ANTI CORRUPTION DATA COLLECTIVE

POLICY BRIEF · PREDICTION MARKETS

Insider Risks in Polymarket Political Markets

Anti-Corruption Data Collective's comprehensive analysis of all settled markets on Polymarket finds systemic insider-trading indicators in betting on military and political outcomes.

36%	$8B	52%
OF POLYMARKET TRADING VOLUME	IN HIGH-INSIDER-RISK MARKETS	LONGSHOT WIN RATE IN MILITARY MARKETS

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EXECUTIVE SUMMARY

In recent months, political prediction markets on Polymarket have come under growing scrutiny as well-timed bets on high-profile events, particularly related to the US–Iran conflict, have raised concerns about insider trading. Media reporting and policymakers have tended to focus on specific cases where traders placed large, low-probability bets shortly before major geopolitical announcements or military actions, generating substantial profits and prompting calls for investigation.

The Anti-Corruption Data Collective (ACDC) undertook an analysis of all settled markets on Polymarket to move beyond individual cases and assess whether these instances reflect broader structural risks.

Rather than a few suspicious bets on headline-making events, our analysis suggests that certain categories of political prediction markets, especially those tied to military activity, display signs of asymmetric information and potential insider trading. Because activity on Polymarket is published openly but pseudonymously on the blockchain, high frequency traders can identify this possible insider activity and take advantage of it to increase their profits.

ACDC FOUND

01 Political markets drive a disproportionate share **(over 36%)** of the total trading volume across Polymarket despite being a small portion of total markets on the platform **(4%)**.

02 Political market categories with the highest risk of insider trading (those determined by the decisions of an individual or small group of individuals in a military, executive branch or central bank) represent **$8 billion** in trading volume.

03 In most markets, the success of longshot bets (defined as a bet of $2,500 or more at a price of 0.35 or less, implying ≤ 35% probability) aligned with expectation: overall, **14%** of longshot trades bought the winning outcome.

04 Political markets were the second most successful longshot bet category, with **25% of longshot bets succeeding**, and the largest absolute volume of longshot bets placed on the winning outcome: we observed **$35 million wagered** in longshot bets, of which **$9 million** was bet in the first ten weeks of 2026 alone.

05 When political markets are disaggregated further by topic, markets about **outcomes related to military and defense are a clear outlier**, with a disproportionately high longshot success rate of **52%**. There is a noticeable spike in successful longshot betting just before these markets resolve, with **more longshot bets placed on the winning outcome than losing outcome** in the twelve hours before the market closed.

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AT A GLANCE

The dataset behind this brief: all settled markets between January 2021 and the first half of March 2026.

435,672
SETTLED MARKETS
JAN 2021 – MAR 2026

$54.4B
TOTAL WAGERED
ON POLYMARKET

22,185
POLITICAL MARKETS
(4% OF TOTAL)

$19.7B
WAGERED IN POLITICAL
MARKETS ALONE

150k+
DAILY ACTIVE USERS
(TRIPLED IN A YEAR)

66,425
LONGSHOT BETS
ANALYSED

> Political markets comprise **4% of all markets but 36% of all trading volume**.

BACKGROUND

Polymarket is a prediction market platform where users trade on outcomes of real-world events using blockchain-based contracts. Users buy and sell contracts for an outcome (often Yes or No) priced between $0 and $1, with owners of winning contracts receiving $1 when the market is settled. Theoretically, prices reflect the implied probability of an event occurring and the platforms have become increasingly popular with traders who profit by buying undervalued outcomes or selling overvalued ones before resolution.

Between January 2021 and the first half of March 2026, **435,672 prediction markets** settled on Polymarket, with **$54.4 billion** wagered in total. We assigned each market to one of nine categories (Business, Crypto, Culture, Economy, Political, Science, Social Media/Mentions, Sports and Technology).

Political markets represent a relatively small share of these markets, but attract a disproportionate share of trading activity.[1]

- **22,185 settled markets (4%)** concern political outcomes
- These markets account for **$19.7 billion in wagers**, representing over **one-third of total volume** on the platform.

