

Advisory on Enforcement Authority over Event Contracts

The Division of Enforcement (Division) is issuing this advisory following public release of two enforcement cases involving misuse of nonpublic information and fraud with respect to certain event contracts traded on KalshiEX, a Designated Contract Market (DCM). These enforcement cases included the following:

- In May 2025, social media posts contained videos that appeared to show a political candidate trading on his own candidacy on Kalshi. Kalshi's compliance team contacted the candidate that same day, and the trader acknowledged that he knew these trades were improper and violated Kalshi's rules, which prohibit trading in a contract over which the trader has direct or indirect influence over the outcome. Kalshi imposed a \$2,246.36 financial penalty (disgorgement of \$246.36 related to the improper trading activity, plus a \$2,000.00 penalty) and a 5-year suspension from direct or indirect access to the exchange. Based on this fact pattern, the trader potentially violated Section 6(c)(1) of the Commodity Exchange Act (Act), and Commission Regulation (Regulation) 180.1(a)(1) and (3) for use of a manipulative scheme or artifice to defraud, or engaging or attempting to engage in an act, practice or course of business that operates as a fraud on any other person.
- In August and September 2025, an individual traded an event contract related to a YouTube channel while having an employment relationship or other formal affiliation with the subject of the contract, through which the trader likely had access to material non-public information related to his trades, in violation of exchange rules. Upon investigating the highly successful trades and the trader responsible, Kalshi discovered that the trader was an editor for a YouTube channel who likely had advanced knowledge of the contents of the channel's videos prior to the time they were publicly posted. Kalshi concluded there was reasonable belief that the trades were based on material non-public information misappropriated in violation of a pre-existing duty and imposed a \$20,397.58 financial penalty (disgorgement of \$5,397.58 in profits from the illicit trading, plus a \$15,000.00 penalty) and a 2-year suspension from direct or indirect access to the exchange. Based on this fact pattern, the trader potentially violated prohibitions on misappropriation of confidential information in breach of a pre-existing duty of trust and confidence to the source of the information (commonly known as "insider trading") pursuant to Section 6(c)(1) of the Act, and Regulation 180.1(a)(1) and (3).

While Kalshi's internal enforcement program handled these matters, under the Act, the Commission has full authority to police illegal trading practices occurring on any DCM, including those described above related to event contracts. Without limitation, these practices include

- misappropriation of confidential information in breach of a pre-existing duty of trust and confidence to the source of the information (commonly known as “insider trading”) pursuant to Section 6(c)(1) of the Act, and Regulation 180.1(a)(1) and (3); *see, e.g., CFTC v. Clark*, Civil Action No. 4:22-cv-00365 (S.D. Tex., Jan. 29, 2026 consent order); *In re Webb, et al.*, CFTC Docket No. 21-09 (June 14, 2021 admin. order);
- pre-arranged, noncompetitive trading and wash sales, under Section 4c(a)(1) and (2)(A) of the Act, and Regulation 1.38(a); *see, e.g., In re Khorrami, et al.*, CFTC Docket No. 20-15 (May 7, 2020 admin. order); *CFTC v. Singhal, et al.*, Civil Action No. 1:12-cv-00138 (N.D. Ill., Nov. 28, 2012 consent order);
- other prohibited trading practices including disruptive trading pursuant to Section 4c(a)(5); *see, e.g., In re Mirae Asset Daewoo Co. Ltd.*, CFTC Docket No. 20-11 (Jan. 13, 2020 admin. order);
- fraud and manipulation under various sections of the Act; *see, e.g., In re Dairy Farmers of America, Inc., et al.*, CFTC Docket No. 09-02 (Dec. 16, 2008 admin. order).

DCMs have an independent duty pursuant to the core principles in the Act to maintain audit trails, conduct surveillance, and enforce rules against prohibited practices. *See* Section 5(d) of the Act (Core Principles for Contract Markets). In appropriate cases, the Division will investigate and prosecute violations, as it always has with respect to conduct occurring on DCMs. The Division continues to coordinate with DCMs regarding their enforcement dockets and referral of appropriate potential violations to the Division for investigation.