



Dear Commissioners of the Commodity Futures Trading Commission,

My name is Vivek Ranadivé. I am the co-owner and chairman of the NBA's Sacramento Kings. I am also the founder and former CEO of the business intelligence software company TIBCO Software, which was one of the first companies to facilitate instant communication in financial markets. In 2016, I founded an early stage investment firm called Bow Capital. I have a long time interest in the domain of business prediction. In 2006, I wrote a book called *The Power to Predict* about the importance of anticipating the future for business success. In 2011, I followed up that book with *The Two-Second Advantage: How We Succeed by Anticipating the Future—Just Enough*. This belief that predicting the future is absolutely crucial to commercial success has convinced me to support Kalshi's submission to the CFTC to list contracts on the outcome of Congressional elections.

I have no political affiliations and these contracts are not partisan. I have worked with politicians on both sides of the aisle, including joining then President Obama on his trip to India for Republic Day. People of all political persuasion should recognize the economic benefits these contracts provide, and allow them to proceed.

Specifically, these contracts give America's business owners the ability to reduce the risks they face through two key channels.

The first is direct hedging. As an investor and a business owner myself, I have seen time and again the way that federal policy can make or break a business. A business may be thriving until a tax break that they (or their customers) were relying on is cut in a last minute budget deal and the entire economics of their business go under. For example, the Wind Production Tax Credit (PTC) currently provides a rebate of up to 2c per kilowatt-hour (kwh) for the first ten years of a utility-scale wind farm's existence, and the Investment Tax Credit provides a tax credit of up to 30% of investment costs. Considering a single turbine can produce over 6 million kwh a year, the PTC alone could result in over \$100,000/turbine a year in tax benefits. There are many utility-scale wind-projects whose economics simply do not work without that tax break as the margins are too thin. As a result, they are rather vulnerable to changes in Congressional control, as the probability that the tax break gets cut or eliminated changes depending on who is in power. Even if the tax remains in place, potential investors may be skittish to invest if a less wind-friendly Congress is in place for fear that changes might take place (incidentally, this expectations channel answers the second question under CFTC Question 6 about policy predictability—not all of the harms manifest through policy actually getting enacted). Considering how capital intensive many industries like wind power production are, the nervousness from investors (and the corresponding increase in interest rates they will demand to compensate them for the extra risk) might be even more damaging than the tax cut even being cut. Wind, of course, is far from the only example. The recent Inflation Reduction Act had a \$7,500 tax rebate for electric vehicles, which could have enormous effects for a dealer or producer of those cars. But that tax break has very specific rules for which vehicles qualify (such as rules regarding the sourcing of the minerals used to make the battery). Minute adjustments to that tax break, then,

could have huge effects for many businesses. An election contract would allow these firms to reduce their risk exposure and manage it more appropriately.

The second is through improved prediction. As I argue in my book *The Power to Predict*, being able to anticipate and plan for future business risks is one of the biggest competitive advantages a company can have. As noted above, electoral risks *are* business risks. An event contract market, by aggregating the wisdom of thousands of traders trying to gain an edge by being ever so slightly more accurate than their competition, would provide a valuable data point to make the best business decision possible. An investor in renewable energy projects, for instance, may want to charge a developer a higher interest rate for fear that the wind tax breaks might be reduced. But if the investor can see that the odds of a wind-hostile Congress entering power is relatively low, they may feel the investment risk is lower and thus feel more comfortable submitting a lower bid. The consumer surplus from fewer businesses making imprudent financial decisions because they had incorrect information about the status of future policy could be enormous, as small improvements in the allocative efficiency of capital can be large in an economy as large as the United States's.

There remains a question about whether these contracts create perverse incentives regarding the integrity of the election. However, Britain has hosted these contracts for decades—are there major questions about the integrity of Liz Truss's recent election due to the presence of these markets? I have yet to see any proof of that. While it's true that a market such as this requires surveillance to ensure no candidate for Congress is participating and insider-trading on the market, that claim would be true for *all* event contracts, and is not unique to a Congressional control market.

This contract promotes the public interest by helping businesses anticipate and reduce the risks they face. I would urge the Commission to consider these facts when deciding the status of its application.

Vivek Ranadive, Sacramento Kings