

Polymarket and Kalshi side by side: how two prediction markets work

Both sell contracts that pay a fixed amount if an event happens, but they differ on who records trades, who decides outcomes and how the CFTC oversees them.

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AT A GLANCE

- 1** Kalshi and Polymarket both sell event contracts: bets structured as contracts that pay a fixed amount, typically \$1, if a stated event happens and nothing if it does not [\[3\]](#)[\[9\]](#).
- 2** Kalshi has been a CFTC-designated exchange since an order of Nov. 3, 2020; it decides outcomes itself, with final say resting with an internal committee [\[1\]](#)[\[3\]](#).
- 3** Polymarket's main platform records positions as tokens on the Polygon blockchain and resolves most markets through UMA, an outside oracle where token holders vote on disputes [\[9\]](#)[\[11\]](#).
- 4** The CFTC fined Polymarket's operator \$1.4 million in 2022 for running unregistered markets; by September 2025 a separate Polymarket US exchange and clearinghouse were CFTC-registered [\[4\]](#)[\[5\]](#).

1. What a prediction market sells

The product is a binary contract. Kalshi's rulebook says that when a contract expires and the result falls within its stated terms, it "will pay the Settlement Value for such Contracts (e.g. \$1.00) to the holders of long positions," and otherwise to the holders of short positions ^[3]. A long position bets the event happens; a short bets it does not.

Polymarket describes the same idea in token form. "Splitting 1 pUSD creates 1 Yes position and 1 No position," and the winning side redeems for the payout after the market resolves ^[9]. In Le Coin's view, the price of a Yes token between creation and resolution works as the market's estimate of the event's probability.

The stakes are regulatory. In 2022 the CFTC treated Polymarket's binary options as swaps under its jurisdiction that "can only be offered on a registered exchange," as Staff Letter 25-48 later summarized the order ^[7]. Kalshi already held an exchange designation from 2020; Polymarket later set up a separate US exchange and clearinghouse, registered by 2025 ^{[1][5]}.

In Le Coin's view, the useful way to compare the two is not by app design but by three questions: who keeps the record of positions, who decides what happened, and which CFTC permissions cover the venue.

2. How Kalshi works

KalshiEX LLC is a Delaware company based in San Francisco ^[1]. The CFTC issued its Order of Designation as a designated contract market, a federally regulated futures exchange, on Nov. 3, 2020, and announced it the next day ^{[1][2]}.

Trades settle through Kalshi's clearinghouse arrangement under its rulebook ^[3]. On Jan. 17, 2025, the Commission issued an Amended Order of Designation that superseded the 2020 order and removed its provision that Kalshi "may not permit any futures commission merchant to intermediate any transactions or carry accounts for customers" ^[14]. Intermediation means customers can trade through a futures commission merchant, a regulated broker, instead of only holding accounts directly with the exchange.

Kalshi decides outcomes. Each contract names a Source Agency, the publisher whose data settles it ^[3]. To settle, the rulebook says, "Kalshi has sole discretion to interpret a Contract's Terms and Conditions," and it sets the payout when the result cannot be determined from the terms ^[3]. Before settlement it can open a Market Outcome Review; its Outcome Review Committee must decide within 24 hours, and "the determinations made by the Outcome Review Committee are final" ^[3].

3. How Polymarket works

Polymarket's main platform runs on Polygon, a blockchain. Its documents describe Yes and No outcomes as ERC-1155 balances, a token standard that lets one contract hold many token types, under two systems: the older Conditional Tokens contracts and a newer "Polymarket Protocol V2" PositionManager ^[9].

Trades are collateralized in pUSD, which Polymarket describes as "a standard ERC-20 token on Polygon, backed by USDC," the Circle dollar token, with the backing enforced by its smart contract ^[10]. Its documents also say an admin can pause the wrapping contracts ^[10].

Polymarket charges takers, the side whose order fills an existing quote, a fee of $C \times \text{feeRate} \times p \times (1 - p)$, where C is the number of shares and p the price, so the fee is largest near a 50% price ^[12]. "Makers are never charged fees" ^[12]. Rates vary by category: 0.07 for crypto, 0.04 for politics and zero for geopolitics on Polymarket's fee page as of 8:28 p.m. ET on Oct. 16, 2026 ^[12].

