Carl Kennedy Quoted in *Forbes* on Prediction Markets' Emergence as Financial Infrastructure

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Carl Kennedy, partner and co-chair of Katten's Financial Markets and Regulation practice, was quoted in a *Forbes* article examining how prediction markets are rapidly moving from niche applications to embedded components of financial infrastructure. The article traced an extraordinary rise in market activity over the last two years and the regulatory clarity that has enabled broader institutional use.

Carl underscored the importance of regulatory framing and the evolution of "event contracts" as tools for hedging discrete risks that traditional derivatives do not precisely capture. "These contracts operate under the same regulatory framework in the United States as other traditional derivatives," Carl explained. "In essence, event contracts are designed to supplement, not replace, traditional derivatives instruments and other risk management tools."

Event contracts also have the potential to democratize hedging strategies for businesses and individuals by providing a more direct, targeted way to manage policy and event-driven exposures. "Since elections can affect sectors like cannabis or green energy, event contracts offer a way for smaller businesses and individuals to hedge against policy risks," he noted. "This was previously only possible through complex financial products, like the hedges used during Brexit. Similarly, commercial events like parades or festivals have major economic effects on things like tourism, staffing and consumer demand. Exchange-traded event contracts provide a tool to hedge the exposures that might arise if these events did not happen for one reason or another."

Emphasizing the practical use case, Carl shared a hypothetical anecdote. "A local deli operator, who faces uncertain foot traffic and staffing costs related to a nearby concert performance, sporting event and general tourism levels in his or her town," Carl said. "An event contract that pays if the anticipated event does not occur could offset lost revenues, operational overtime and inventory risk, which the deli owner may face. In other words, event contracts tied to these events directly hedge the discrete outcome, which would drive the deli owner's cash flows in a way that traditional financial instruments cannot precisely replicate."

"How Prediction Markets Are Becoming Financial Infrastructure," *Forbes*, December 20, 2025

CONTACTS

For more information, contact your Katten attorney or any of the following attorneys.

Carl E. Kennedy
+1.212.940.8544
carl.kennedy@katten.com