My name is Christopher Hehmeyer. I am Chair of Warwick Capital Management, Ltd, an investment manager based in Bermuda. I have been in the futures business since 1977, was Chairman of the National Futures Association (NFA), and a board member of the Futures Industry Association (FIA). I am writing to support Kalshi's proposal to allow event contracts based on control of Congress.

<u>The contract is not gaming</u>

The Commission should not consider these contracts gaming contracts, and certainly should not consider the existence or prevalence of speculators in the marketplace as evidence that the market is for gaming. A futures market, at its core, is a system of risk management that operates by transferring risk from one party to another. Financial derivatives cannot reduce the absolute level of risk in the system, they merely move it from a party who cannot bear the risk to one who can. As such, speculators serve not just an important role, but an irreplaceable one, in assuming the risk that the hedgers are seeking to offload. Even markets where the preponderance of participants are speculating–as exists in many short-dated commodity markets–does not make a market gaming and my belief is that the CFTC should not consider it such.

<u>The contract has strong hedging utility</u>

Congressional control markets offer a clear vehicle for hedging. While other commenters have discussed the contract's utility for hedging *policy risk* that is associated with Congressional control, I want to focus on the contract's utility for hedging the *direct risk* that stems from Congressional control and elections in general. There are billions of dollars and tens of thousands of individuals whose jobs are implicated by Congressional control and elections, even independent of any policies that the new Congress may implement and legislate.

For example, media personalities and companies face risk from Congressional control and elections.[1] Early professionals hoping to work on Capitol Hill know there are far more positions available if their preferred party is victorious, as there are more Congressional offices and committee positions for them to staff. A consultancy that specializes in specific topic areas (for example, a green energy consultancy) may know the demand for their services will decline in anticipation that their issue of expertise is less likely to be operative under a split Congress. These risks occur regardless of the legislation that actually passes. There are billions of dollars at risk surrounding the outcome of Congressional control and elections. These risks can reasonably be expected to be managed through this contract on Congressional control.

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[1] Most channels' viewership fell substantially after President Donald Trump left office. https://www.washingtonpost.com/lifestyle/media/media-trump-bump-slump/2021/03/22/5f13549a-85d1-11eb-bfdf-4d36dab83a6d_story.html

America’s financial markets have thrived through innovation. Regulators should recognize the risks that firms and individuals face from elections can and should be managed through the financial markets just like the myriad other risks that the financial markets help manage. This contract will provide the market a tool to manage that risk. I believe the CFTC should recognize the value of that innovation, and approve the contract. Thank you very much for your consideration.