Molly O'Shea: This will be really fun. We have two MIT math nerds with us, famously called by The Wall Street Journal, Tarek and Luana, co-founders of Kalshi. So something fun happened in the last week. Tarek, do you want to explain what happened at the SEC roundtable?

Tarek Mansour: Two for one. What they mentioned A lot of fun things happen, but, But we're invited to this SEC round- table, in D.C. There's this sort of interesting thing. And, you know, apparently it's the first time they do it in a decade. It was, you know, a bunch of press around it. But, I would say the most interesting thing that happened is like, well, you know, obviously, there was CME, ICE, Sibo, Nasdaq. But then, the the weird part of this panel is (it just got much louder) is Gaussian and Polymarket where there. So there's kind of the new entrants, or the challengers, and maybe the kind of most interesting takeaway of that is like, you know, this the sort of asset class that we've been building over the last few years, prediction markets, event contracts. You know, I think back to a year or two years ago, I mean, you know, there was like absolutely no way we'd be on that panel. But we were this week, so that was fun. And then there was a bunch of the, you know, fights and jibes and all these things that happened there.

O'Shea: But that's what I wanted to talk about, and I wanted to talk about the punchy stuff.

Mansour: Well, I mean, it's interesting. I think financial regulation is going through quite a bit of change right now. And, you know, I think there's a little bit of a view from the sort of, legacy exchanges and in some interesting way, they're sort of, being put at a disadvantage because, you know, the sort of new entrants can benefit from lack of scale. But at least, you know, lack of scale in the last few years. I mean, now we're getting real scale to do things that the, you know, to do things like fighting regulators and suing them and being sued and, you know, taking on Wells notices and so on and so forth that they can't.

O'Shea: We'll get into the whole story of Kalshi. To start, I want to go a little bit more off-script. Sorry to your comms team, but Tarek, can you please share Kalshi's latest numbers?

Mansour: So we're doing you want to know, is that better? So, I'm a little bit, like, I don't look at the numbers a lot because I'm a bit, like, superstitious. I try not to mess with them, but, So I think we're doing 40 billion of annualized volume now. Up from. So last year, at the same time period, right before we got the election approval, we were at, I think, 300 million of annualized volume. We're at 40 billion now. And it's growing, like, 20% week over week. So the top-line growth is going 20%. Retention is up. Basically everything is growing. There's a number of things that are happening. I was here at the introduction of sports markets, but also our partnership with the brokerages like

Robinhood and Webull and others are coming live. And then the sheer sort of number of markets that we scale to. So, you know, we were at 80 markets back in October 2024. Right? 3,000? 2500?

Luana Lopes: 3,000. 300.

Mansour: 3300 markets now. So the company is growing, and we probably, I think we're, I think Kalshi is probably, I mean, Alfred from Sequoia might correct me here, but I think we're probably the fastest growing company in America this year in the U.S. Aside from AI. Like maybe there's Cursor, Anthropic, but then the numbers there are, you know, negative gross profits and stuff like that.

O'Shea: So let's talk about how we got here. Luana, do you want to share the story?

Lopes: Yeah. I'd be happy to. Well, we started the company quite- I think six years ago at this point. And we were both at MIT before, studying computer science and math, and we really never really thought about starting a company. It was always about finance. So fun fact, both of us actually interned at Citadel. I was at Citadel Securities. He was at Citadel, the hedge fund, and it was actually through a lot of these experiences in college that we actually learned about prediction markets. But, so one example was Tarek was at an internship at Goldman. It was around the Brexit time, and a lot of people were calling the desk and being like, "Hey, I want to get exposure to Brexit. I want to hedge Brexit. What can I do here?" And Goldman would create this kind of like type of portfolio and thing and try to sell it to them at like super-expensive prices. And at the time, what was very clear to us, like, why is this not on an exchange? And I think I saw you repeatedly, also at Bridgewater and how the company was structured also worked. And then it was at Citadel, actually, that all of these kind of learnings and ideas we had came together. And we started thinking that there really should be an exchange where you can trade directly on what's going to happen in the future. You're not trying to figure out, oh, so if this happens, that this, this, I don't know, this currency is going to go down, this stock is going to go up. If I do this, what our other variables I need to be keeping track of? We just wanted to create something where you can get exposure directly to where you care about, and the fancy term for it is "prediction markets." And that's how we got started. At the time, we were very naive and we thought that, you know, we're very smart MIT kids. If we figured out the MIT class, then we're going to figure out the federal government. Which, looking back, is probably not a good, good decision- making there. Ended up working out. But, at the time, we really wanted to do it the right way. And I think it was because we came to this from a finance angle. Right? We wanted, our goal was that Goldman and Citadel and Bridgewater, on top of all the brokers we're thinking about, would use Gaussian, would use a centralized exchange to price the future. And for, given that, it was very clear we needed to do the regulatory path, and we needed to figure out how to do it legally. So we went on a three-year journey to convince the CFTC to allow us to operate. And we went through years of, like, battling with the government, like legal analysis and so many things, to be able to legalize prediction markets and become an exchange, a regulated DCM. And then we launched around three years ago, but, kind of, like the battle for each contract continued. And it ended up, obviously, the combination of before the election markets, that was kind of the biggest dream of ours was having election markets legal in the U.S again after, I think, 100 years. And we ended up having to sue the regulators to do that. And exactly a year ago, we launched election markets legally in the U.S. And this past year has been fantastic. Just growing a lot from elections to sports to the brokers and really making this like a real asset class. It's like, beginning of our goal back in 2019 is starting to become true. Now we need to have the rest of the folks using as well.

