# Kalshi Compliance Informational Document & FAQ for Finance Professionals

*Note: The below does not constitute legal advice. Please consult a competent advisor regarding any compliance questions you have before making any significant investment decisions.*

## Background

Kalshi offers our users the opportunity to trade on a type of commodity called "event contracts". These are swaps whose payout is dictated by discrete event occurrences or data releases. Some examples might include "Will the Infrastructure Bill be Passed by November 1st" or "Will an Omicron Specific Vaccine be Created".

These swaps are commodity derivatives, and are not directly equity linked. Rather, they allow Traders to make predictions on the likelihood of certain events occurring, hedge their exposure to the negative ramifications of these events, and provide society at large a valuable price-signal based probability estimate of various events occurring. Kalshi contracts are generally not governed by most company based security laws (governing equity or debt linked securities), and do not constitute a conflict of interest vis a vis nonpublic information about company-linked securities. The only inside information restriction that is relevant to the ability to trade on event contracts is material nonpublic information on the likelihood of the event itself occurring or privileged knowledge of a data release before it is released to the public. This does not include your hard work, analyses, or insights - you are free to trade based on those! The following FAQs have helpful information that may help you find answers to questions you may have. Of course, Kalshi cannot give you legal advice and provides this general information as a service. If you are unsure, consult with your compliance manual and resources.

## FAQ

### Q: Why would I want to trade an Event Contract over another asset class?

A: Event Contracts allow for a level of precision in prediction and hedging that is absent from most financial instruments. Rather than bundling a series of discrete exposures into a single instrument, Kalshi's Contracts let you trade on or hedge your exposure to a very specific outcome. By reducing the noise implicit in your investment, you can make trades precisely how you want them while providing a valuable price-based information signal to the world at large.

### Q: Are employees at sellside institutions (banks, advisory firms, etc) or buyside institutions (private equity firms, hedge funds, etc) universally banned from trading Event Contracts?

A: No. Kalshi Contracts are commodity derivatives and are not company linked securities. so generally, they are not included in rules specifically tailored towards company linked securities or derivatives.

### Q: Do I need preclearance for each trade?

A: Many professionals are required to obtain preclearance for company linked security trades. That requirement generally will not apply to Kalshi's Contracts which are commodity derivatives and not company linked. Kalshi's Contracts are contingent upon specific events – in fact, the CFTC *specifically* regulates Kalshi's Contracts so that they are not overly tied to any individual company's performance.

### Q: Does Kalshi have pattern day-trading restrictions?

A: No, Kalshi's Contracts are not subject to pattern day-trading restrictions. We make our API open and available to all, and traders may use whatever trading style suits them best.

### Q: Why are Event Contracts different from other instruments I'm banned from trading?

A: Generally, employees at financial institutions are barred from trading or must obtain preclearance before trading company-linked securities to ensure that they do not trade securities for which they have insider information and to ensure that there are no conflicts of interest between them and their firm. As long as your firm does not deal with Event Contracts in its normal course of business, Kalshi's contracts generally don't fall under the trading restrictions placed by most compliance manuals. As Kalshi specifically does not offer company backed securities or derivatives, the only parties that should be restricted from trading are those with specific knowledge of the event or data release pinpointed in the contract.

### Q: In what situations may I be barred from trading Event Contracts?

A: You may be barred from trading event contracts if your firm interacts with Event Contracts in their normal course of business or if you have material nonpublic information about the event or data release in question. In the event that you are concerned, check your compliance manual for any specific prohibitions on Kalshi's Event Contracts or event-based swaps.

### Q: What should I do if I need more information?

A: You should always consult with a competent advisor regarding any compliance questions you have before making any significant investment decisions.