

# Betting on future events: the rise of prediction markets



Source: iStock/Andrei Akushevich

A new wave of platforms lets traders bet on real-world events, from policy decisions to pop culture. What began as speculation is now challenging how finance measures truth and probability.

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## Introduction

Markets aren't just for stocks and commodities anymore. People now trade on who Trump will pardon in 2025, whether inflation will hit 3 percent, or how many tweets Elon Musk will post in a week. What started as an academic experiment has become a growing corner of finance: prediction markets. Two platforms lead the shift. Polymarket, a crypto-native marketplace built on stablecoins and smart contracts, and Kalshi, a US-regulated exchange supervised by the CFTC. Both turn opinions into money-backed forecasts, but through very different approaches.

## The logic behind prediction markets

Both Polymarket and Kalshi argue that markets aggregate information better than pundits or polls.

The idea behind prediction markets isn't new. Economists have been experimenting with them for decades to test whether collective judgment can outperform experts. One of the earliest formal examples is the Iowa Electronic Markets, launched in 1988 by the University of Iowa. The platform allows students from over 100 universities in the world to buy and sell contracts on political outcomes with real-money, and over time it consistently beat traditional polls in forecasting accuracy.

The reason behind this accuracy is the "wisdom of crowds": when many independent individuals each contribute a small piece of information, the aggregated result is often more accurate than any single expert's opinion. In markets, that aggregation happens through prices. Every trade reflects new information or conviction, so the market price becomes a real-time consensus probability.

However, the performance of these markets in predicting future events obviously depends on liquidity, volume, proximity to the event, and eventual market manipulation.

Predictions are made through "event contracts," which give the possibility to users to buy shares of "YES" or "NO" on the event. The price of the shares directly reflects the implied probability of the event happening. For example, if markets think there is an 18% chance of an event happening, users can buy "YES" shares at 18 cents and if the event happens, "YES" holders will be paid out \$1 per share, while "NO" shares will become worthless.

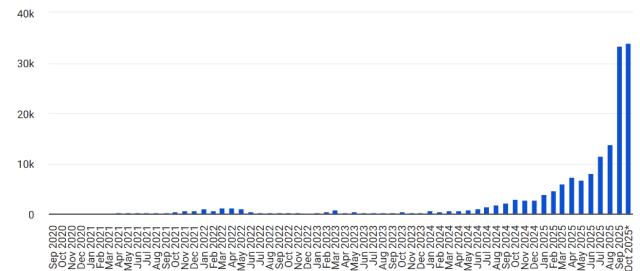
That's the theory. In practice, the movement has split into two camps: one on-chain, one on Wall Street. On one side stand crypto natives building open markets where anyone with a wallet can bet on the future; on the other, finance professionals are building compliant exchanges where event trading complies with US regulation. This is the story of the rivalry between Polymarket and Kalshi, likened to Brady vs. Manning by Kalshi's CEO Tarek Mansour.

## Polymarket: the decentralised truth market

Launched in 2020, Polymarket has become the world's largest prediction market, with over \$21 billion in cumulative volume. It was built fully on-chain, meaning there is no "house" and allows anyone with a crypto wallet to speculate on real-world events, from elections to pop culture. In September, 33,320 new markets were created on Polymarket, up from 13,800 in August. These markets are created by the platform based on user suggestions made on Discord or X.



Polymarket New Markets (Monthly)



SOURCE: THE BLOCK  
UPDATED: OCT 29, 2025

Source: The Block

While the structure of event contracts is simple, Polymarket's implementation is entirely on-chain. Each market is fully collateralised in USDC, meaning the total value of all "YES" and "NO" shares always sum to 1 USDC per pair. When traders buy or sell shares, they interact with an on-chain liquidity pool on the Polygon network, which adjusts prices dynamically and ensures sufficient collateral remains to pay winning shares 1 USDC upon resolution. It is worth noting that traders can sell their shares whenever they want. In order to ensure enough liquidity, Polymarket pays out liquidity rewards. The platform also pays interest rates on held positions to support long-term pricing accuracy.

Market resolution is handled through the UMA Optimistic Oracle, a smart-contract system that verifies outcomes on-chain. When someone proposes a resolution, they must post a \$750 USDC bond. Within the 2 hours following the proposal, anyone can dispute it by posting a similar bond. If no one disputes it, the proposer gets their bond back plus a small reward. Otherwise, disputes trigger a decentralised vote among UMA token holders. Once the result is confirmed, winning shares pay \$1 USDC and losing shares expire worthless. Depending on the result, either the proposer or disputer receives part of the other's bond as a bounty.

The process gives Polymarket its defining qualities: transparency, since all transactions are public; instant settlement, as funds move directly on-chain; and trustlessness, because users never have to rely on the platform to hold their assets.

Traders interact wallet-to-wallet, relying on software rather than institutions to enforce fairness.

Prices on Polymarket move continuously as information changes, forming a live barometer of public sentiment. The market for the 2024 US presidential election outcome saw a volume of \$3.2 billion. Analysts and journalists increasingly cite Polymarket odds alongside traditional polls.