Mansour: I think, the, the, I mean, there's a few things that are important about this story. First of all, well, headline: Kalshi started out of Citadel, actually. So, it's nice to be back here in full circle. I think, you know, the one thing that was important, we wanted to be traders at the core, like, in some ways, you know, and you go through college, and there's like the persona of the sort of, student that, like, is tinkering with products and wants to sort of build a company and become an entrepreneur. And it wasn't really the case for us. I think the thing that we naturally gravitated towards was trading. Like, you know, we loved trading, being part of financial markets. And, but this is sort of the idea, you know, I kind of I kind of- At Goldman 2016 before the Trump election and Brexit. And when I started Bridgewater, where, you know, they have the sort of, you know, division that comes up with the views on the world and the division that sort of executes on those views. And they were kind of disjointed. Obviously, you saw that Citadel as well. I mean, the idea sort of pulled us into building it because, you know, you have a financial market to price, you know, companies, you have financial markets, price, commodities, currencies, credit, crypto in some ways, currency or commodity or whatever. But this idea of like, you know, a financial market that can price simple questions about the future was a really interesting one because, you know, we got we got pretty convinced early days. Like, if we could actually build it. Like, yes, there are problems. There's obviously regulatory problems. And then there's liquidity problems. There's a bunch of other problems. There's a lot of challenges in this market. But if you could build, if you could realize the formation of that market, it could be the largest of them all because the largest number of people will care. And we're seeing that. Right? Like, we obviously are not doing the notional volume of CME on a yearly basis. But, you know, we've grown quite a bit, and more people care. You know, a lot of people talk about Kalshi and talk about some legacy exchanges because people relate to these markets. And the number two is, well, yes, it is important to price companies. But, you know, what if we could actually price questions about the future, you know, whether Brexit is going to happen or what's happening with climate, who's going to win the next election. Like, these are important questions that a market-based, rational answer would do us, would do us quite a bit of good, you know, instead of, sort, of the polarized, you know, whatever biased, you know, emotional, emotionally fueled sort of debate that we're currently having about all these questions. So it's been quite a journey. Obviously, the regulatory journey has been a very tough one. But, you know, this year has been pretty amazing.

O'Shea: Not many people decide to sue the government. So I'm just curious. From your standpoint, how did you navigate that process?

