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Organization(s): Prediction Market Trader

Comment Text:

There are three reasons political markets should be approved and three reasons Kalshi should not be the first and only regulated exchange for political contracts.

Why political markets should be approved:

- 1: They provide valuable information to the public. PredictIt got to the pedigree where its prices were often cited by the media for the state of political races. This is largely because polls are now very partisan and serve the agenda of campaigns rather than being accurate. Political contracts are the only place where people are incentivized to provide the accurate state of races.
- 2: Traders do valuable analysis. I've always said that political market traders should be campaign managers, because we know the most about what is actually going on. We are incentivized to find out who will win by determining what the public actually wants, making our work potentially very valuable for creating a more efficient democracy. We also act as a source of election integrity. In multiple instances I've seen fellow traders contact election offices to correct incorrect inputs, as they scour each country for outliers. A specific example is when New York City had its first rank choice election last summer to see who would be the democratic nominee for mayor. It was the first time doing it, and their results came out wonky: The total votes did not line up from round to round of the rank choice. Within 30 minutes, PredictIt traders had identified what was wrong; New York had forgot to take out test ballots before entering the actual ballots. While this was figured out right away by traders, it took NYC two full days to figure out what was going on and release accurate results.
- 3: Political outcomes have real life implications, that of which can be hedged by buying the other side of certain contracts.

Why Kalshi should not be the first and only regulated exchange for political contracts:

- 1: Competition: PredictIt made great changes to their website user interface and performance of late because of competition from Kalshi and Polymarket. This is what capitalism is all about, steel sharpens steel. As of now, Kalshi has a much inferior website and confusing fee system that works to the disadvantage of new traders. I, as a prediction market veteran, get confused as to what I'm buying and have seen fellow traders in Kalshi's discord buy incorrect positions as to what they intended to purchase. They will have no incentive to get better and provide a safe environment for people to trade if there are no other competitors also given approval.
- 2: They are misleading/predatory: Most people on prediction markets are there to make money, however Kalshi touts itself as a hedging first platform, future competition to insurance. Multiple times they have marketed themselves as a sound alternative to hurricane insurance, which is malpractice and dangerous to consumers (attachment below, a deleted tweet from Tarek) It is dangerous because if a homeowner buys the Kalshi contract for if 3 major (category 3 or higher) Atlantic hurricanes make landfall as their "hurricane insurance" and no major hurricanes come but a category 2 hurricane destroys their house, not only are they out their house but they also lost money on their "insurance". Potentially catastrophic outcomes for consumers.
- 3: They used the money they raised to hire former CFTC staff and buy out the prediction market sector, instead of doing it the old fashioned way: working to be the best product. They show this by not having respect for what PredictIt and its traders have built over a decade, always making backhanded comments. Their site is the complete opposite of user friendly, the only volume they get is by sharp traders taking the money Kalshi is trading on the other side of contracts. They don't have hardly any organic volume which is what a functioning prediction market should be: contracts should be peer to peer, not peer to Kalshi

To summarize, political trading markets should be approved, as they provide valuable information and hedging instruments to the public. It would be a shame to see the hard work and success of PredictIt/its traders go to nothing. However, Kalshi should not be the sole provider of them, as they are misleading and create a dangerous environment for traders, especially any newcomers they attract. Almost all my fellow prediction market traders agree with me on that, however they are now being coy because they would rather have political contracts on Kalshi than nowhere. With the decision to revoke PredictIt's no-action letter and potentially give Kalshi a monopoly on the space, I believe the CFTC to be misinformed on what is best for political prediction markets going forward. I have grown very passionate for the benefit political markets can provide with a clear view as to how it gets there, and would love to discuss further

Thank you for your time,
Bryce