TABLE 1 · AVERAGE & MEDIAN TRADING VOLUMES

CATEGORY	AVERAGE VOLUME	MEDIAN VOLUME
All markets	$108,866	$5,817
Political markets	**$806,346**	**$26,521**

Table 1: Comparing the average and median trading volume for each market on Polymarket between all markets and markets based on political events using total trading volume for each individual market.

On average, political markets attract **more than seven times the wagering volume** of other markets, as shown in Table 1. Both the number of markets and trading volume in political markets have increased steadily over time, though not as substantially as the enormous growth in the number of markets in other categories. Table 2 shows this growth and how the number of markets opened in business, crypto, science and sports increased dramatically, from at least 14-fold for sports all the way to almost 100-fold for crypto, though with lower average trading volumes per market than those opened related to political events.

TABLE 2 · YEAR-ON-YEAR GROWTH IN MARKETS OPENED

CATEGORY	2022	2023	2024	2025	2026*
Business	222.2%	127.6%	237.9%	2,377.6%	319.4%
Crypto	112.7%	-13.7%	285.1%	9,993.6%	271.3%
Political	232.3%	173.8%	817.2%	132.4%	42.8%
Science	-7.4%	-36.5%	180.0%	5,708.9%	344.8%
Sports	86.8%	-27.9%	476.6%	1,359.3%	628.7%

*Table 2: Year-on-year growth in the number of markets opened each year on Polymarket based on the date the market was first opened to trading by category. *2026 annualized based on the first 10 weeks of data.*

Over the past year, daily active users on Polymarket have more than tripled to exceed **150,000**. This growth includes increased attention from high-frequency traders, who exploit mispricing and rapid price adjustments between when an event occurs and the market officially closes, alongside a surge in AI trading bots that use news and market signals to forecast outcomes. Some AI bots are explicitly designed to detect patterns of possible insider trading and alert traders to bet in those markets. Figure 1 shows the uptick in the number of political markets since the end of 2024.