Mansour: If it were up to me and Alfred, we probably wouldn't have sued, to be honest. She's the one who wanted to sue. But, you know, We, we I think there's this mix of sort of being naive. Well, we were very committed. Well, a few things. I mean, when you first started the company, we left everything. Right? Like, I, you know, I was actually going to go work at Citadel. I think you were on a similar- And when you make this sort of decision. You tell your I mean, my parents were like, you know, "What on Earth are you doing?" Obviously Like, the usual, the typical sort of cliché of "What are you doing?" And I didn't know, honestly. I was like, "Yeah, I'm going to go do this thing that's, you know, pretty much illegal right now." And, you know, and not take this sort of dream job that I've been working on for four years. Then, it gets really hard because then, you know, it's there's a sort of sunk cost fallacy, but, like, you know, every year, like, well, here's how much I would have made if I stayed in it. And like, now you're like, you know, you have nothing and you're freaking out about it. So you had to win. Like, you have to figure out a way to win. When you put yourself in these sort of situations, like, there's so much relying on you. You've sort of made a promise to yourself and people around you, like, you have to make it happen. And the other thing is like, again, we didn't start this company just because we want to start a company. We really like this idea. We want to see this idea into the world. We always thought once it's out there and people see it, they will love it. It's going to be big. People are going to be talking about it. And, the decision to sue didn't come light, you know? And now we always get asked by new entrepreneurs or like, newcomers. It's like, "Oh, should we sue?" Like, no, don't sue. Like at all costs, avoid suing. Suing is the worst. Never do it because it is the worst. Like, and we first started talking about the election market in 2021, at the end of it. And then we got denied at the end of 2022. So we were waiting. We were trying to get it done by the midterm election. But we sort of, it was basically, like, we got delayed by the regulator beyond the midterms. So, you know, we got we did the sort of team meeting with the entire team and the night before the midterms and like, "Hey, this is just not happening." And I remember, I think we lost like 30% of our team right after that. And people were like, "Well, this was the wrong side. You should have never done this. You should never have put a whole year into this as a strategy. We should have done something else." And so on and so forth. And then we made the decision to double down and basically to try again for the next year. So we worked on it till the end because we were like, maybe we get it by 2024 election. We worked on it until the end of '23. Then, we got denied again. And then this was sort of the critical juncture where we, we're like, "What do we do?" You know, business is not really working. We never thought that prediction markets would really- There is a sort of critical mass type thing that happens in these markets. Like, it's a bit of, you have to have the chain-reaction start. And, you know, liquidity begets liquidity. And lack of liquidity begets lack of liquidity. So we needed a sort of really strong, like, powerful, like, force that would generate enough momentum for this market to basically like start to get kick-started. I mean, I always thought it has to be the election. Like, it was the sort of single unifying event where there'll be so much interest and so much trading around it that people would get educated and get started. And so we get to the end of '23 and, yeah. Why did you want to sue so bad?

Lopes: Yeah. I mean, to me, adding to what you said is a the election markets are just too important. They are the kind of, really, the Holy Grail of prediction markets. They prove what we're doing, but they also, like, the data that comes from these markets is just so important that we really felt like we had almost a responsibility, and we had to do it because we really thought if it were legal. What we were doing was, we were right on the law. And I think it's, maybe because I'm not American, I had a lot of faith that if we're right on the law, of course the judicial system is going to agree with us. So why wouldn't we, why wouldn't we see the regulator? Because we're right. And I think it's just a mix of how important it was and how much we thought we were right. And how, you know, like we thought we were going to win. To me, it was very, very, very clear that we needed to sue the government. And I thought that there would be- I kind of underplayed the retaliation and all those, that side. I thought that wouldn't happen as much. I was wrong on that. But, I think it's, just in general, just how important it was. And how right we were legally. And I think that the way that the lawsuits panned out just really proved that we were right legally. Right? We won in the district court, and then we went to appeals. And then we won unanimously with all Democratic-appointed judges, even though, there was kind of a division at the time that one of these markets were the Republicans and, and things like that. So we were just very clearly right there. But it was definitely a hard decision. And we only got one month of the election market live because of the timing of the lawsuit, going there, but I think. Yeah.

Mansour: It was enough.

Lopes: Yeah, it was enough.

O'Shea: And now trading volume has surpassed the election.

Lopes: Yep. Yep. Like, we have way bigger days now than we had the Election Day. And it's a mix of a lot of things. Right? I think that this year, what you see is the culmination of five years that we have been building. Right? Like, for example, to be able to integrate with brokers, it's been the past two years that we were building so many systems and so many things to be able to integrate operationally, technically and all those things. And you're just seeing now the result of work the team has been doing for years. So yeah, now, like, I think every weekend, we have an all-time high. So it's very exciting.

O'Shea: I've seen you've also expanded into 24/7 trading. How do you scale up the team with that?

Lopes: Yeah, that's a great question. And I think it ties a bit to the regulatory landscape as well. So the first thing you have to do is make sure we had surveillance. We all have, we built surveillance system for our markets in-house to make sure we had surveillance 24/7, customer support 24/7. But our goal is to go international really, really soon. And it's kind of a precondition for that to go 24/7. But a lot of our, being able to build all of our systems from scratch in-house, the technical side is actually pretty simple to build 24/7. It was more the operational side that we just needed to make sure everything was buttoned up. But we've been 24/7 now for, I think, over a month with no issue.

O'Shea: What's the actual process to get contracts live?

