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COMMODITIES FUTURES TRADING COMMISSION TAKES STAND AGAINST ELECTION BETTING

IATP applauds decision to prohibit KalshiEX's "Control Contract"

MINNEAPOLIS—On September 22, the Commodities Futures Trading Commission's (CFTC) made the broad determination to protect the public interest and the integrity of United States elections by prohibiting KalshiEX, LLC's self-certified event contract based on the political party control of each chamber of the U.S. Congress. The Institute for Agriculture and Trade Policy (IATP) applauds the CFTC's decision, having submitted two comments to the CFTC that advocated for this very decision in [September 2022](#) and [July 2023](#).

Kalshi's latest attempt to introduce CFTC legitimated betting on U.S. elections through Kalshi's "Control Contract" would have allowed large institutional investors to take a position of up to \$100 million in the Control Contract if the investor could demonstrate a "sufficiently established economic hedging need" according to a confidential Kalshi methodology. Smaller Kalshi-qualified "Entities" could take positions as small as \$5 million.

In its filing to the CFTC, Kalshi claimed that the Control Contract was "similar" to other Kalshi event contracts designed to attract retail investors. For example, the Screen Actors Guild (SAG) event contract allows retail investors to bet up to \$25,000 on the end date of the SAG strike against streaming services and television studios owners. The Kalshi website offers a \$25 reward to "users" who refer a friend to Kalshi, provided the friend transacts a certain amount of business over a specific time. In other words, the "Control Contract" is fundamentally dissimilar to any other Kalshi event contract.

The Commission had to decide whether the "Control Contract" was in the public interest. IATP wrote that the CFTC must not allow a contract whose price-forming election information was subject to foreign and domestic disinformation campaigns, to laws and election administration to deny voter access, and to denial of election outcomes.

"Betting on U.S. elections will occur, for example, in Las Vegas, however, this is no sound reason why the CFTC should legitimate that betting," says Steve Suppan, IATP senior policy analyst. "No public interest could be served by the price distortion resulting from election interference incentivized by profit taking from multimillion-dollar bets."

The terms of Commissioner Summer Mersinger's dissent and Commissioner Caroline Pham's abstention from the vote to prohibit the Control contract portend future lawsuits against the CFTC by Kalshi and its financial backers on Wall Street and in Silicon Valley.

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