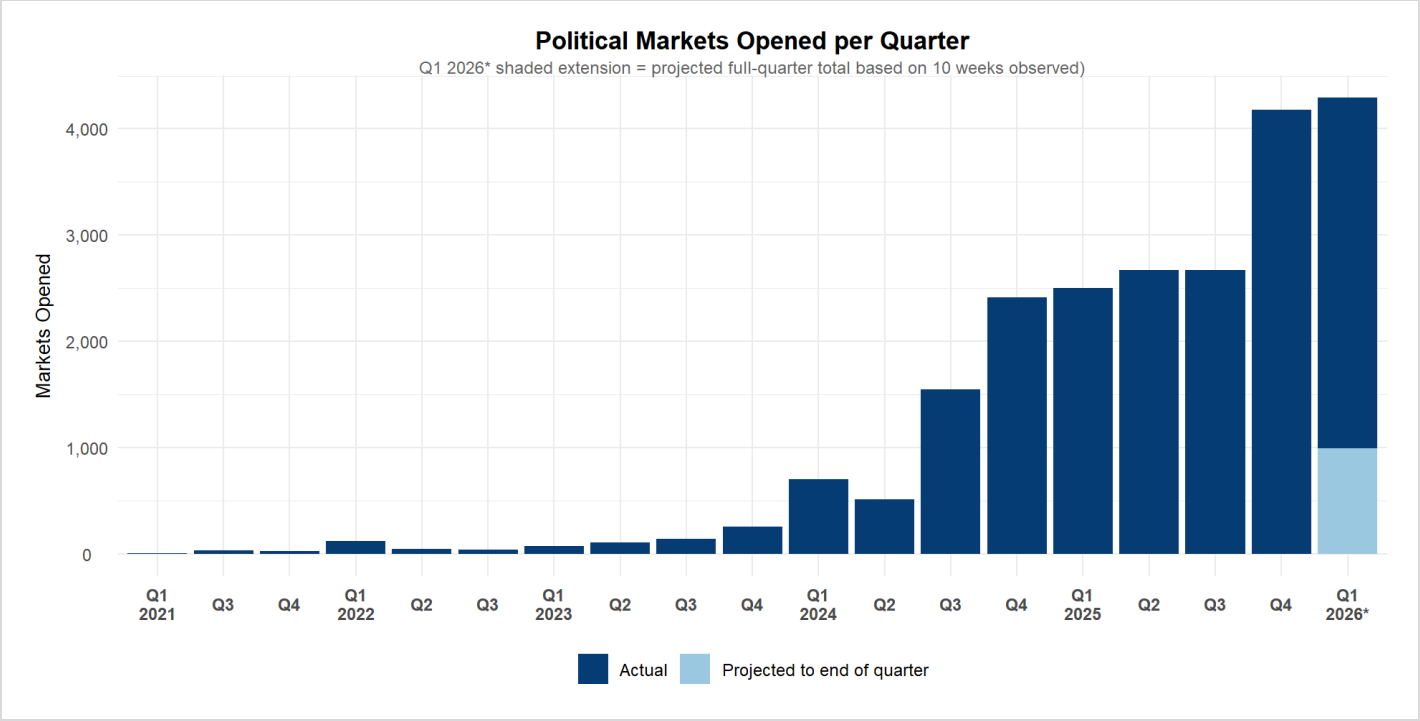

FIGURE 1

Figure 1: Political markets opened per quarter based on the date the market was first opened to trading. Quarter 1 2026 extended to show a projected full quarter based on data from the first ten weeks of the quarter.

As user demand has grown, market design has become more granular, shifting from broad questions (whether an event will occur within a month) towards highly specific ones (the exact day it will occur). This increased precision lowers baseline probabilities for individual outcomes while increasing potential profits, heightening the advantage for those with access to privileged information. For example, Table 3 uses a sample of 56 markets related to Israeli attacks on Yemen in September 2025 to demonstrate this price differential. Markets were grouped by the length of the outcome window: high precision markets resolved on a specific day; medium precision markets covered a short window of more than one day and up to one week; and low precision markets covered periods longer than one week. **Each increase in precision step led to a 42% and 60% decrease in the average price, with associated 126% and 200% increase in profits on winning bets.**

TABLE 3 · PRICES BY MARKET PRECISION LEVEL (YEMEN SAMPLE)

PRECISION	NUM. MARKETS	AVERAGE PRICE	MEDIAN PRICE	AVG. PROFIT FROM $1,000 WINNING BET
High	34	$0.10	$0.04	$9,000
Medium	8	$0.25	$0.16	$3,000
Low	14	$0.43	$0.45	$1,325

Table 3: Average and median prices for BUY contracts on outcome Yes based on a sample of 56 markets related to Israeli attacks on Yemen in September 2025. To reduce distortion from price movements near the end of a market, only trades executed during the first half of each market's trading period were included. Markets were grouped by the length of the outcome window: high precision markets related to an outcome on a specific day; medium precision markets covered a short window of more than one day and up to one week; and low precision markets covered periods longer than one week.

POLITICAL MARKETS COMPOSITION

Political prediction markets are concentrated in a small number of topic areas, though the relationship between the number of markets and trading volume varies significantly, as seen in Table 4. For example:

- **Politician speech markets**, whether or not a person will say or tweet a given word, represent 36% of all political markets but only 1% of trading volume. This imbalance reflects the highly granular and unpredictable nature of these markets—often tied to the use of a single word. At the same time, the sheer frequency of speeches and online posts, combined with the many potential word-based outcomes per event, creates a large number of low-volume markets.
- **Election markets** represent 23% of political markets but 54% of total volume. This concentration reflects both the relative infrequency of elections and their broad appeal, as outcomes are widely followed and can be assessed using publicly available data, polling and historical evidence. These factors tend to encourage higher trader participation and volume. Similarly, central bank decisions, such as decisions by the Federal Reserve on interest rates, are infrequent and can more easily be predicted using available external data.
- Markets tied to specific government policies, such as **military and defense** and foreign affairs, account for a relatively balanced share of both total number of markets and total trading volume within political markets. These markets are harder to forecast using public information alone. As a result, they are more susceptible to information asymmetries, including potential insider trading or those with specialized knowledge.

TABLE 4 · POLITICAL MARKETS BY TOPIC

TOPIC	NUM. MARKETS	% OF TOTAL MARKETS	TOTAL VOLUME	% OF TOTAL VOLUME
Politician speech	8,013	36%	$293,578,485	1%
Elections	5,190	23%	$10,730,377,462	54%
Military and defense	**2,270**	**10%**	**$1,912,875,998**	**10%**
Government personnel appointments	972	4%	$1,260,701,318	6%
Foreign affairs	745	3%	$740,192,811	4%
Central bank decisions	556	3%	$2,653,575,183	13%

Table 4: The number and total trading volume of political markets and their share of all political markets by topic for the top six most popular topics by number of markets.

