Comment with respect to Industry Filing 22-002
"KalshiEx Proposed Congressional Control Contracts Under CFTC Regulation 40.11"

My name is Tim McDermott. While I'm currently the CEO of TeraExchange, a swap execution facility currently applying for Commission registration, I also have been a public director of Kalshi since 2020 and it is in that capacity in which I am submitting this comment. Prior to these positions, I held a variety of roles at Nadex between 2008 and 2019, including as CEO, General Counsel, and as a Board member, and then even earlier with compliance at the Chicago Mercantile Exchange. More than ten years ago, I was a critical part of Nadex's engagement with the CFTC regarding its efforts to list political event contracts. That Commission, in my view, made the wrong decision, and I believe the events of the last decade confirm that the current Commission should take a different approach. Kalshi's contracts are compliant with the law, and very clearly would provide a large amount of social value in the form of hedging, price basing, and forecasting. Below, I'll address the CFTC's seventeen questions in detail.

Throughout these questions, there appears to be a persistent theme: whether the Commission should impose new burdens of proof on political event markets that are not found in the law, regulations, rules, or Commission precedent. Some of the questions asked seem to extend even beyond the review conducted by the Commission during the consideration of Nadex's political event contracts and, more recently, the ErisX RSBIX Futures.

1. **Do these contracts involve, relate to, or reference gaming as described in Commission regulation 40.11(a)(1) and section 5c(c)(5)(C) of the Commodity Exchange Act, or in the alternative, involve, relate to, or reference an activity that is similar to gaming as described in regulation 40.11(a)(2) or section 5c(c)(5)(C) of the Commodity Exchange Act?**

No. The contracts do not involve, relate to, or refer to gaming, neither on their face nor tangentially. They relate to a federal political procedure used to determine leadership in each chamber of the United States Congress, a standard political procedure with clear economic consequences.

There is no definition of gaming found in the CEA, or the regulations or rules thereunder. However, the Commission did find in the Nadex order that election trading constitutes gaming because of the way that some state laws define 'gambling' or 'wagering', which it found to be identical to the trading of an event contract. This decision was, I believe, inconsistent with the CEA, and the Commission should take this opportunity to correct the record.

1) One cannot equate event contracts that turn on the partisan affiliation of the Speaker of the House and the President *pro tempore* with gambling prohibited by some states. This would be wrong for several major reasons.
    a) The contract does not involve gaming. If a contract were to ask, "What will the numbers of the Powerball lottery be?", or "Will the die land on seven?", *those* would involve gaming. To say that Kalshi's contract *involves* gaming because trading the contract *is* gaming would be a misread of the statute. If the Commission were to take this position, it would put event contracts themselves into serious jeopardy. Since many states prohibit gambling on all future events–and, for that matter, taking a position on the future price of securities and commodities–this would have to mean that all such event contracts trigger the gaming prong. This is a point made persuasively by Commissioner Quintenz's

statement on ErisX's RSBIX NFL Futures, which I will return to. To this end, the 2012 Nadex Order should not stand, and the Commission should clarify that state gambling laws do not force event contracts, by their very nature, to trigger 40.11's unlawful activity provision. At the end of the day, this is a plain misinterpretation of the relevant provision of the CEA.

  i) The relevant portion of the CEA notes that the Commission may prohibit contracts which involve, "(I) activity that is unlawful under any Federal or State law; (II) terrorism; (III) assassination; (IV) war; (V) gaming; or (VI) other similar activity determined by the Commission, by rule or regulation, to be contrary to the public interest." It is referring to the **activity** referenced, which in this case is a plainly legal activity: the election of the Speaker of the House and President *pro tempore*. This is true for all election contracts. Elections are not an activity that is unlawful under state or federal law.
  ii) The interpretation laid out in the Nadex Order requires one to conclude that Congress was defining the 'unlawful under any Federal or State law' portion differently than the other enumerated activities, which would not follow, since the contract cannot *itself* constitute terrorism, assassination, or war. To say that the Commission ought to consider whether the contract itself involves unlawful activity because trading on the contract *is* unlawful activity (which it is not) is not in or implied by the text or, to my knowledge, Congressional discussion of the law.

b) There are qualitative differences between an event contract traded on a CFTC registrant and the kind of 'wagering' these laws refer to. These wagering laws patently do not refer to a CFTC-traded contract, given their ratification well before the Commission's existence and their irrelevance as the CFMA actively preempts any state gambling provisions. As Commissioner Quintenz wrote in his ErisX statement,
  i) "Whereas bettors participate in games of pure chance, whose sole purpose is to completely reward the winner and punish the loser for an outcome that would otherwise provide no economic utility (think roulette), speculators in the derivatives market participate in non-chance driven outcomes that have price forming impacts upon which legitimate businesses can hedge their activities and cash flows."

