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Event contracts: A primer on growth, mechanics and regulation

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Event contracts are financial instruments that allow participants to trade on the outcomes of real-world events. These contracts are increasingly capturing the attention of investors and regulators alike as popularity surged during the November 2024 U.S. presidential election. These contracts offer exposure to a diverse range of outcomes, from Federal Reserve interest rate decisions to the winners of major awards ceremonies for music or movies.

This article provides an overview of event contracts, including their growth, mechanics, participants, and regulatory framework.

What are event contracts?

At their core, event contracts are binary options. They have only two possible outcomes — a "Yes" or a "No" to a specific question — and settle at a fixed value. For example, an event contract could settle at $1 if the outcome occurs and $0 if it does not.

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The market price of a contract at any given time reflects the market's perceived probability of the "Yes" outcome. For instance, a $1 payout contract trading at $0.60 suggests a 60% probability of that event occurring.

Contracts expire either at a predetermined time or when the event's outcome is officially known. For example, an event contract on the next Federal Reserve rate decision will have a specific expiration date and time. In contrast, a contract on an event that does not have a scheduled date — for example, whether Taylor Swift and Travis Kelce would get engaged — expires once the outcome is definitely resolved or once the set deadline expires.[1]

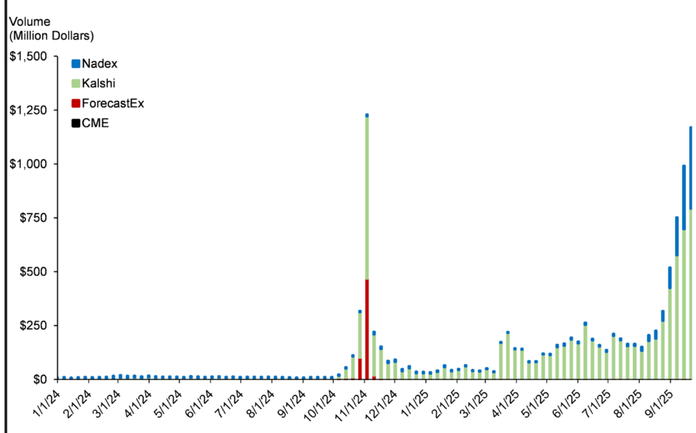
These contracts are traded on exchanges, typically using a limit order book system where buyers and sellers are matched. This structure allows participants to trade in and out of their contract positions before the contract expires.

The growth of event contracts and prediction markets in the U.S.

Part of the appeal of event contracts lies in both the simple payoff structure and the wide variety of events they cover. Providers offer markets on topics such as finance and economics, politics, sports, and weather. This breadth of offerings has helped fuel trading volume growth.

Figure 1 shows the weekly trading volume for four event contract providers: the Chicago Mercantile Exchange (CME), ForecastEx, Kalshi, and Nadex.[2] Activity surged in late 2024, peaking at over $1.2 billion in contracts traded during the week of the U.S. presidential election. While volume later subsided, it has remained elevated, consistently exceeding $150 million per week since mid-March 2025.

Figure 1. Weekly Volume
1/1/24–9/30/25

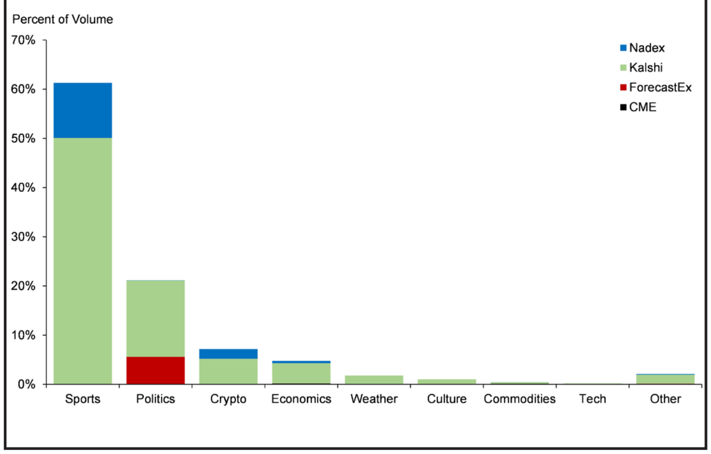


Source: CME; Kalshi market data; ForecastEx market data; Nadex market data.

