

Technical Communication and Regulatory Friction with Prediction Markets and Insider Trading

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Summary

We investigate the regulatory crisis facing prediction markets, specifically Kalshi and Polymarket, as these prediction market companies navigate external stakeholders' conflicting views on their regulation. The prediction markets face many complaints and issues that must be resolved with better safeguards in place, including safety concerns about the markets being similar to gambling, and concerns about insider trading ruining the free and fair market. The public wishes to be assuaged of these concerns, and the governments wish to have control over regulation of this new and promising field. Through a rhetorical analysis of primary social media data, news articles, court rulings, government reports, and peer-reviewed studies on prediction markets, we find that the prediction markets utilize philanthropic technical communication to ease regulatory friction and sway public opinion, while regulators attempt to control and maintain jurisdiction through arguments about public safety and health. We recommend the prediction markets shift towards standardized, cross-jurisdictional technical transparency regarding their safeguards against insider trading to both all governments involved and the public to satisfy oversight and ease public concerns.

Background

Prediction markets have been rising as a new and popular field, especially considering the world's interest in financial risk and reward since the COVID-induced boom in retail investing followed by the massively wide-scale betting on the 2024 US Presidential election through prediction markets. Since their creation, and more recently during their popularization, these markets have faced calls for regulation and arguments around their legal status. The main actors—prediction markets themselves, government agencies, state/local regulators, and the public—have used technical communication to sway others towards their arguments and perception of these prediction markets. In late 2025, as prediction markets were becoming more normalized and known across the general public, the federal Commodity Futures Trading Commission (CFTC) and the Securities and Exchanges Commission (SEC), along with the prediction markets themselves (Polymarket and Kalshi), signaled their joint efforts towards working towards useful and protective joint regulation for these markets (Kumar, 2025). These efforts were signaled through public statements and posts on social media by both parties. Around that time, there was also rising awareness of large scale insider trading taking advantage of these prediction markets for significant personal financial benefit (Sobrado 2025). Berg and

Rietz (2014) wrote a foundational study of political prediction markets that showed the exploitation of insider information as a fundamental threat to the long-term integrity of these markets. They wrote that even small-scale manipulation can affect prices in a way that distorts the core value proposition of prediction markets. Prediction markets, federal regulators, and the general public were openly and loudly against insider trading, as it prevents a fair and open market as some have unfair insider information that compromises the integrity of the entire market, which led to calls for better regulation and prevention of future insider trading. State regulators, such as a Massachusetts judge, have ruled against prediction markets being allowed in their states through classifying the platforms as gambling, and speaking against the platforms being allowed due to being negative influences on their citizens (Reuters 2026, Selig 2026). Facing this threat to their existence, Kalshi and Polymarket launched a dual-pronged communication counter-offensive. They aimed to shift public perception away from the “predatory gambling, unfair market” perception through highly publicized philanthropic campaigns, such as distributing free groceries to New Yorkers, and through speaking out about their plans and strategies to prevent insider trading on their platforms (Lang 2026, Mansour 2026a, Mansour 2026b). These prediction markets also sided with the federal CFTC over the state regulators, arguing the federal government had the jurisdiction to regulate due to these being national markets, and appealing to the federal government to defend their existence (Kumar 2026). The Trump administration and the CFTC have backed these prediction markets over the states, claiming they have exclusive jurisdiction over regulating these markets, and insist that their federal oversight allows these markets to operate nationally regardless of individual state opinions or lawsuits (Sweet 2026). This legal and communication battle is still playing out regarding regulation of these markets, and how exactly insider trading and these markets will be regulated has yet to be determined. This raises the research question guiding our analysis: how is technical communication used to impact how prediction markets are regulated with regards to insider trading and gambling in late 2025 and early 2026?