Lopes: That is a great question. What we've been, the process itself, well, the regulatory process is you need to certify a contract to the CFTC. If we send it before 8:15 am, we can list it the next business day. And if the CFTC doesn't decide to stop it. But of course, there's a lot of work that goes into actually getting a contract that they will approve, making sure that, they kind of like your operations and your legal side is buttoned up. The first contract we did, I think, took 18 months to get through. Nowadays, like most of our markets, I think it is less than a day because a lot of it you can develop based on previous markets, try to shrink the timeline. So we really built, like, operations to make sure that almost every market that people suggest go live in the platform within a day, of course, if they're legal and compliant. But most of the requests are. And yeah, and there's a team in-house is pretty much like looking at all the news, making sure that we have all the markets as quickly as possible. And it's just been years of developing this operation to get there.

O'Shea: Tarek, you've mentioned multiple times that you think prediction markets will be bigger than the stock market. What is it going to take to become a $1 trillion asset class?

Mansour: It's pretty much already, like, close to $100 billion a year asset class, right? Like, it's pretty easy to imagine. Imagine a 10X from here. Like, we haven't even started. It's been a year Like, it's. And so, you know, it's kind of crazy to think about, like, we really have been properly operating and properly servicing customers and being able to do what we need to do for like a year, 12 months. So, I just think I go back to first principles. Like, I think a very large number of people care. Much larger than, you know, the traditional markets. And I think retail as a pie has just been growing in the U.S. And I think it's going to keep growing. It's growing in the stock market. It's growing outside of the stock market. And you know, like when I think about prediction markets or, like, event contracts, like, the point here is that it's not about yes/no question. Like over time, we're going introduce different structures, and it's going to be questions are not yes/no. But it's about underlyings that are nontraditional. Like, could you financialize anything that people care about? And, you know, "Kalshi" is "everything" in Arabic. The long-term vision is to financialize everything and create a tradeable asset out of any difference in opinion. And I think, if you do build a general-purpose exchange that can resolve differences of opinions on anything, like the time is quite, quite massive. You know, quite, quite a bit bigger than the current time of the stock market, I think. And then the implications are very important because now you imagine the sort of, you know, layer of financial infrastructure that ends up, you know, powering, you know, the new era of, you know, financial trading, like trading and sort of this idea of resolving difference opinions, but it's also powering things like the news and how you engage with the news and how you think about the news. And, you know, and what's happening in the world, and how you kind of like, in some ways, like, figure out what's the truth, like what's sort of like ground truth in what's happening around us. And I think, you know, putting aside sort of the retail trading and the institutional trading product, like there's, sort of, this separate product, which is, like, we are living in a world where, like, we have an abundance of information, but, like, we don't have quite a bit of, quite a good, quite, like, our filter is becoming increasingly more noisy. There's a lot of noise and, like, we don't really understand what's real from what's not. And prediction markets are an antidote to that. They they do a very, very good job at distilling information and surfacing truth to people. And you're seeing this sort of massive shift where, like, people are using them whenever they think about questions about the future, you know, whenever they're debating about anything. And I think that trajectory is going to keep going. That's going to become a- that's a new consumer habit that I don't think is going to be undone.

O’Shea: What's the actual business model of Kalshi?

Mansour: Just take transaction fees, trading fees.

O’Shea: And how are you working with institutional partners?

Mansour: So so we have cash Interac where we take, you know, just charge our direct retail customers trading fees. And with the brokers, we basically charge the brokers a trade-exchange fee. And they can charge whatever they want to their customers. And then, obviously, we have a few market makers. Some of them are institutional market makers. There's a number- we have tens of them now. But the most notable public one is Susquehanna. There's a number of other similar ones that are nonpublic. But then also, there's like this sort of rising class of, I would say, like it's either sort of individuals or small prop shops being formed that started in prediction markets. They were with us from the very, very early days, and they scaled, you know, with us to today, and those guys, sometimes we give them a few rebates and like, you know, they get some of the usual benefits that they get on traditional exchanges. But the interesting piece about that sort of last class that I just mentioned is like some of these small teams, prop shops, you can have like teams of two people, and they're making tens of millions. I mean, I think our top-performing team is making 60 on Kalshi this year. Maybe even more, honestly.

Lopes: They are three people.

Mansour: Three people. They got an intern. Yeah. But like, it's amazing this asset has grown. And these are people that like, you know, this team, for example, they started with, like, they used to, like, trade on Kalshi in the bathroom, hiding from their wives, like, you know, on the side. And then it became a like a hobby. Then it became a full-time job. Then it became, you know, a company. And now it's like a company that's making \$60 to \$70 million a year. Like, that's a big company with three people. So it's, like, it's amazing to see how that sort of whole ecosystem has grown around the market. And we're going to see more and more of that in the coming years.

O’Shea: And more recently, I'd say you guys hit mainstream. You were on South Park. Yeah. What is that like?