c) Moreover, if this was the case, it would be unnecessary to include gaming in the relevant portion of the CEA. Since these laws refer to unlawful activity, it would be superfluous to include an additional provision targeting gaming. Commissioner Quintenz argued as much in his ErisX statement.
  i) "If the statute assumed that participating in any event contract involved making a wager or gamble, there would have been no need for Congress to individually enumerate "gaming" as a distinct category of event contracts upon which the Commission could make a public interest determination."

2. Should the Commission consider whether similar offerings are available in traditional gaming venues such as casinos or sports books and/or whether taking a position on elections or congressional control is defined as gaming under state or federal law?

No. Instead, the Commission should consider whether the contract has hedging utility, price basing utility, and economic purpose, as it considered in the Nadex decision and in its ErisX decision. As noted above, the Commission would be confusing "trading in the contract" with the "underlying activity" of the event contract.

The Commission should also not apply a novel standard to determine what constitutes "gaming". That being said, this contract is not available on any legal American sportsbook. I

understand that similar contracts are available on some offshore or unregulated platforms, but that fact actually mitigates in favor of approval of the Kalshi contracts. A regulated market should be available to provide the data and hedging or speculating opportunities that so many users clearly seek. The existence of willing speculators says nothing about a market's hedging/price basing utility or economic purpose. Speculators play a willing role. Given the enormous public interest in political outcomes, and the extensive modeling and discussion of such outcomes in the public sphere (because of their great import), it seems very normal to expect some off-exchange activity, especially in the absence of an on-exchange alternative.

3. Do these contracts involve, relate to, or reference "an activity that is unlawful under any State or Federal law" as described in Commission regulation 40.11(a)(1) and section 5c(c)(5)(C) of the Commodity Exchange Act?

No. The only activity referenced in the contract is the party affiliation of the Speaker of the House and the Senate's President *pro tempore*.

The Commission should also not consider state laws prohibiting betting or wagering on the outcomes of elections in this context, for many of the reasons discussed above why the same laws should not trigger the 'gaming' prong, although there are other reasons too.

1) Kalshi's contract does not involve (the language in the statute) or relate, or refer to (the language in 40.11) election gambling. It relates solely to the partisan affiliation of the Speaker of the House and the President *pro tempore*. There is no involvement, relation, or reference to election gambling or betting.
2) Kalshi's contract is not *itself* election gambling under state laws, and thus does not involve unlawful activity. The CFMA explicitly provides the CFTC with preemptive authority over state gambling laws. Thus, as long as the contract is certified by a registrant and not stopped by the Commission, the contracts are lawful. *There is no situation* where Kalshi's offering the contracts would be unlawful because of state gambling provisions.
    a) If the Commission were to take the position that preemption did not completely eliminate this issue, it could put all event contracts as a category into serious jeopardy. Since many states prohibit gambling on all future events–and, for that matter, wagering on the future price of securities and commodities–this would imply that all such contracts (event contracts and futures) trigger 40.11's "unlawful under any State or Federal law" provision.
        i) To this end, the Nadex Order is inconsistent with the CEA , and the Commission should clarify that state gambling laws do not force event contracts and futures, by their very nature, to trigger 40.11's unlawful activity provision.
    b) Considering these contracts to involve unlawful gambling on elections would be a plain misinterpretation of the relevant provision of the CEA.
        i) The relevant portion of the CEA notes that the Commission may prohibit contracts which "involve– (I) activity that is unlawful under any Federal or State law; (II) terrorism; (III) assassination; (IV) war; (V) gaming; or (VI) other similar activity determined by the Commission, by rule or regulation, to be contrary to the public interest." It is referring to the **activity** referenced, which in this case is a plainly legal activity, the election of the Speaker of the House and President *pro tempore*.
        ii) This interpretation would require that the Commission understand Congress was defining the 'unlawful under any Federal or State law' portion differently than the other enumerated activities, which would not follow, since a contract cannot *itself* constitute terrorism, assassination, or war. To say that the Commission ought to

consider whether the contract itself involves unlawful activity because it *is* unlawful activity (which it is not) is not in or implied by the text or Congressional discussion of the law.

c) Even if the Commission took this position, at no point does the Kalshi contract currently at issue involve/reference/relate to elections. It relates solely to the partisan affiliation of the Speaker of the House and the President *pro tempore*. The Commission cannot find that these contracts involve gaming because their underlying activity may be related to elections.