Methods

To investigate the communication surrounding prediction markets, we analyzed how three main stakeholders – prediction markets, government, and the public – formed arguments and communicated about three main topics – regulation, insider trading, and public opinion. We analyzed original media communications from these groups, as well as supplementary journalist reports on these topics. We also grounded our analysis in empirical historical peer-reviewed research on financial markets, gambling, and public health. We particularly examined the rhetorical framing and terminology of each report and announcement to see how these groups chose to convey their responses on these critical issues to the public, for instance, their targeted word choice to minimize personal liability and invoke public goodwill. We noted their use of core rhetorical strategies, such as appealing to public ethos amid the legal scrutiny, and their attempts to redefine terms in a more favorable light. We evaluate both the intent and impact of these communications. We acknowledge that by focusing on highly public corporate communication we are analyzing highly curated public relations strategies, and not unfiltered internal communications which may be more truthful on how these parties actually feel on these topics. This scope is intentional as we are studying how they utilize public responses to sway opinions towards their favor and for their party’s goals – in the prediction market’s case, being

allowed to continue operating in the US, in the government's case, control over the regulation, and in the public's case, safety. The door is open for future research to focus more on internal communications, which could show different (and possibly more unbiased/unfiltered) perspectives on these topics.

Findings

Philanthropic Communication

The most obvious technical communication employed by Kalshi and Polymarket during all of this regulation and the shifting of public perception about their products was the use of high-profile philanthropy to improve their image. Instead of directly tackling many of the allegations of the gambling and insider trading (although they did tackle them a bit), they reframed their public image through generous acts that they very effectively communicated to the public. This was especially evident when both Kalshi and Polymarket independently opened free grocery stores in New York City in Feb 2026, where they gave free groceries to New Yorkers (Lang 2026). They used technical communication to tell the public about this on social media by Polymarket posting about it on their own account on LinkedIn and Kalshi's CEO Tarek Mansour posting it on his LinkedIn as well (Polymarket 2026; Mansour 2026a). This communication strategy is about avoiding a rebuttal of the charges against them, and instead performing tasks that benefit their civic communities to generate goodwill and undermine the negative associations that people have with them. This was an intentional and strategic communication choice to shape the audience's perception of the company's character instead of defending the mechanics of their platform. Especially in a climate of such strong anti-gambling critique, where both regulators and public health researchers are drawing connections between prediction markets and sports betting addiction (Yeola et al. 2025), the grocery giveaway was a visual display of these prediction markets being the opposite of a predatory gambling operator extracting money from their users at all costs. The message they were implicitly communicating was that they give back to the community instead of taking from it. While the free grocery stores were pretty effective at generating positive media coverage, they didn't address the regulatory issue of whether they should be classified as gambling services or the issue of insider trading undermining the public trust in the markets being fair places to trade (Sobrado 2025). Their philanthropy clearly prioritized optics over accountability to those who looked at it a bit more deeply.

Strategic Audience Choice

The prediction markets and the government both also had to tackle the technical communication challenge of prioritizing the target of their communications. In this case, the prediction markets had to decide between convincing federal or state legislators to allow them to operate, and the government had to decide the split between what they would communicate publicly vs internally in response. The prediction markets could tell that state legislators were attacking them on the front of their classification as a gambling site, and the federal government and CFTC was more interested in setting them treated as a legitimate financial exchange, so they proceeded strategically with their communication. For example, the Trump administration and the CFTC

stated that federal oversight granted these markets the right to operate on a national scale, and that states had no purview over them (Sweet 2026). The Massachusetts ruling against Kalshi's sports betting market in favor of consumer protection was called an overreach by the federal government (Reuters 2026; Selig 2026). This makes sense historically, since the CFTC has been historically much more open to financial innovation than the states, and often their innovative decisions can convince states to follow suit. Knowing this, Kalshi and Polymarket target their communication where they know it'll have the greatest impact: toward the federal government. For example, Kalshi appealed directly to the CFTC to defend their right to operate nationally (Kumar 2026), and the success of this approach was confirmed by how aggressively they were backed in state lawsuits by the Trump administration from that point forward (Sweet 2026). In targeting the federal government and CFTC with their communication, they could avoid directly facing the charges of rising gambling addiction being related to the rising success of their platforms (Yeola et al. 2025), which were happening mostly at the state level.

