southern District of New York is the federal judicial district court embracing the Supreme Court of the State of New York, County of New York, where the Complaint was filed.

25. In accordance with 28 U.S.C. § 1446(d), written notice of this Notice of Removal will be promptly provided to New York and filed with the Supreme Court of the State of New York, County of New York.

Dated: April 21, 2026

Respectfully submitted,

By: /s/ Benjamin R. Walker
Benjamin R. Walker
James M. McDonald
Akash M. Toprani
SULLIVAN & CROMWELL LLP
125 Broad Street
New York, NY 10004
Tel: (212) 558-4000
Fax: (212) 558-3588
walkerb@sullcrom.com
mcdonaldj@sullcrom.com
toprania@sullcrom.com

Rishabh Bhandari
1700 New York Avenue, N.W.
Washington, D.C. 20006
Tel: (202) 956-7500
Fax: (202) 293-6330
bhandarir@sullcrom.com

Counsel for Coinbase Financial Markets, Inc.