September 24, 2022

SUBMITTED VIA CFTC PORTAL

Secretary of the Commission

Office of the Secretariat

U.S. Commodity Futures Trading Commission

Three Lafayette Centre 1155 21st Street, N.W.

Washington, D.C. 20581

Re: Questions on the KalshiEX, LLC “Will <party> be in control of the <chamber of

Congress>?” Contracts for Public Comment

Honorable Chairman and Commissioners of the Commodity Futures Trading Commission (CFTC):

As the Commission and staff of the CFTC well know, speculators play a vital role in U.S. capital markets in general and futures markets in particular. Both markets assume risks that are an integral part of our well-functioning financial system, which continues to be the envy of the world. In futures markets, commercial entities transfer part of their risk to the speculator, who in turn assume that risk for the opportunity to earn a profit.

A major misconception that still prevails among the public is the equivalence of gambling and speculation. Nothing could be farther from the truth. Gambling is an artificial, self-constructed risk created for recreation. Speculation is the assumption of risks that already exist in the real and financial markets. The recreational risk of gambling is not present until the casino or racetrack is built and wagers are accepted. On the other hand, risk in the production of good and services in the economy are real and will exist even in the absence of futures markets. The same can be said for equity and interest rate and risk. It seems reasonable to conclude the risks associated with policy changes from different election outcomes are most similar to the latter. The transfer of risk by hedgers would be real and the assumption of that risk by speculators would be proper.

This distinction builds on work done by both as academics and practitioners. Almost fifty years ago, the Chicago Board of Trade published a booklet for speculators entitled “Speculating in Futures.” A copy will be sent under separate cover. It clearly underlines the differences between hedgers and speculators, their interaction as market participants and the speculators’ key role to help facilitate efficient risk transfer.

As we enter a new era with innovation in new products and “deconstruction” of existing ones, those of us who care deeply about our futures markets hope this distinction between “gambling” and “speculation” will help guide future decisions that the Commission may encounter. As always, long time market participants and practitioners stand ready to be an unbiased resource to the Commission and its staff.

Respectfully,

Richard L. Sandor

Chairman & CEO

Environmental Financial Products

Aaron Director Lecturer in Law & Economics

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