Insider Trading Reporting

The last communication challenge facing prediction markets was their methodology of handling insider trading incidents. There were several high-profile cases where insider trading was brought to light on major markets on Kalshi and Polymarket, such as when a Polymarket user made one million dollars in 24 hours in late 2025 (Sobrado 2025), and when Kalshi took action against one of MrBeast's editors in early 2026 (Allyn 2026). The public perception around the communication of these events has made people see these prediction markets as handling this major issue of public trust with insufficient transparency. Kalshi CEO Mansour's LinkedIn post on insider trading acknowledged the issue of insider trading directly, but minimized the severity of its implications for Kalshi specifically (Manshour 2026b). He framed insider trading as an industry-wide issue that is present on every financial exchange, and stated that Kalshi was working as hard as could reasonably be expected to mitigate this issue. Specifically, Mansour's post said, "All industries have bad actors and no system is perfect, Kalshi's included. But we are committed to improving daily" (Mansour 2026b). Later, when Mr. Beast's editor got implicated in an insider trading case, Kalshi's head of enforcement publicly announced that he would be banned from trading on the platform for five years and would be fined \$2200 (Allyn 2026). Their targeted and strategic communication about Mr. Beast's editor, as an example of an insider case that people could obviously relate to, was a valiant attempt at communication designed to generate press in favor of the company's dedication to catching insider traders. However, neither platform has provided standardized and transparent reporting of the frequency of insider trading or their investigations, showing that they are selectively and incompletely communicating with a clear goal to increase public perception of them, while the underlying issue remains pressing. The response of the prediction markets to these well-founded claims of the dangers of insider trading have been quite strategic technical communication designed to publicize individual high profile enforcement actions without guarantees about long term transparency and market integrity. The legal system has difficulty classifying these offenses as well due to the gray area that prediction markets exist in between financial instruments and gambling sites (Gaskin 2026), an ambiguity that the prediction markets themselves have done little to resolve through their communications.

Implications and Recommendations

The communication strategies employed by prediction markets themselves as well as those they engage with, namely regulators and the general public, show a tension between the effectiveness of the prediction markets at managing short-term public perception without building the institutional trust that is required for regulatory stability. Their philanthropic efforts to open grocery stores and give back to the community builds public goodwill effectively but doesn't show that they are taking accountability for the serious position they hold as an aspiring trustworthy financial exchange. They are able to strategically communicate differently with various levels of government between the state and federal level to win legal battles without addressing the underlying public health concerns around gambling. Also, the juxtaposition between their communication around high-profile insider trading cases and their lack of transparent communication around their systematic efforts to mitigate the issue and its prevalence demonstrate their desperation for public goodwill without enough real efforts to make the necessary changes. The first recommendation for prediction markets is to adopt standardized and systematic transparent communication around insider trading. Instead of publishing selective announcements about high-profile events, they should regularly communicate statistics about the number of suspicious incidents, their investigations in response, and the outcomes reached. These practices are standard in financial institutions and exchanges that have the trust of the general public and the government, and more effective communication around this would make a big difference in accomplishing their goal of being seen favorably. The next recommendation would be about the communication gap around public health, specifically the topic of being a digital platform that could be contributing to gambling additions at a wide scale. Yeola et al. (2025) provided evidence that internet searches for gambling addiction help increased significantly in areas where online sports betting sites were being legalized and launched. State legislators have used this research to argue against legalizing prediction markets because they pose a similar public health risk and should warrant stricter consumer protections. Despite legal attacks on this basis, it's a topic that prediction markets have generally avoided engaging with in their public communications. However, ignoring this topic doesn't make it any less of an issue to the public that they are so invested in winning over. Engaging this classification on its merits and showing their prioritization of user welfare would potentially come across as a more sincere form of communication than distracting the public with free groceries. Finally, prediction markets need to address the issue of conflicting legislation between states and between the state and federal level. A unified regulatory framework that involves all levels of government would give the platforms the regulatory stability they need to build public trust.