Mansour: Well, first of all, we didn't know about it.

O’Shea: You didn't know?

Mansour: A lot of people ask, "Was it paid promo?" Which, you know, if you had watched this episode, you'd understand why it wasn't a paid promo. But, you know, it wasn't.

Lopes: Yeah. It was funny because I'm not American. I've never watched South Park before. So I woke up, and it's a bunch of messages being, like, "We're going to be on South Park!" And I'm like, "Oh my God, what is that?" But it was really cool. We all watched together in the office, and, honestly, was less bad than we thought it was going to be. So.

Mansour: Well, we obviously don't agree with the episode, but, you know, needless to say. But, it was funny. I mean, and the most interesting part was like, they copied the app 1 to 1. I mean, even the bugs. Like, even the, like the "Refer $10" at the top and, I hate that thing on the app. But, like, we have it and, like, they copied it. I mean, it was really amazing. But again, it's one of those interesting moments where like, this can be really be embedded in culture and embedded in our day-to-day, embedded in the way people think about the world, and I feel like we're really very much on the path.

O'Shea: What have you learned from your users? I know you have like a whole swath of different demographics.

Lopes: Well, I think we've learned a lot. I think, one of the most interesting things, I think, is, like, there's a lot of people that you wouldn't imagine, like, what their background is, and they're able to become very, very big experts in something. Like, our biggest inflation trader is actually this random guy from Kansas who's never traded financial markets in anything. But he's made so much money because he's very, very good at predicting inflation by reading the news and everything. And I think, from a lot of the users, what we learned is it's the first time they have a way to monetize what before were hobbies for them. So for example, we have markets on Rotten Tomatoes scores or things related to music. And you see a lot of people that have no background in finance whatsoever, and this is actually the first time they've been able to monetize different things. And it's very exciting to also, like, hear from them, which markets they want us to list. Like, they bring more people that have, like, similar interests. And we get a lot of these, like, communities growing on Kalshi. I think is very interesting because I think when we started, we also thought is it going to be like, is it going to be that only the big funds are going to be able to make all the money? And it's very, very far from it being the case. So.

Mansour: Yeah, Our demographics are also sort of the, I would say, the most diverse because-so we have, I think, the highest percentage of female traders out of any active trading products. And it's interesting because you ask, you always ask like, you know, did you ever like trade or like in any way like there's this kind of reaction, like, "No, that's just not for me. Trading is like, not for me." It's like, well, what do you-you know? And it's people that would never do, like, any active, like, trading or if they have a 401(k), they obviously never touch options or futures, which way too complicated. And then, they didn't also even do like crypto or sports betting, like, none of that. But it's like, well, there's a market here for something I care about. Like, you know, there's markets on like what? You know Taylor. What how well the album for, like, the next Taylor Swift album is going to do or, like, the Rotten Tomatoes scores and like, a lot of people follow this pretty religiously and they have a lot of knowledge about that. And there's like a way to kind of monetize it now. And, We see this as a kind of a pretty interesting trend over time because, you know, they start with certain set of markets, then they can go into a bunch of other markets on Kalshi, and then, over time, maybe into traditional financial markets. But this is definitely one of those things where, like, we have a subset of users that are in traditional financial markets, but the bulk of our users are not. They really didn't have a home before this. Like, they're not in traditional financial markets. They're not in sports betting or any of this other stuff. They're just on Kalshi, this weird new thing that, you know, we have been doing for a few years, and now we're basically much more committed to.

O'Shea: What are your favorite markets?

Lopes: Well, my favorite market ever was, I was a big One Direction fan when I was younger. So it's whether they're going to have a reunion was like a dear market to me. But, of course, goes without saying, the election market is the market that I love the most. But, that one. And right now, I'm really watching the length of the government shutdown. I think, right now, it's forecasted for 21 days. So I think, for me, like, all of the news I get is from Kalshi. I just open Kalshi, and I'm like, "Wow, 21 days! It sounds like a lot," and go through a lot of things. But.

Mansour: For a while, it was the TikTok ban. I think that was, like, because it was really one of those, I mean, putting aside the election, obviously, but it was one of those markets where, like, it's really hard to price what's going to happen. And it is important, like, what's going to happen on TikTok? Whether it's going to get banned or not is a very important event. Like, we should know what's going to happen. There's a lot of people whose, like, entire, sort of, revenue stream is at risk. And this is millions of people that are on TikTok that make money via TikTok. And then the opposite is obviously, you know, this whole question about, you know, what is TikTok doing to our kids in the U.S and so on. And it was amazing to see, like, how the market's pricing in real time to sort of infighting of what was going to happen with TikTok. The more recent one that I thought it was very funny and interesting, was the Astronomer CEO being ousted. That one was crazy. And like, it's spiked for like a few days. And then, you know, it went back, but, and then he did get ousted.