Note: Volume is computed by adding contracts' notional values. Although included in the data, CME trading volume is not readily visible on the chart due to the scale. CME weekly volumes represent less than $1.5 million.

An analysis of trading volume composition reveals a heavy concentration in three key areas. As shown in Figure 2, contracts related to sports, politics, and cryptocurrencies collectively constituted 90% of all volume on select exchanges in the last year.

Figure 2. Share of Total Volume Traded by Event Contract Category
10/1/24–9/30/25



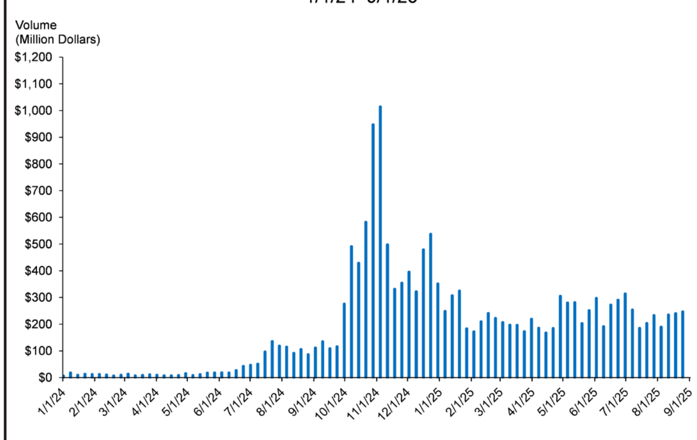
Source: CME; Kalshi market data; ForecastEx market data; Nadex market data. Note: See Appendix for details on classification of event contracts. The percent of volume is computed in contracts' notional values. Although included in the data, CME trading volume is not readily visible on the chart due to the scale. CME weekly volumes represent less than $1.5 million.

Although the concept is not new — the academic Iowa Electronic Market has operated event contracts since 1988 under a Commodity Futures Trading Commission (CFTC) no-action letter[3] — a modern commercial landscape has emerged in the last couple of years. In the U.S., providers such as CME, ForecastEx, Kalshi, and Nadex are registered with the CFTC as Designated Contract Markets (DCMs).[4]

Another notable platform is Polymarket, which operates on blockchain technology by tokenizing "Yes" or "No" outcomes and uses order books that allow trading in stablecoins (e.g., USDC).[5]

While not currently available to U.S. users due to past regulatory actions, Polymarket recently acquired a CFTC-licensed DCM and is expected to launch event contracts available to U.S. investors.[6] As shown in Figure 3, despite not currently operating in the U.S., Polymarket has non-trivial volume.

Figure 3. Polymarket Weekly Volume in Million USD
1/1/24–9/1/25



Source: Polymarket data extracted from Dune.

Product design

Event contract providers differentiate themselves through the type of events offered, execution method, trading limits, and fees structures.

While CME currently offers eleven contracts on traditional assets (commodities, equity index, foreign exchange, and cryptocurrency), Kalshi currently offers more than 700 contracts, covering events related to finance, the economy, sports, political elections, music, and more. Kalshi and Nadex allow direct trading on their own platforms, while participants can trade on CME and ForecastEx contracts only through partner brokers.

Trading limits are also a distinctive characteristic: while Kalshi and CME have a position limit of $25,000, Nadex and ForecastEx have substantially higher limits of $250,000. Finally, the fee and interest rate clients obtain while they have an open position in a contract can vary widely across providers.[7]

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Like any other derivative, event contracts are governed by specific rules that determine their payoff structure. In particular, these contracts include precise event definitions and which information sources and timeframe will be used to resolve the contract as "Yes" or "No."

