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Announcements

Two Insider Cases We've Recently Closed



How suspicious activity was flagged, accounts were frozen, and penalties were applied in two trading violations cases.

By Bobby DeNault

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As a regulated exchange, we [ban insider trading](#). In the past year, we've opened 200 investigations and frozen a number of flagged accounts. Of those investigations, over a dozen have become active cases.

We've received questions from customers about how we identify violations and enforce our rules. So, we're releasing information about two insider trading cases we've recently closed. Investigations take time, and there will be more that we'll disclose on [our notices page](#), similar to how [CME Group](#) and others do.

Today's cases:

1. The first concerns a candidate who traded about \$200 on his own candidacy for Governor of California, and then posted about it on social media, a violation of several Kalshi rules. Punishment: 5-year ban + financial penalty (10 times the initial trade size). Note: this candidate recently announced he is no longer running for Governor and is now instead running for Congress.
2. The second concerns an insider who traded about \$4,000 on YouTube streaming markets, a violation of Kalshi's insider trading rules. Punishment: 2-year suspension + financial penalty (5 times the initial trade size).

In both of these cases, our systems flagged the trades and our surveillance team froze the traders' accounts. Neither trader withdrew any profits. These penalties are not indicative of future penalties - everything depends on the case, including amount traded and rules violated.

We've reported each of these cases to the CFTC, as we are required to do, and Kalshi will be donating the fines imposed to a non-profit that provides consumer education on derivatives markets. We also [recently announced](#) an independent Surveillance Audit Committee, which will produce a quarterly report of statistics on flagged trades, open and closed investigations, and cases referred to the government for further enforcement.

Here's more on how we flagged and investigated these cases:

1/ In May, our Surveillance Department saw an online video by a candidate for Governor of California that appeared to show him trading on his own candidacy. We immediately froze his



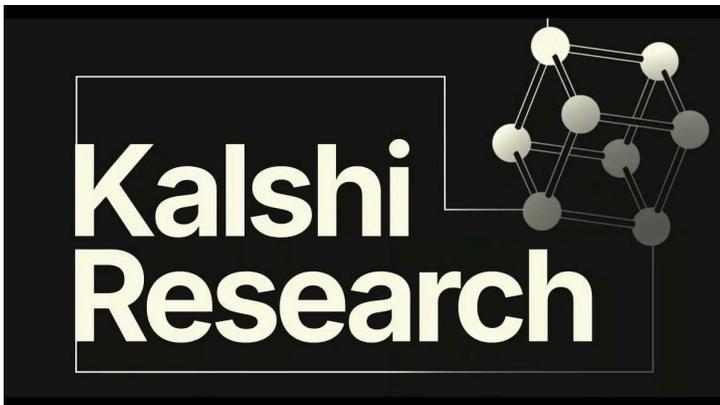
that this violated the exchange rules. As a candidate in a race, you can (and probably should) follow and use Kalshi's market forecast, but you should not trade on it.

2/ The second case involved trading in markets on a popular YouTube streamer's videos. Our surveillance systems flagged his near-perfect trading success on markets with low odds, which were statistically anomalous. At the same time, because all trading data is publicly available, a number of Kalshi users sent us tips about unusual activities they saw in the trading data. We investigated and found that the trader was employed as an editor for the streamer's show and likely had access to material non-public information connected to his trading.

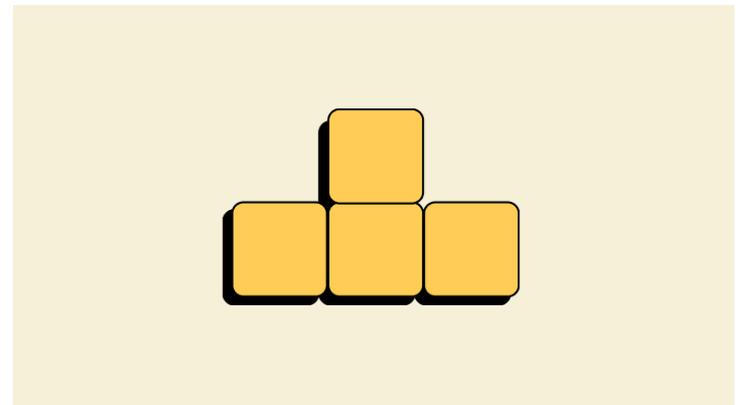
In both cases, our team collected evidence, applied Kalshi's disciplinary process fairly, and concluded there was sufficient evidence that a trading violation occurred. No system is perfect. No financial exchange is immune from bad actors. Not stock exchanges, not banks, not prediction markets. We're committed to deterring and finding the bad actors, manipulators, and those who willingly cheat.

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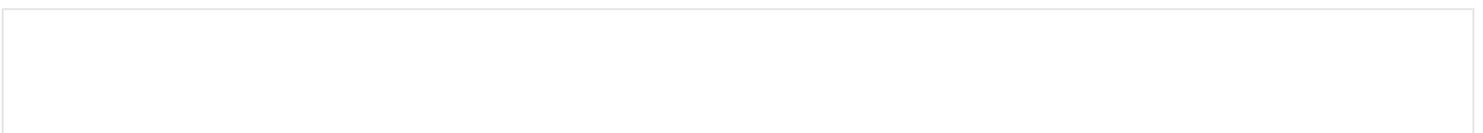
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