4. In determining whether any of these contracts involves an activity that is unlawful under any State or Federal law, should the Commission be influenced by whether state laws permit betting on the outcome of elections or other political outcomes and/or by the prohibition of interstate betting under Federal law?

As discussed above, I believe the Commission should not be so influenced.

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   c) Even if the Commission took this position, at no point does the Kalshi contract currently at issue involve/reference/relate to elections. It relates solely to the partisan affiliation of

the Speaker of the House and the President *pro tempore*. The Commission cannot find that these contracts involve gaming because their underlying activity may be related to elections.

5. Are the contracts substantively different than Nadex's previously proposed contracts such that the Commission's analysis should be different? For reference, please see "CFTC Order Prohibiting North American Derivatives Exchange's Political Event Derivatives Contracts" (Apr. 2, 2012) available at https://www.cftc.gov/PressRoom/PressReleases/6224-12.

As the former Chief Executive Officer of Nadex, I have deep experience with those proposed contracts. There are several major distinctions between Nadex's event contracts and these:

1) The position limits are ten times lower: Kalshi's are $25,000 whereas Nadex proposed $250,000 limits. While I believe that the levels proposed by Nadex were and would still be appropriate, I note that the Commission has accepted election markets' social value conditional on low position limits in the cases of Iowa Electronic Markets and PredictIt. Kalshi's market is an additional step in that direction to promote liquidity and accurate pricing, simultaneously addressing Commission concerns but also providing value for market participants.
2) Circumstances since the Nadex Order have changed materially. This is an important point for the Commission to consider. The CFTC has permitted new products over time as circumstances changed, such as the first cash-settled index futures in the 1970s and the first Bitcoin Binary Options in 2015 and Bitcoin futures in 2017. The currently relevant changed circumstances include:
    a) The no-action letter for PredictIt, from 2014. PredictIt traded more than 1.2 billion contracts in its time, without as far as I am aware any concern from states regarding possible violation of their laws or regarding election integrity. Hundreds of millions were traded on the 2020 election by American traders. It appears the Commission recognized there was some social value in election trading in issuing the PredictIt no-action letter–it even permitted increased position limits from Iowa Electronic Markets' levels. Thus, even the Commission seems to have acknowledged in the recent past that, with some position limits, the benefits of election trading outweigh the harms. Kalshi's proposal is the next step in that thinking, as stated above.
    b) New unregulated, decentralized exchanges using blockchain technology. The Commission does not have the resources, and in some cases not even the means, to shut down these exchanges designed to evade government regulation as detailed by the Technology Advisory Committee in its December 2020 meeting. In order to drive liquidity away from these exchanges and protect consumers, the Commission should champion the opportunity to kill two birds with one stone: bringing activity under CFTC and American oversight while simultaneously taking the wind out of the sails of unregulated exchanges and reducing the burden on Enforcement.
    c) The growth of election trading in general. In addition to PredictIt and new decentralized exchanges, offshore platforms like Betfair have seen record volumes every election cycle. This is a problem that is growing, not going away. The Commission should not wait 10 years to return to this problem when it's clear that this activity should be under its oversight; it should be proactive, not reactive.
        i) Individuals, at the end of the day, have incredibly large exposure to election risk. As that risk and the public's awareness of that risk increases, and as the economy becomes more specialized, expect legitimate hedging and price basing interest to continue to grow. The Commission should not risk kicking the can down the road until another set of staff and Commissioners have to deal with this problem. It is truly

in the interest of the CFTC and the public to address this problem now by making reasonable attempts to bring the activity under a legal registrant, with constraints, as Kalshi has proposed. If the CFTC has ideas for other reasonable controls, it should allow these contracts to be listed and work proactively with Kalshi on those ideas.

d) The increased awareness of risk caused by elections. Compared to the mid-2000s, there seems to be even more financial and academic discussion regarding the impacts that election probabilities have on financial assets even before the election occurs. Investment banks regularly publish public research and report to clients on the risks they face and discuss how to hedge them. Financial publications like CNBC regularly talk about the impact that election odds and politics have on the market.

6. Do the contracts serve a hedging function? Are the economic consequences of congressional control predictable enough for a contract based on that control to serve a hedging function? Please provide tangible examples of commercial activity that can be hedged directly by the contracts or economic analysis that demonstrates the hedging utility of the contracts.