O'Shea: So are you guys monitoring the market behavior at all? Because I've seen a lot of them flip last minute. How does that, how does that work?

Mansour: What's an example?

O'Shea: Like, I think the last election one.

Mansour: Oh, the Mamdani election.

O'Shea: Yeah.

Mansour: Oh, well, the market had it sort of. So this is what's interesting. That happened with the Mamdani election. It happened with the Pope. So actually, the prediction markets were pricing the Pope, the American guy, at 1%. And, you know, they were, by the way, again, the, you know, the weirdos on the internet that are now the prediction market stars, like there were a bunch of them, there are buying him at 1%. And, you know, and they had this whole analysis for why he was underpriced, etc. But like, this is the thing. Like, prediction markets, obviously, are not a crystal ball. Like we, we, you know, like, what we can claim is that they're the most accurate way of aggregating kind of the prevailing information that is out there. And, you know, sometimes the information that is out there is not enough. Like, and, you know, but it's more accurate than any other alternative. So notably, the Pope market is one of those markets that, like, it is really true. There's not much information about what's going to happen in that room. Like, they go in, and no one knows what happens. They could be fighting. I mean, I have no idea. And like, they come out with, you know, a surprise answer. And so that happened. The New York, the Mamdani election was- That was interesting. Yeah.

Lopes: What I thought was very interesting, and you see this with the presidential election or with New York, which is how fast the markets are getting the information. So right after the polls closed from Mamdani, I think, it was 9 pm. They started counting at, like, 9:02. He was already at 80. Or even higher than that. And I think the exact same thing in the presidential election. Start of the Election Day, I think Trump is at 65. And I think it was, they started counting the early votes for maybe South Carolina or Georgia, I think. And then Trump was already at 80 at like 6 pm. I think he was already like 80, 90. And I think it's just like the speed of information versus being on. Also like watching the news and they're counting ballots by ballot and they're not really sure. And they're trying to see and make an analysis. But prediction markets were like, honestly, almost instantly, they are able to get this information. And if Georgia early voting is like this. This is South Carolina. Pennsylvania is gonna look like this. Arizona is gonna look like this. And you have like way better price rising. But yeah, prediction markets obviously are not perfect. What they do is they give you a probability distribution, but 1% is not zero. And I think there's a lot that we can do on the education of that because even for the election, you see a lot of the coverage was thinking that a 65% Trump meant an 100% Trump, and they were comparing it to how you analyze polls versus and it's just obviously very different, right? 65% is a slightly biased coin flip. Right? And I think there's a lot that needs to be done in terms of education for people to actually know what simple probability means and how to actually understand and, deal with, the data that they're receiving. Because the data doesn't mean a 51%. It's 100 or 49 to zero. So there's a long way that we have to go there, too. Yeah.

Mansour: People are making that, like, people confuse that a lot during the election. And that was like, that was kind of a key learning. Like, it's crazy that people- I mean, it is not a poll. Right? Like, because if you're polling 65%, then it's done, pretty much. But if you're being priced at 65%, yeah, it's like a two-thirds chance. That's still very much so a race. Right?

O'Shea: Because you're so close to the truth and you're seeing how information is spread across the internet, what have you learned about media and communications?