The share of markets and trading volume fluctuate over time, as these markets are tied to political events. Trading volume in political markets is concentrated in elections during periods with electoral contests closely followed in the US, such as quarter 4 of 2024 as shown in Figure 2, while concentrated in military and defense markets during increases in military confrontation, such as the increase in 2026.

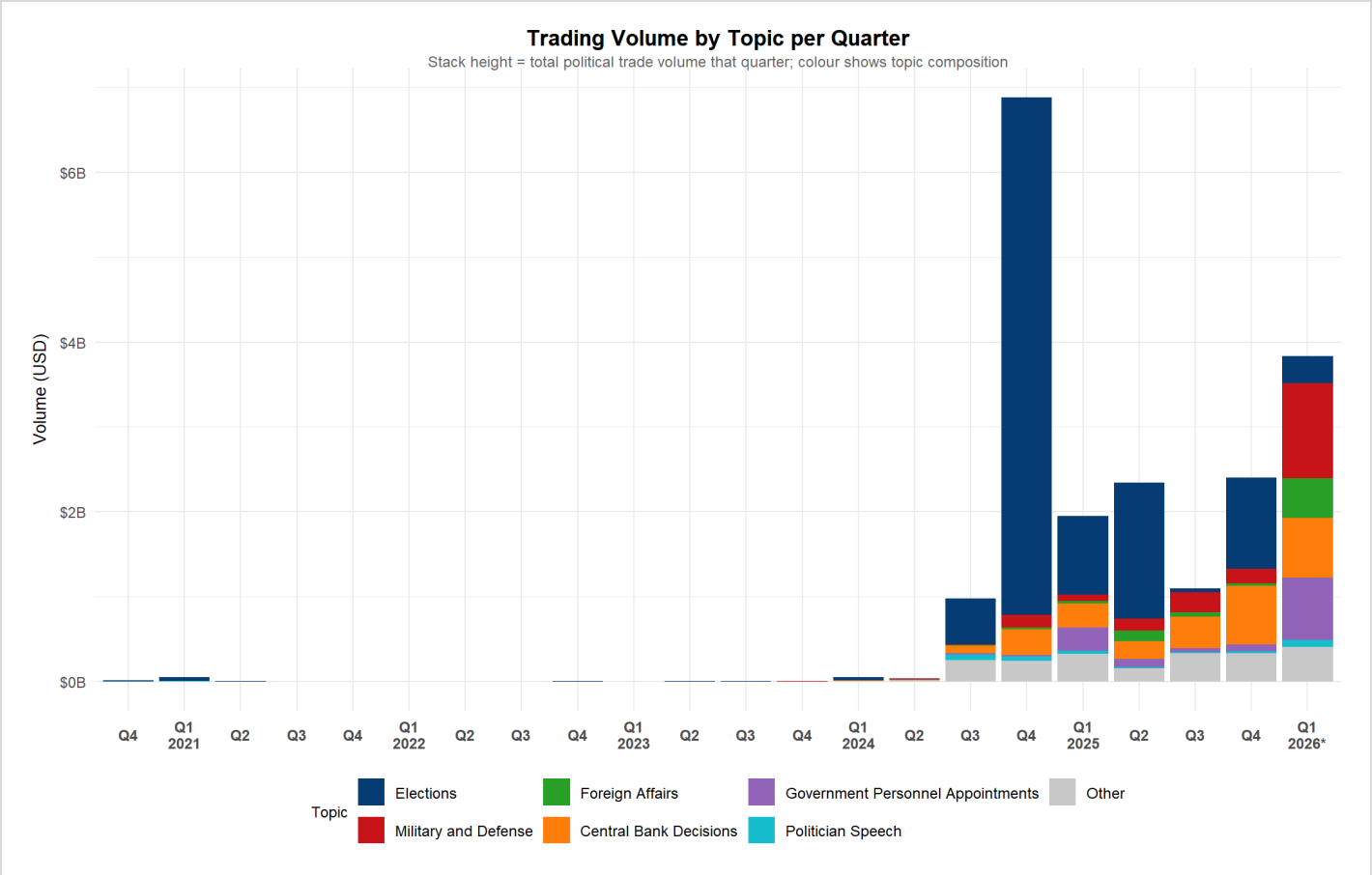

FIGURE 2

Figure 2: Total trading volume per quarter by topic based on the date the market closed for trading, focused on the top six political topics by total number of markets. The height of the bar shows total bet volume for the quarter, with each coloured segment representing the given topic as shown in the legend. Quarter 1 2026 only representative of the first ten weeks of the quarter.