1) Yes, these contracts can serve a hedging function. Political control is something that has massive economic consequences throughout all industries and the macroeconomy broadly.
2) Yes, these contracts are predictable enough. In order to assess this question, examples of how elections pose risk, and how the contracts can be used for hedging are very useful and very telling, but perhaps even more telling is the amount of hedging that is currently ongoing in the market. Based on my personal experience, banks and other financial advisors frequently advise clients and the public on the risks that come directly from elections. The prices of financial assets regularly move because of election outcomes, as reported on in the financial press–for example, here. This has also been repeatedly verified by economists and social science. Although policies are enacted well after elections themselves take place, expectations about policy change are imputed into the prices of assets immediately. If the market is already pricing assets and hedging election risk, the Commission is not in a position to conclude the opposite.
   a) However, I should note that “predictable enough” is not a standard found in the law or regulations, or even the economic purpose test.
   b) “Predictable enough” is also a standard that would fail to comport with how hedging works. Hedging is not necessarily a direct dollar-for-dollar offset of the future change in the value of an asset one holds. For example, a weather contract–common to exchanges like CME, Cantor Fitzgerald, and Kalshi–addresses uncertain risk. A hurricane could cause significant damage, power outages, or no damage at all to the hedger. In the same vein, although the economic impacts of an election outcome on assets and cash flows are not *certain*, they are real. Real enough that the market already engages in hedging and price basing behavior based off these risks, clearly qualifying for risk mitigation products offered by a Commission-regulated exchange.

7. Are there unique economic risks tied to the outcome of congressional control that cannot be hedged via derivative products on equities, debt, interest rates, tax rates, asset values, and other commodity prices?

Yes. An example of this is a firm or household which depends on government subsidies or benefits, which another party has committed to either give or take away should it be elected. There is no other mechanism for such a firm or household to hedge such risks. If derivative products for the firm in question don’t exist, then there is no mechanism by which to do this.

I will also note that political control contracts, in as much as this could happen, could be a far superior hedge than the alternatives described in this question.

1) Market participants–especially less sophisticated investors–may not be able to determine whether the specific event risks already have been priced into the relevant products. Participants may try to hedge using these, but the risk has already been priced in, resulting in zero value for the would-be hedger. This is a value-add of Kalshi's proposed contract–price discovery for the public.
2) These products carry risks other than political control risk. Thus, hedging may not be effective for this purpose if other risks destroy the value of the hedge.

However, I do appreciate that this question acknowledges that these risks are inputted into the prices of other derivative products. The price basing case for these contracts is incredibly strong. Any trader will acknowledge that who holds control of the Senate and House matters deeply for oil and pharma stocks, among many others. As Commissioner Berkovitz wrote in his ErisX statement, price basing is an equivalent justification for these products as hedging.

Further, the question fails to appreciate the value of diverse opportunities in our markets. There is nothing in the CEA that says "one contract per risk." The question seems to suggest that if there are other contracts that can hedge specific risk, then this contract will not likely be used for hedging. This too is inconsistent with the CEA. What contracts market participants utilize is for each participant to decide. It would be wrong for the Commission to attempt to "pick a winner" in terms of which contracts market participants should be allowed to use to accomplish their goals or about how specific contracts will be used (potentially in concert with those other available market tools).

8. What standard should the Commission use in reviewing the contact's hedging function? Is it sufficient that a contract could theoretically be used for hedging or, should an exchange provide evidence of demonstrated need by likely hedgers in the market? How often must a contract be used for hedging or what percentage of market participants or open interest must represent hedging use?

The Commission should use the economic purpose test that was referred to in both Nadex and ErisX. Contracts that have hedging and/or price basing utility because the contract refers to an economic event should be permitted on Designated Contract Markets.

To my knowledge, the Commission has never required that a registrant actually provide evidence of a hedger using their platform for a new contract under review–nor could the registrant, since the contract is not live. It's contrary to the economic purpose test the Commission has previously used. Creating a new standard that suggests there must be (pre-listing) proof of a sufficient *number* of hedgers compared to speculators and others would be arbitrary, has not been required in the past, and is not part of the CEA or the rules or regulations thereunder.

Further, the implied framework would be unworkable and have a chilling effect on all innovation in this space, if not completely kill it. The implied framework would require an exchange that is looking to bring an innovative product to market to create and demonstrate the hedging demand for a particular product before it's even traded. That completely misapprehends the reality of the marketplace and all but guarantees that no innovation will occur.