These rules are more straightforward for more traditional products, such as gold prices. Conversely, these rules are less straightforward when trading on whether or not Ukrainian President Volodymyr Zelenskyy would wear a suit before July 2025.[8]

In this regard, Polymarket differentiates from other providers by its decentralized resolution mechanism. While most providers evaluate information and resolve contracts in-house, Polymarket relies on a decentralized layer of asserter/disputers within the Universal Market Access (UMA) Optimistic Oracle.

When a contract requests information from the Oracle, an asserter proposes a yes/no resolution by staking a token. Disputers can challenge a resolution by also staking a token. If there is no dispute, the asserted resolution is validated. If there is a dispute, the contract is resolved by the votes of other UMA token holders.[9]

Regulatory framework and recent litigations

Event contracts are regulated by the CFTC's rule 40.11, which embodies the guidelines in the section 5c(c)(5)(C) of the Commodity Exchange Act. Specifically, section 5c(c)(5)(C) prohibits contracts involving "(I) an 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."[10]

In response to the growing number of event contracts listed by registered exchanges, the CFTC proposed amendments to rule 40.11 in June 2024.[11] The proposal would prohibit event contracts when the underlying is the outcome of a political contest, an awards contest, or a game in which one or more athletes compete, among others.

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On May 5, 2025, the CFTC dropped its D.C. Circuit challenge over Kalshi's election contracts, ending a legal battle that started in September 2023 when the CFTC disapproved Kalshi's self-certified congressional control contracts.[12]

Moreover, on August 7, 2025, the CFTC issued a no-action letter regarding swap data reporting and recordkeeping regulations for the event contracts of Railbird Exchange LLC and QC Clearing LLC.[13] The once-nominated CFTC chairman Brian Quintenz, who was previously a CFTC commissioner, expressed disagreement with a CFTC order prohibiting NFL-related contracts during his past tenure.[14]

At the state level, several states' gambling regulators, including those of Illinois, Maryland, Nevada, New Jersey, and Ohio, have sent cease-and-desist letters to providers such as Kalshi, Robinhood (which offers contracts through its partnership with Kalshi and ForecastEx), and Nadex. State regulators argue that sports event contracts lie within their respective jurisdictions and that providers' offering of such contracts violates the states' laws.[15]

Appendix

Contracts categorization methodology

To analyze trading volume, we assigned each contract to a single category by matching keywords against its ticker symbol. The keyword lists below were developed specifically for this analysis and collectively account for 97.8% of the trading volume detailed in Figure 2. Contracts with tickers that did not match any keywords were classified as "Other."

Commodities: GASM, EGGS, WTI, NAT GAS, GOLD, SILVER, COPPER.

Crypto: BITCOIN, KXETH, BTC, SHIBA, ETHD, CRYPTO, DOGECOIN, ETHEREUM, LITECOIN, SOLANA, HEDERA, STELLAR, POLKADOT, AVALANCHE, CHAINLINK, CRONOS, XRP, BONK, CARDANO, FLOKI, PEPE, ETH.

Culture: KXRT, POPE, OSCAR, SPOTIFY, BILLBOARD, GRAMMY, NETFLIXRANK, TOPSONG, CEOASTRONOMER, TOPMODEL, TOPALBUM.

Economics: FEDDECISION, CPI, DEBT, TARIFF, RATECUT, RECSS, PAYROLLS, GDP, TNOTE, U3, FED-, EC-FED, INX, NASDAQ, US 500, US TECH 100, US SMALLCAP 2000, WALL ST. 30, EUR-USD, USD-JPY, EUR-JPY, GBP-USD, AUD-USD, GBP-JPY, USD-CAD, AUD-JPY, EUR-GBP, USD-CHF, USD-MXN, S&P 500, RUSSELL 2000, DIJA, EUR/USD.