Resolution runs through UMA's Optimistic Oracle for most markets and Chainlink time-weighted average prices for up-down markets ^[11]. Anyone can propose an outcome by posting a bond, "typically \$750 pUSD" ^[11]. If no one challenges it within two hours, it stands. If two proposals are disputed, UMA token holders vote, after a debate period of 24 to 48 hours and a vote of about 48 hours ^[11]. A market can resolve 50/50, with each token redeeming for \$0.50 ^[11]. Polymarket may add clarifications, which "cannot change the fundamental intent of the question" ^[11].

4. How Polymarket came under the CFTC

On Jan. 3, 2022, the CFTC ordered Blockratize, Inc., which operated Polymarket, to pay a \$1.4 million civil penalty, wind down noncompliant markets and cease and desist ^[4]. The order found Polymarket had run an unregistered facility for event-based binary options since about June 2020 and offered more than 900 markets ^[4].

By 2025, QCX LLC, doing business as Polymarket US, was a designated contract market and QC Clearing LLC, doing business as Polymarket Clearing, a registered derivatives clearing organization, a clearinghouse that stands between buyers and sellers ^[7]. On Sept. 2, 2025, CFTC staff said in Letter 25-28 they would not recommend enforcement over certain swap-reporting rules for Polymarket US contracts, on conditions including that all such contracts be fully collateralized ^[5]. The CFTC said the letter "applies only in narrow circumstances" ^[6].

That letter's relief carried a condition that no participant clear through a third-party clearing member, matching a provision in the Polymarket US designation order that barred futures commission merchants from intermediating trades ^{[5][7]}. On Nov. 24, 2025, the Commission published an Amended Order of Designation for Polymarket that, as Letter 25-48 describes it, "vacated and superseded that provision" ^[7]. On Dec. 11, 2025, staff Letter 25-48 removed the matching condition so Polymarket could rely on its reporting relief "if and when Polymarket offers intermediated trading" ^[7].

On May 13, 2026, staff Letter 26-14 applied uniform conditions to this reporting relief for fully collateralized event contracts. Its appendix of beneficiaries, updated as of Sept. 30, 2026, names 25 exchanges and clearinghouses, including KalshiEX LLC, Kalshi Klear LLC, QCX LLC d/b/a Polymarket US and QC Clearing LLC d/b/a Polymarket Clearing ^[8].

Kalshi's own court fight over election contracts ended at the appeals level: the D.C. Circuit granted the CFTC's unopposed motion to dismiss its appeal in KalshiEX LLC v. CFTC, No. 24-5205, on May 7, 2025 ^[13].

5. The two models compared

The table sets the venues next to each other. The main split is where trust sits: in a regulated company's committee for Kalshi, in a token-holder vote for Polymarket's on-chain markets. The documents cited do not describe how Polymarket US records positions or settles outcomes.

	Kalshi	Polymarket (on-chain platform)	Polymarket US
CFTC status	Designated contract market since Nov. 3, 2020 ^[1]	Subject of the 2022 CFTC order ^[4]	Designated contract market (QCX LLC) and clearinghouse (QC Clearing LLC) ^[7]
Broker access	Intermediated trading permitted since Jan. 17, 2025 ^[14]	—	Amended order of Nov. 24, 2025 vacated the bar on broker intermediation ^[7]
Position record	Exchange and clearinghouse accounts ^[3]	ERC-1155 tokens on Polygon ^[9]	—
Who decides outcomes	Kalshi; Outcome Review Committee is final ^[3]	UMA oracle, token-holder vote on disputes ^[11]	—
Collateral	Funds held through Kalshi's clearing arrangements ^[3]	pUSD, backed by USDC ^[10]	Fully collateralized, per Letter 25-28 ^[5]

— = not stated in the documents cited.

In Le Coin's view, the two have converged in law while staying apart in design. Both now hold US exchange licenses, but the on-chain platform still settles by public vote and the regulated one by its own committee.

6. What is open

Whether Polymarket US markets mirror the on-chain platform is not addressed in the documents cited. No-action relief is a staff position that does not bind the Commission, and it covers swap data reporting and recordkeeping only ^{[7][8]}. Fee rates are set by Polymarket and can change ^[12].

Letter 25-48's relief applies "if and when" Polymarket US offers intermediated trading ^[7]; the letter does not say when that will be.

Sources

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