9. Should the Commission consider contract and position sizes and the exchange's intended customer base to help assess whether a product is likely to be used for hedging in at least some cases? Are very small dollar value contracts targeted at individual retail customers likely to have hedging utility for such customers when the contracts offer positions on macro level national political events? Does whether contracts are margined or fully-collateralized affect this analysis?'

1) The Commission should not be determining "whether a product is likely to be used for hedging." That is not a standard included or implied in the CEA. There are also serious concerns about the Commission's – or, indeed, anyone's – ability to read the tea leaves to determine with great certainty what the market will be for a certain product. That is antithetical to the CEA's approach that the market should decide. Indeed, how many contracts have experienced exchanges launched with great fanfare and hope over the years, only to see them rejected by the marketplace.
2) The Commission should not consider contract and position sizes, and the exchange's intended customer base, to assess the product's hedging utility.
    a) Such a standard would be flawed since any exchange's user base can be fluid over time and, moreover, the user base of *this* contract is not yet available to the Commission to know since it is not listed. To say that Kalshi's traders are primarily retail traders says nothing of the hedging value of this contract in particular.
    b) The standard that the Commission has previously used in this regard is economic purpose, in the form of hedging and price basing utility. The fact that speculation may exist is completely irrelevant to the question in front of the Commission.
3) The contract has a size of $1 in order to make itself readily available to retail customers (along with a $25,000 position limit); low position limits on other exchanges, like CME's micro futures, are very normal. Retail traders–as well as small and medium sized businesses who benefit from these position limits, the Commission must remember–do have significant risk from elections. They are affected deeply by government policy just as much as big businesses are; however, they are unable to mitigate that same risk.
    a) Position limits are not static and can change. Kalshi's entrance into the event contract space began and has remained with low position limits compared to traditional commodity futures exchanges; however, that could change for any contract pending new information about the market and the needs of actors seeking to hedge in the space. This point demonstrates why 'actual predicted use' is not an appropriate standard in this context. It would not allow for change and responsible innovation that should be expected of any
4) Whether the contract is margined or fully collateralized may affect this analysis, but Kalshi does not offer margined trading, so this would appear to be a moot point at this time. It should not consider this, but could at a later date.

10. Should the Commission consider the contract design and payout when trying to assess the economic utility of the contract? For example, are binary contracts useful for hedging nonbinary economic events?

The Commission should consider whether the contract *can* be used to hedge or be used as *a* basis for pricing a commercial transaction in a physical commodity, financial asset, or service. The question is not if they *will* be used for hedging or price basing, nor is it if this is the *only* way to hedge or the *only* information that will go into a price. The thing that the Commission should look at is whether the contract *could* be used for hedging or as *a* basis in pricing. The

Commission should not substitute its judgment for the market's and the Commission should not try to predict the future development of a contract.

Additionally, the example offered in the question is not relevant to the contracts here. The event in question is binary (either a party will or will not control the chamber of Congress). This is a very natural fit for that risk according to market participants, and it is how risk is discussed among those involved. Although that event has myriad economic impacts in many industries, that is the case with all event contracts as well as futures.

11. Do the contracts serve a price-basing function? For example, could they form the basis of pricing a commercial transaction in a physical commodity, financial asset, or service?

Yes. The prices of financial assets regularly move because of election outcomes, as reported on in the financial press. This has also been repeatedly and widely verified by economists and social science. In addition, investment banks frequently publish reports to their clients and the public detailing movements in stocks and bonds based on expectations about changes in political control.

12. Are the proposed contracts contrary to the public interest? Why or why not?

As noted, the CEA makes this question relevant only to contracts whose underlying activities are enumerated in section 5c(c)(5)(C). Because the activity underlying the contracts at issue are not enumerated there, the question is not relevant here.

Insofar as the Nadex Order concluded the Nadex contracts were contrary to the public interest, I disagreed with that analysis. I believe that this Commission should not find that the Kalshi contracts are contrary to the public interest; indeed, the contracts are strongly *in* the public interest. In addition to their hedging utility and price basing utility, the forecasting data generated by these contracts is enormous and it is in the public interest to have this forecasting data. The value created by firms trying to model election outcomes to the public–such as *The New York Times*, *The Economist*, and *FiveThirtyEight*–is extensive. Americans have an extremely large interest in this probability. A forecast created by the market can outperform traditional polling and other forecasting methods, giving the public an enormous social service.