Politics: PRES, TRUMP, BIDEN, POPVOTE, SENATE, HOUSE, CABINET, MAYOR, SHUTDOWN, ECMOV, CANADA, DJT, POWER, CLOSESTSTATE, EOCOUNT, SENMAJORITY, EPSTEIN, HEGSETH, VOTE, CANCOALITION, TIKTOKBAN, SPEAKER, TIPPINGPOINT, DOED, KXSEC, DNI, GREENLAND, DEBATES, GOVTCUTS, FBI, MUSK, JFKFILES, RECNC, TIPTAX, PREEMPT, POWELL, JAN6, BLUEWALL, POTUS, 538, ABORTION, CONGRESS, CONSTITUTION, CUOMO, GABBARD, CONTROLS, STATEDEEP, SCOTUS, INAUG, STATEFLIP, DEMOCRATIC, REPUBLICAN, SENC, ECTIE, MNYCG, 1124_0, DOGE, CONTROLH.

Sports: PGA, NFL, NBA, NHL, MLB, WTA, ATP, SINGLES, DOUBLES, SERIES, THEOPEN, MARMAD, MASTERS, KXSB, USOPEN, UFC, NATHAN, FOMEN, FOWOMEN, FACL, NCAA, INDY500, NASCAR, AFC, NFC, CLUBWC, MLS, LIVTOUR, TENNIS, FIFA, F1.

Tech: LLM, SPACEX, TESLA, APPRANK, CLAUDE, UFSD.

Weather: HMONTH, TROPSTORM, KXHIGH, WEATHER, HIGHNY, HIGHCHI, HIGHAUS, HIGHMIA, TORNADO, HURCAT, TEMP, RAIN.

Two rules were applied to refine the categorization process: First, for the Commodities category, the keyword search was supplemented by using pre-existing categorizations available for some contracts.

Second, to resolve cases where a ticker could match keywords from multiple categories, we applied specific logic to prevent misclassification. For example, tickers related to the Department of Government Efficiency (DOGE) could be incorrectly categorized as Crypto due to the "DOGECOIN" keyword.

Our method correctly assigns such tickers to Politics by ensuring that only tickers explicitly containing "DOGECOIN" are captured in the Crypto category.

Notes:

[1] "Will Taylor Swift and Travis Kelce be engaged this year?" *Kalshi*, accessed on October 9, 2025, https://bit.ly/47pl9eV.

[2] Nadex was acquired by Crypto.com in March 2022. "Designated Contract Markets (DCM): 34536," Commodity Futures Trading Commission, accessed October 9, 2025, https://bit.ly/4ouzEVW.

[3] The Iowa Electronic Markets imposes trading limits between $5 and $500 per participant, and the markets do not charge transaction fees. *See* "About IEM," Iowa Electronic Markets, accessed October 9, 2025, https://bit.ly/4oPnlh9, and Letter from Andrea M. Corcoran to George R. Neumann, *U.S. Commodities Future Trading Commission*, February 5, 1992, https://bit.ly/43VAiDx.

[4] For the entire list of DCMs, see the Commodity Futures Trading Commission DCM Search. "Designated Contract Markets," Commodity Futures Trading Commission, accessed October 9, 2025, https://bit.ly/4hK9Vq0.

[5] "What is Polymarket?" Polymarket, accessed October 9, 2025, https://bit.ly/49luDV0.

[6] "Polymarket Acquires CFTC-Licensed Exchange and Clearinghouse QCEX for $112 Million," *PR Newswire*, July 21, 2025, https://prn.to/4ql69BB; "Polymarket Ads Signal U.S. Launch Timeline for Sports Futures," *Sportico*, August 21, 2025, https://bit.ly/4nCYQYU.

[7] ForecastEx refers to these interest rates as "coupon payments." Interactive Brokers, which owns ForecastEx, stated "Investors on both sides receive coupon payments that currently annualize to 4.83%." *See* Torres, Jose, "ForecastEx: Derivatives Are No Longer a Zero-Sum Game," Interactive Brokers, August 8, 2024, https://bit.ly/4oq6SWB. Kalshi explains that "You will also earn interest on the underlying collateral for your positions. [...] The interest rate is set at 3.75% and will apply to all eligible accounts. This interest rate is variable and can change at any time." *See* "APY on Kalshi," Kalshi, https://bit.ly/47WIcip, accessed on October 9, 2025.