However, Polymarket's radical openness has also brought regulatory friction. In 2022, the US Commodity Futures Trading Commission (CFTC) fined the company \$1.4 million for operating unregistered event markets and required Polymarket to block US users. Since then, Polymarket has continued to operate globally, legally accessible to users outside the United States and a few other countries such as the UK and France.

But that may soon change. In July 2025, Polymarket announced the \$112 million acquisition of QCX, a derivatives exchange regulated under the CFTC. The deal gave Polymarket control of QCX's Designated Contract Market (DCM) license, allowing it to self-certify markets for US users under federal oversight. QCX has since rebranded as Polymarket US.

Two months later, in September 2025, the CFTC issued Polymarket a no-action letter, which CEO Shayne Coplan called the platform's "green light to go live in the US". Under the DCM framework, exchanges can list new contracts by submitting a form attesting that they comply with all applicable regulations. The CFTC then has one business day to object; if it doesn't, the markets can go live immediately.

According to filings, Polymarket US has prepared to list athletic event, athletic spread, total athletic score, and election winner contracts. However, the platform's launch has been delayed by the ongoing government shutdown.

Regarding its business model, Polymarket is venture-funded and currently does not seem to be generating any revenues, but it has a lot of potential through trading fees, data services, or sponsored markets. The company is reportedly in talks to raise capital at a valuation between 12 and 15 billion dollars.

While Polymarket shows what prediction markets look like in a decentralised world, Kalshi represents the opposite approach: event trading brought within the strict framework of US financial law.

## Kalshi: the model student

Kalshi was founded in 2018 with the goal of creating a simple and direct exchange "where people could trade on the outcome of specific events." A Beta version was launched in 2019 and in 2020, the CFTC designated Kalshi as a Designated Contract Market (DCM), making it the first fully regulated US exchange dedicated to event contracts. The platform launched publicly in the US in July 2021. In 2024, Kalshi became the first fully regulated platform in over a century to offer legal election trading in the US after winning a legal battle against the CFTC.

Kalshi's contracts mirror Polymarket's binary structure but are settled centrally in US dollars through a brokerage-style interface. Traders can buy or sell until expiration, and the company itself verifies outcomes based on predetermined sources.

Kalshi's most popular markets concern sports events, partly because they allow residents of states that ban sports betting to trade legally on Kalshi. This grey area has led to ongoing litigation. Kalshi also pays users interest on active positions and cash balances and runs a volume incentive program as well as a liquidity incentive program.

Beyond speculation, Kalshi lets users hedge real-world risks: a restaurant chain worried about rising prices can hedge inflation risk, or a business dependent on federal budgets can hedge against a shutdown. This practical use gives the exchange a clear role within traditional finance.

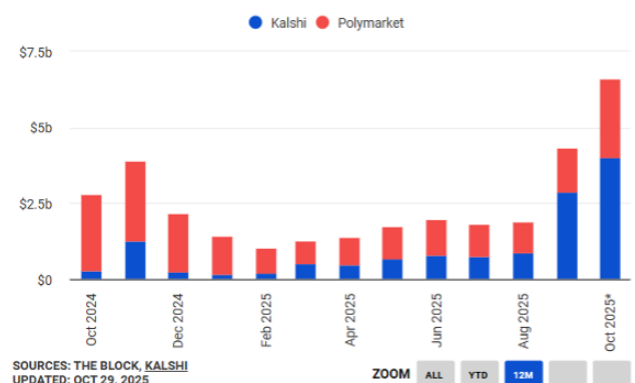
Kalshi has also started building bridges with crypto, as it recently announced plans to integrate its markets into every major crypto application and exchange by late 2026. The first move in this direction was their partnership with Jupiter, a Solana-based DEX. The exchange started a prediction market powered by Kalshi, with the inaugural event tied to the outcome of the Formula One Mexico Grand Prix.

Regarding the business model, unlike Polymarket, Kalshi does charge transaction fees. These differ for takers and makers, when order is not immediately filled. Maker fees are lower than taker fees as is common on exchanges as it has the advantage of providing liquidity.

On 10 October, Kalshi announced its expansion to more than 140 countries. Kalshi's monthly volume reached \$2.86 billion in September 2025, surpassing Polymarket's \$1.44 billion, despite being only available in the US at the time. This shows the interest of the US for prediction markets and with Kalshi now expanding and Polymarket expected to re-enter the US, we can only wonder what the future holds for us and how this rivalry will turn out.



### Polymarket and Kalshi Volume (Monthly)



Source: The Block

Where Polymarket embodies crypto's ethos of decentralisation and open access, Kalshi stands for legitimisation, bringing event trading into the same framework as futures and options. Its founders often describe the platform as the birth of a new asset class: information derivatives, instruments that let investors trade directly on what they believe will happen.

## Conclusion

With intense competition between Polymarket, entering the US, and Kalshi, expanding globally, the prediction market industry is rapidly gaining relevance. New entrants like Interactive Brokers and Robinhood are also joining the space. It will be interesting to see how market segmentation develops once the industry saturates, and how both Wall Street and companies leverage these platforms.

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