In the Nadex Order, the Commission worried that the contracts would create perverse incentives to vote-switch in order to improve the odds of their contract paying out. In my opinion, this was not a sufficient reason to conclude that the Nadex contracts were contrary to the public interest, and the reasoning would be even less persuasive with respect to Kalshi's contracts given the changed circumstances and contracts since the Nadex Order:

1) The suggestion that market participants would be incentivized to switch votes was speculative. In fact, experience from history and foreign nations suggests that any such concern regarding this issue is without foundation. Because of the prevalence of election trading abroad–in the United Kingdom, in Ireland, Australia, and other liberal democracies–and here in the United States over the past 30 years (IEM, Intrade, PredictIt, etc.), I believe the Commission would really need to provide some empirical evidence of such activity before raising this concern with respect to these contracts.
2) The creation of PredictIt. In 2014, the Commission clearly believed–despite the then recent Nadex Order–that with some position limit, these contracts are socially valuable. This is

merely the next step in that evolution. If the Commission believes a different position limit is appropriate, it should engage Kalshi on that basis.

3) These contracts are trading enormous amounts *already*, in addition to the large stakes that individuals already have in election outcomes independent of exchanges proper. However, the concerns regarding manipulation and election integrity expressed at other points throughout these questions are all the worse on unregulated platforms that lack Know-Your-Customer authorization, position limits, surveillance, compliance with the Core Principles, and Commission oversight. In order to promote the public interest, the Commission should encourage the listing of these contracts on a regulated DCM like Kalshi.

13. Could the trading of these or other political control or election-based contracts affect the integrity of elections or elections within the chamber of Congress? Could it affect the perception of the integrity of elections within the chamber of Congress?

No.

1) The party affiliation of the Speaker of the House and the President *pro tempore* is well known before the actual event takes place, because it is determined in practice by looking at which party holds the most seats in the relevant chamber. The trading of the proposed contracts would not affect that practice. Individual candidates are not relevant for Kalshi's contract, only the party–and that is already determined by the time the House and Senate are electing the Speaker and President *pro tempore*.
2) The rules of the contract will preclude Members of Congress from trading these contracts, and Members have their own obligations to avoid conflicts of interest and are required to go through extensive financial reporting that can reveal such conflicts of interest.
3) These contracts are already traded on in large volumes and they are, critically, *growing*. The Commission should make sure that activity is happening under its oversight and with the full protections that being a registrant provides. Accordingly, to the extent that the Kalshi contract has any impact with respect to election integrity and public perception, it will be to increase confidence, not decrease it.

14. Could the contracts facilitate violations of, or otherwise undermine, federal campaign finance laws or regulations? For example, could the contracts make it easier to sidestep prohibitions governing coordination between candidate campaign committees and political action committees?

No. Candidly, I do not really understand this question. The Kalshi contracts change neither the incentives of a candidate and a PAC to coordinate nor the means for them to do so. These markets are merely an informational and hedging tool, not something that could increase coordination between those two groups.

15. Do the contracts present any special considerations with respect to susceptibility to manipulation or surveillance requirements? For example, could candidate campaign committees or political action committees manipulate the contracts by trading on internal, non-public polling data?

Kalshi's contracts do not present any special considerations in this regard. Rather, these contracts present standard considerations that Kalshi has addressed through its own rules against manipulation and its prohibition against politically exposed persons, their families, and close associates from trading on political contracts.

16. Should campaign committees, political action committees, candidates for the House and Senate, and other entities involved in political fundraising and expenditures or likely to hold non-public information, or subject to Federal Election Commission oversight, be prohibited from participating in the contracts? Would such a prohibition help address federal campaign law or manipulation and surveillance concerns? How would such restrictions impact the Commission's determination of whether the contracts are contrary to the public interest?

Kalshi has protections against manipulation, and actively prohibits politically exposed persons, their families, and close associates from trading on political contracts, including this. I would suggest, however, that for the purposes of this contract, no PAC, candidate, or campaign committee likely holds meaningful information or influence on the outcome of all the House and Senate elections that lead to control of Congress that would require prohibitions additional to what Kalshi has imposed.

Any such concerns, however, should not impact the Commission's determination of whether the contracts are contrary to the public interest–as stated above.

17. What other factors should the Commission consider in determining whether these contracts are "contrary to the public interest?

The Commission ought to consider the contract's hedging utility; price basing utility; forecasting value to the public; and ability to bring unregistered activity to a registrant, promoting consumer protections and reducing the burden on Enforcement.

Respectfully,

Timothy G. McDermott