OUTCOME MAKERS

Not all political prediction markets carry the same risk of insider trading. The likelihood and usefulness of insider information depends on ***who* determines the outcome of a market**.[2] Outcome makers exist on a spectrum—from a single individual to the millions of members of the general public—with insider risk varying across that range. These potential insiders include both who can anticipate outcomes based on privileged information and who can influence outcomes through their role in the decision-making process.

Markets determined by a large population have low insider risk and markets determined by a single individual also generally present limited opportunity for insider advantage, since fewer people have privileged access. **In between is where the insider risk increases to its highest level.** Market outcomes created by groups and institutions, such as militaries, executive administrations or central banks, present significantly higher insider risk.

A key distinction between individual and group outcome makers is whether a decision is made on behalf of an institution or purely by an individual. Even when a single individual holds final authority, institutional decisions (such as military strikes or regulatory actions) typically involve inputs, deliberation and execution across a small group or wider institution. This expands the set of individuals with non-public information who can anticipate the outcome, thus increasing insider risk. By contrast, the more a decision is made in a personal capacity, such as clothing or word choices, the fewer potential insiders involved. These outcome maker types are broken down in Table 5.

TABLE 5 · POLITICAL MARKETS BY OUTCOME MAKER

OUTCOME MAKER	DESCRIPTION	MARKETS (% OF POLITICAL)	AVERAGE VOLUME	INSIDER RISK
Group	Institution. Markets determined by an institution or decision making body or decisions made by a single or small group on behalf of a wider institution.	7,547 (34.0%)	$1,091,553	HIGH
Individual	Politician. Examples include whether an individual says or does something, which is often known in advance only by a very small group of identifiable individuals.	8,957 (40.4%)	$80,299	MEDIUM
Public	Electorate. These include elections or other events decided by large populations.	5,681 (25.6%)	$1,891,718	LOW

Table 5: Description of each outcome maker with associated insider risk. Number of markets and average trading volume based on combining the totals for topics defined for each outcome maker.[2]

Beyond the insider risk of knowing the outcome, some types of political markets also create particular risks for abuse of power and the ability to manipulate the outcome. Politicians and government officials may be positioned to influence or determine outcomes, or may possess non-public information about those outcomes. Those outside government or executive administration with close ties and access to government officials may also be in this influential position. Given the transparency of blockchain data and easy access to Polymarket's public API, high-frequency traders can detect patterns consistent with potential insider activity and act on them in real time. As a result, if there is an abuse of power or use of non-public information, these vulnerabilities do not only enable insiders to profit directly, but also allow sophisticated participants to capitalize on their behaviour. This only further amplifies information asymmetries, placing ordinary bettors at a disadvantage.

Across political markets, **7,547 markets (34.0%)** fall into the category of potential high insider risk markets. These markets represent **42% of total political market trading volume**.

Historically, election markets have dominated trading volume, especially during major elections watched globally, such as the November 2024 US presidential election. In periods without major elections, but major geopolitical or military activities—such as the onset of the Israel–Hamas war and continued Russian aggression in Ukraine at the end of 2023—trading volume shifted toward non-election markets.

However, in the past nine months there has been a **pronounced shift in trading in group outcome-maker markets**, shown as the rising orange line in Figure 3. By early 2026, one of the high-risk topics within group outcome makers, military and defense markets, accounted for the largest share of trading volume, surpassing election markets amid heightened military activity across multiple regions including the Middle East, Ukraine and Venezuela.