Mansour: So the question, it's a very good question. The unfortunate reality is like, you know, people don't really want the truth. You know, I don't know if it's. Like, I mean, we've really seen it. Maybe it's not a learning, but, like, it's just not what people are interested in. Like, well, it- I mean, maybe it's a bit of a broad statement, but like during the election, the thing that was very interesting, So, like, when Trump odds were up, and you know, we've kind of really seen this, like, some point there's like a bunch of conspiracy theories that, like, I was a Mossad agent because I worked at Palantir at some point, and, you know, we're rigging the election. And then when, at some point, the Harris odds were up after the Ann Selzer poll for like a brief point of time, I flipped to being an Egyptian billionaire. So I'm neither. I'm a Lebanese guy. Not, you know, neither, you know, born in California. But, there's this sort of very strong, like, need. And we see it on social media. We see it everywhere. It's sort of, like, we reinforce a narrative and, like, it's all about, like, what is the sort of end goal and, like, figure out what data backs it. And over time, as people kind of get more and more familiar with these markets, like, I think, you know, they'll realize like, "OK, you know, this is a marketplace. It's the crowd wisdom. It's people with real skin in the game. The bias is to make money, which is great." All you have to trust is that people are trying to make money on this market, which is an easy thing to trust. You know, people will start going to these markets to find an unbiased sort of source of truth. But it really is, you know, like, and maybe kind of like a second sort of learning. Like, it's just kind of how polarized things have gotten. And like, you know, you see it on like different platforms. Like you can put, like, Trump odds being up on one platform and on another, and then on one of them it, like, the algorithm boosted to the absolute, like, moon. And the other one, it kind of, like, tanks and just disappears and, like, so even sort of, like. So you have media that's sort of biased, and it's, you know, has a bunch of issues. Not all media but some of it. And then the polls are, like, the accuracy is decreasing. And then even the social, like, social media, like, even if it's not the platforms themselves, it's like your network and your bubble around you basically, like, feeds you the things that you know you want to hear. And so there really isn't, there's a huge scarcity of like just being able to like, look at something and know that it's actually real. Like. And I do think prediction markets, the thing is, like, I can't really think of a better mechanism. Like it's, like, if you go back to try to do it from scratch, it's like, "OK, how do we solve that?" It was like, well, let's figure out what are the right incentives in the system and how do we do it, and make sure enough people participate and enough smart people participate. What? How? How about we take all the opinions from everybody and then weigh them by how much dollar they can put? And, obviously, if they're more convinced, they put more money in. If they're less, they put less. And then, you know, create incentive. You know, a monetary incentive to be right. And, and, and, you know, we just recreate prediction markets. So I do think that, sort of, this, this truth concept that I think makes these markets so important. You know, they're not kind of the ultimate truth, but I think they're as close as it gets.

O'Shea: Good. OK. That was a hardball. So sports has become a very popular segment for Kalshi. Can you talk about the rise of sports and how you're battling different states over contracts.

Mansour: We're suing, and we're being sued by everybody. So if everybody wants to sue us here, we can talk after. Alfred is not happy. He's funding all these lawsuits, but, but, I'd say a few things, like, the, I'll be careful because I'm going to Vegas tomorrow, so, I'll be nice this time. The, first of all, I think very similar to the election, we're right on the law. Like, just that's always been our approach. Regulatory first. Legal first. We do it right. We do it clean. It has to be the case. I believe in financial market markets and healthcare. You have to do things the right way. When you're handing people's money, and it has to be done well. So we are right on the law. I think, very simple, if we list this on an SEC or CFC-regulated exchange, we benefit from federal preemption the same way that, you know, the CME benefits from federal preemption for commodity futures. So there's some laws in Kansas that ban some commodity futures from being traded in Kansas. But you can still trade these commodity futures on the CME because of the same laws. So that's very important. Like that. That's, I would say from a legal perspective, you know, we feel pretty confident. And I think, you know, it's going to be a battle over the next few years. But you know, when I stick it out, it's not our first time, you know, doing, battling lawsuits. I think, then there's a sort of question of ,like, you know, is this sort of the, you know, the, you know, then then there's kind of the legal. There's the commercial and then there's sort of society, ethical, like, where is this going? So the commercial, obviously, the results are clear. Like this is, you know, people like trading on sports. And it's working very well. And that's great. The societal thing, like, the thing that's interesting, I just think of it a lot, is like going back to kind of some of the things, the reasons we started the company that got us excited. It's just sort of like, oh, to see it on an exchange, traded. So, like, when people came to us in the equity derivatives desk at Goldman, and I was there in 2016, it's like, "I want to get exposure to Trump." And we create a bundle. It's like, "OK, here's a Trump trade." And I feel like I could be a calendar swap calendar spread like around the Election Day, which is an effective short on the S&P. You could add some fancy stuff on top. And they would charge ridiculous fees on top of that. Like, the payments are insane. And oftentimes, it was a bad trade. Like, you know, the Trump trade was shorting the S&P. But you know, a lot of people were right about Trump winning, and then they lost money. Like, there is obviously a better product than this. Right? Like, it's not very hard to build a better product than a product that goes the other direction. So and it's kind of like this odyssey that I'm saying, it's like, you know, OK, there's, this was a bad proxy. Number two is, the pricing was very opaque and bad and nontransparent. And three, there's like an access question. Like, not everybody can access a Goldman desk to get what they want. And I think it's the same thing here with sports. Like, you know, people are coming to Kalshi, and some of our partners because, you know, you now have an exchange-based mechanism to trade. You know, you're not just being handed, like, a set of odds by a sports book, where you walk in and the incentive of the sports book or the casino is for you to lose money. Like, the revenue is equal to your losses and vice versa. Whereas here, like, our revenue is not equal to customers' losses. Our revenue is equal to our transparent $0.01 or 1.5 cent exchange fee. And we make it whether people lose or win money. It doesn't really matter to us. Our incentive is for people to retain and, you know, enjoy the product and use it more. And then, you can see the trace. Like, you have a trace, like in the stock market, where was the price before me or where was the price after me? It's very transparent. And then people can compete for your flow. You have competitive bidding, all of which are net positive. Like, these are things that are good. Making a market more competitive rather than less is a good thing. And the results show, like, on Kalshi, people lose, you know, on traditional sports books, people lose a way larger percentage. So it's like it was a good alignment, like 99 for one place, but 95% of people lose money. On the exchange model, that's much closer to 50/50. And that's the kind of thing that excites us. And I think this last one is the key thing for why, like, this over time, I think is going to be the traditional, like the de facto model in the space.

