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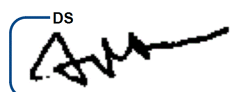
To the Commissioners of the CFTC,

My name is Jorge Paulo Lemann. I am a Swiss / Brazilian businessman who co-founded 3G Capital in the U.S., Banco Garantia in Brazil, and helped create Anheuser-Busch InBev, the world's largest brewery business. In the past and present I have been a board member of the Gillette Company, Kraft Heinz, Swiss Re, AB InBev, Lojas Americanas, and have participated in Advisory Councils of NYSE, Credit Suisse, DaimlerChrysler, J.P. Morgan, Harvard Business School, and Exor.

Several consumer-packaged goods (CPG) companies I built and have helped build are some of the largest participants in a variety of commodity futures and derivatives markets. As someone who deeply understands the fundamental purpose of futures markets and their crucial ability to transfer risk in the economy, I am writing in strong support of CFTC approval of Kalshi's proposal to list political event contracts.

In its questions to the public, the CFTC questions whether this contract possesses (a) hedging utility (question 6), and (b) price-basing utility (question 11). Previously, when deciding the Nadex case, the CFTC had determined that "the unpredictability of the specific economic consequences of an election means that the Political Event Contracts cannot reasonably be expected to be used for hedging purposes" and that "there is no situation in which the Political Event Contracts' prices could form the basis for the pricing of a commercial transaction involving a physical commodity, financial asset or service". These statements are inconsistent with the preponderance of the academic research on the subject and is inconsistent with the actual experience of anyone who has ever operated a business in or with the United States or traded on the global commodity markets. Experience and empirical observation show that elections have consequences, and these consequences directly create risk that can be hedged, and are factored into pricing commodities, financial assets, and services. Political parties have different platforms, different people, and different policy goals, and while the precise details of what the government ultimately enacts may not be known with certainty, elections have a direct impact on the risk of economically costly events occurring and economically beneficial events not occurring. Elections result in the appointment of different people to regulatory positions, the enactment of different regulatory policies, the passing of different farm bills, and more. These all directly impact pricing, investment outlooks, and many other economic decisions because they shape the landscape that businesses operate in. An investment may look very different if hypothetical legislative and regulatory events x, y and z occur than if they do not occur. If an election makes it materially more likely for the events to occur, that election poses significant risk to the parties in the deal. That risk can and should be hedged.

Additionally, the consequences of elections on risk mean that commodity markets will respond to elections as well. And because the financial markets are forward looking, they change in response to the likely outcomes of elections too. From my experience, the data from these markets will be useful in determining the pricing for commodities, investments and financial assets, and services. Thus, even companies for whom the position limits ($25,000) are too small to be valuable would benefit from having this valuable data point available in the market.



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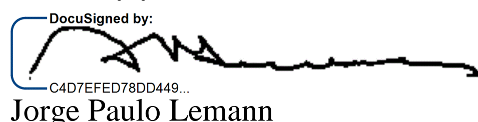
Moreover, in the seventh question that the CFTC posed to the public, they ask whether there exist "unique economic risks tied to the outcome of congressional control that cannot be hedged via [traditional] derivative products". The answer is yet again a resounding yes. In an increasingly globalized world, the risks that businesses face cannot be merely reduced to price shocks in raw commodities. Of course, changes in the wheat market (to produce beer at AB InBev) affect the profits of my companies, and we use existing products to hedge accordingly. But those are hardly the only risks that we face. National policy from many countries, including the United States, have an impact, and constitute risk, as well. And these risks manifest in ways beyond just the raw commodity price mechanism (though elections do certainly affect commodity prices as well), and therefore cannot be fully hedged using only existing hedging products. For example, even in cases when appointments to certain regulatory positions do not affect commodity prices, they would still impact the input prices we must pay. One tax or regulatory change might not affect the price paid wholesale for wheat but might increase the cost it takes to process it. As a result, a hedge on the price of wheat would not capture the financial risks we face. While large companies like AB InBev can safely absorb increased compliance costs to accommodate new or different rules, many smaller farms, and companies–many of whom operate on razor-thin margins–cannot so easily do so. As a result, they are subject to the vicissitudes of federal policymakers with little ability to reduce their exposure in a way a larger company might be able to do so. The $25,000 position limits may not be the perfect fit for a company with billions of dollars in annual revenue, they are perfect for small businesses and, should this market evolve over time, may be a great fit in the future for larger businesses.

Additionally, several questions can be seen to imply the possibility that an exchange, or the CFTC, should be determining how market participants should manage their risk. That would be a profound and unfortunate shift from the current regime that was created by Congress and has allowed for significant growth and development of healthy markets. It is up to market participants to determine whether there is risk, how to manage their risk, and what products and strategies to use to hedge their risk. Similarly, it is up to firms to determine what data points they will utilize in conducting their business.

The CFTC should act in a way consistent with its mandate and with the law: to allow legitimate economic contracts that can be used for hedging and for price-basing purposes by thousands of American businesses.

Sincerely yours,



Jorge Paulo Lemann