[8] For the recent controversy about this market, *see* "Polymarket Embroiled in $160M Controversy over Whether Zelenskyy Wore a Suit at NATO," *CoinDesk*, updated July 9, 2025, https://bit.ly/3WG33jF.

[9] *See* "How does UMA's Oracle work?", UMA, accessed October 9, 2025, https://bit.ly/47HSxO7.

[10] *See*7 U.S.C. § 1, 2025, at 5c(c)(5)(C).

[11] *See* "Notice of proposed rulemaking," *Federal Register*, 89, no. 112, June 10, 2024, pp. 48968–49000, https://bit.ly/43I7Y7C.

[12] *See* "Appellant Commodity Futures Trading Commission's Unopposed Motion for Voluntary Dismissal," *KalshiEx LLC v. Commodity Futures Trading Commission*, 24-5205 (D.C. App. 2025).

[13] *See* Letter from Rahul Varma and Richard Haynes, "No-Action Position with Respect to Commission Regulations 38.8(b), 38.10, 38,951 (Only to the Extent it Requires Compliance with Part 45 of the Commission's Regulations), 39.20(b)(2), and Parts 43 and 45, for Certain Contracts Traded on or Pursuant to the Rules of Railbird Exchange, LLC and Cleared by QC Clearing LLC," *U.S. Commodity Futures Trading Commission*, August 7, 2025, https://bit.ly/3XcX9qp.

[14] This order was never issued because ErisX withdrew its certification hours before CFTC voted. See "Statement of Commissioner Brian D. Quintenz on ErisX RSBIX NFL Contracts and Certain Event Contracts," *Commodity Futures Trading Commission*, March 25, 2021, https://bit.ly/4oM40Tq.

[15] Letter from Marcus D. Fruchter to Tarek Mansour and Eliezer Mishory, "Suspected Illegal Sports Wagering by KalshiEX LLC," *Illinois Gaming Board*, April 1, 2025, https://bit.ly/3LwQ6Gx; Letter from Marcus D. Fruchter to Vlad Tenev, "Suspected Illegal Sports Wagering by Robinhood," *Illinois Gaming Board*, April 1, 2025, https://bit.ly/3LqlS88; Letter from Marcus D. Fruchter to Kris Marszalek and Eric Anziani, "Suspected Illegal Sports Wagering by Crypto.com," April 1, 2025, https://bit.ly/4qDu4C1; Letter from John A. Martin to KalshiEX, LLC, "Notice to Cease and Desist," *Maryland Lottery and Gaming Control Commission*, April 7, 2025, https://bit.ly/4i3kqVH; Letter from John A. Martin to Robinhood Derivatives, LLC, "Notice to Cease and Desist," *Maryland Lottery and Gaming Control Commission*, April 7, 2025, https://bit.ly/4hF4hFq; Letter from John A. Martin to Kevin Dan, "Notice to Cease and Desist," *Maryland Lottery and Gaming Control Commission*, April 7, 2025, https://bit.ly/47KVZrj; "Nevada Gaming Control Board Issues Cease and Desist Order to Company Engaged in Unlawful Gaming," *Nevada Gaming Control Board*, March 4, 2025, https://bit.ly/48Zvh0c; Letter from Mary Jo Flaherty to Tarek Mansour, "Unauthorized Sports Wagering in New Jersey," *New Jersey Division of Gaming Enforcement*, March 27, 2025, https://bit.ly/4oiqCLA; Letter from Mary Jo Flaherty to Vladimir Tenev, "Unauthorized Sports Wagering in New Jersey," *New Jersey Division of Gaming Enforcement*, March 27, 2025, https://bit.ly/4qKdXmi; "Ohio Casino Control Commission Demands Three Companies Offering Sporting Event Futures Contracts Cease in Ohio," *Ohio Casino Control Commission*, March 31, 2025, https://bit.ly/4oS8sjJ.

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