Lopes: And I think it's interesting also, like, the amount of, for example, we're doing a lot of different structures for sports and I think is just broadly getting a lot of these activity that you see done in opaque ways, even like off-shore, they do different mechanisms and things like that. And bringing it transparently to an exchange. It's federally regulated. All of those things are net positive. And the sports industry is just such a big industry with real risk associated to win the Super Bowl or not. And you should be able to hedge and get exposure to these risks that are moving billions and billions of dollars a year, on the industry. So.

O'Shea: I've been a huge fan of Kalshi for a bit, but I'm also a huge fan of your growth team. I feel like you have been at the cusp, if not the frontier, of reinventing what marketing is and growth marketing. You have this across different channels. You're pumping out different kinds of content. You go viral all the time. What's your favorite campaign?

Lopes: Well. Well, I'm a big fan of our AI ads. I think that we had to ... we really like the, especially, the, like, the "Betting on the underdog" one was very, very exciting. And yeah. I don't know. Are you? Do you agree? I know you like-

Mansour: The AI ad was pretty big because, like, so we aired the first AI-produced commercial on live TV. So that was, and I honestly, we didn't know it was the first. We just did it. And, like, it ended up being a big thing. My favorite has to be when we bought up, like, we bought, like, this sort of crazy amount of billboard inventory across all the key states during the election. And we put, like, live odds and live trades. So as the trades were happening on Kalshi, you could look up in a bunch of places. Times Square. In the middle of Vegas and LA. We kind of bought really kind of all the major cities and a ton of inventory everywhere. So you could look a bunch of places, and you could see the election odds and who's going to win. And you could see it in real time. You could see the actual trades being placed in real time. I think that has to be my favorite. But it's kind of the same because, you know, when you're asking the question about listing markets, like it's all intertwined. Like, the whole point of this market is, like, they're much more dynamic. It's continuously about what's what's in the news and what's on top of people's minds, what's trending. Create a market about that and make sure that people are basically talking about it. And we see this as a kind of fully embedded, end to end. Like, the traditional, market, you list something and you cater, you know, build a query for it for years and, like, that becomes a thing. The next generation just does not have the attention span for that. They just don't. Like, I don't. Like, I can't even watch movies anymore. Like, I can't read. Like, I just sit on TikTok all day. Like.

Lopes: I love working at home.

Mansour: Sometimes, but, like, but the point is like, you know, things of, like the things that are relevant, they don't stay relevant for long anymore. They're relevant for a very, very short period of time. And so, like, your operations, your listing, your markets and your marketing has to be extremely dynamic. It has to be, sort of, wake up on the day and, like, figure out what's up and then, you know, market accordingly. And I think we've done a good job. The thing is, it's, like, a small team. You know, pretty hungry, pretty aggressive. And then just pretty creative. Just let people do their thing.

Lopes: It's almost a mix of thinking, like, how, like, an editorial part of a newspaper. Yeah. Would be about what's in the news today? We need these markets. We need to push to have a certain amount of liquidity. We need to do a certain amount of ads. How do we make them? And it's like piggybacking out of viral events. Prediction markets are important because of the viral events. And we can also use them to grow. And having that flywheel, that loop, is a lot of what we work on, from contracts to growth and figuring out how to be better and faster. And all of that, especially with the regulatory constraints, is a big, big part of what we do.

O'Shea: Amazing. Well, we're out of time, but it was a pleasure to speak with you both again. It's been so much fun to watch this journey, and it just keeps on escaping velocity each time I talk with you. So thank you.

Mansour: Thanks for having us. Thanks everyone.