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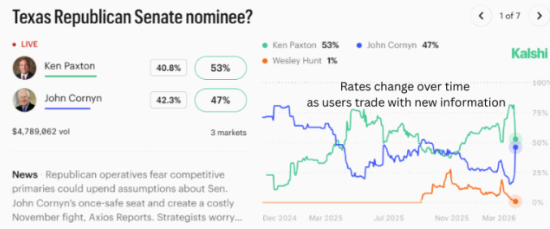
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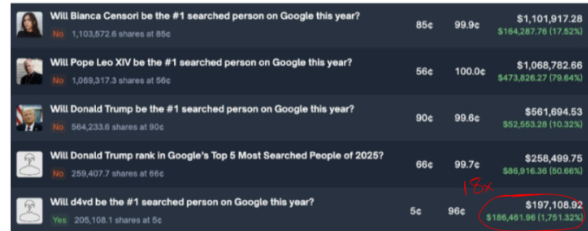
What is a Prediction Market?

A platform where users buy and sell shares based on forecasted outcomes.



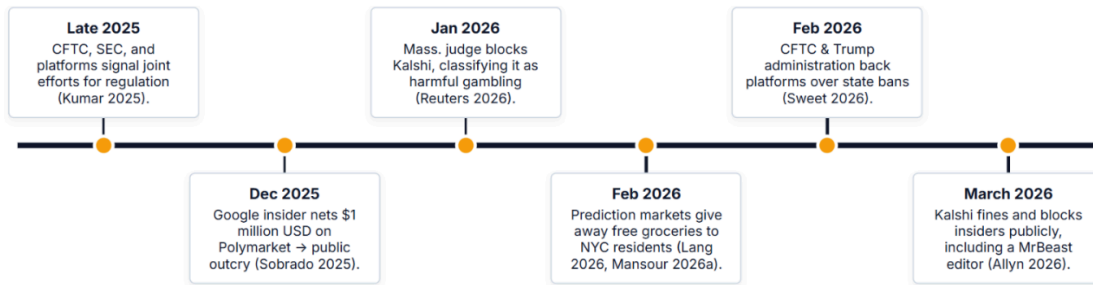
What is Insider Trading?

Using secret, non-public information to place trades with an unfair advantage.



Many extremely profitable trades all on Google search.

The Regulatory Crisis



Opportunities vs Challenges

Prediction markets offer great societal and economic benefits, but require solving structural challenges for ensuring public safety.

Opportunities

- Boosted Civic Engagement
 - Giving the public a financial stake in events → incentives
 - to pay closer attention to news, elections, and global affairs.
- Economic Growth
 - Increases liquidity and velocity of money, generates revenue for the economy as well as growth opportunities.
- Real-Time Forecasting
 - Provides crowd-sourced predictions, thoughts, and opinions
 - on complex world events faster + more reach than regular polling.

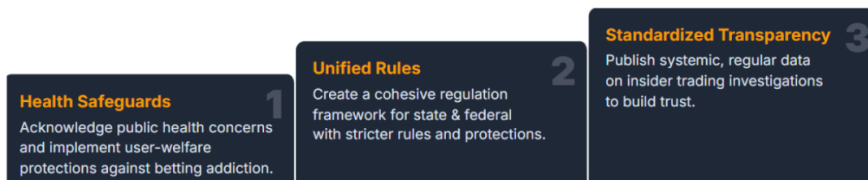
Challenges

- Market Integrity
 - Insider trading allows those with private information to unfairly capitalize + extract money from everyday users (Mansour 2026b).
- Public Health Risks
 - Gamifying news and daily events exposes a wide audience to gambling risks such as addiction and compulsive betting (Yeola 2025).
- Lack of Transparency
 - Standardized reporting on bad actors would build trust
 - and help the general public understand & trust these platforms.

These are very similar to opportunities + challenges of gambling and sports betting!

Prediction markets allow everyone to have the opportunity to bet on what they believe on; reaching more than just sports fans.

Building a Better Market



View references



<https://tinyurl.com/mp2-prediction-markets>