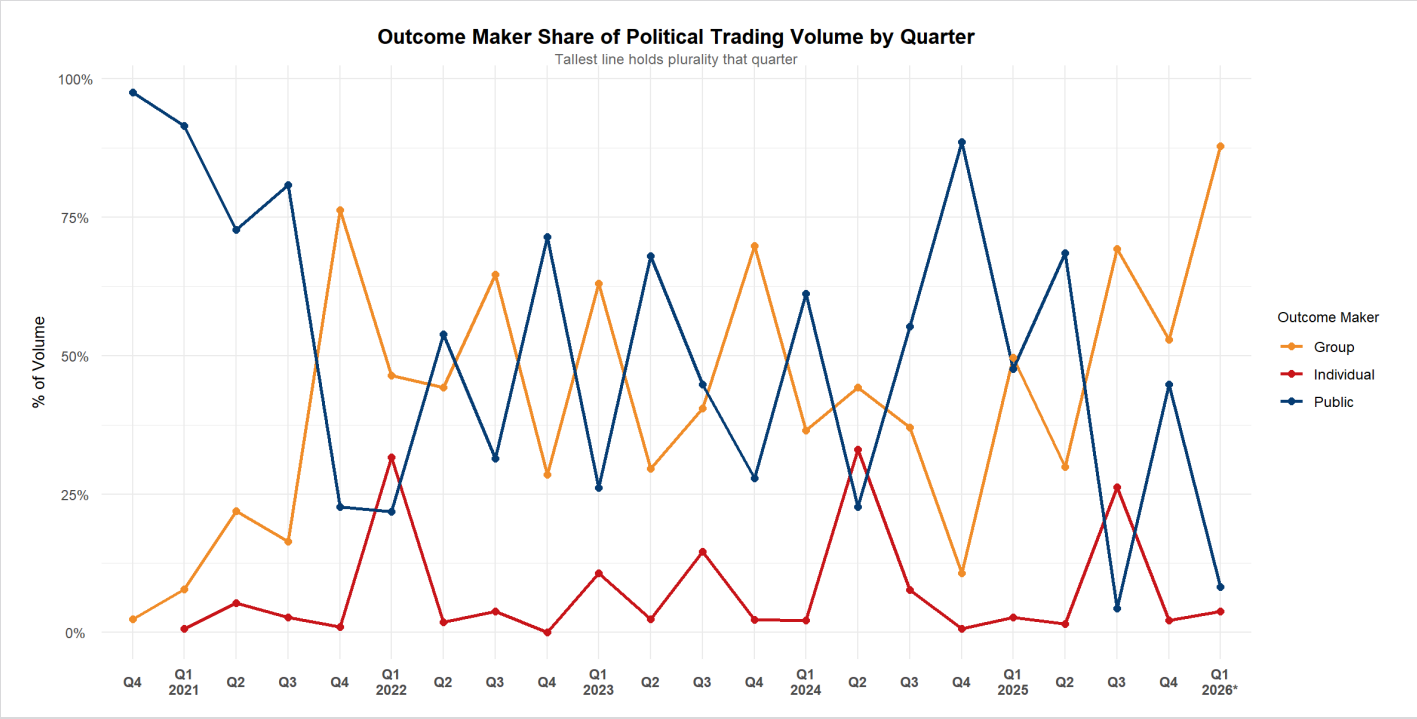

FIGURE 3

Figure 3: Percentage share of trading volume in political markets for each outcome maker type. The tallest line holds plurality for that quarter. Quarter 1 2026 only representative of the first ten weeks of the quarter.

LONGSHOT BETS: INTERPRETING INSIDER SIGNAL

To identify potential insider trading patterns, our analysis focused on **large bets placed on low-probability outcomes**, which we refer to as **longshot bets**. In an efficiently priced market, these bets should succeed only at rates comparable to their implied probability, which is reflected in the price in prediction markets. While there are a range of insider signals, longshot bets have been used by many newsrooms in reporting on unusual bets in specific markets, such as the February 2026 US attacks on Iran and presidential pardons under President Biden.

Excess longshot success does not necessarily imply insider trading. When longshot bets win more frequently than expected, this can indicate that prices did not fully reflect underlying likelihoods. Markets may be mispriced because of incorrect public expectations, particularly in widely followed events. For example, prediction markets underestimated the probability of a Trump victory in the 2024 US election, resulting in a higher-than-expected number of successful longshot bets in those markets. Similar dynamics can occur in markets driven by other public elections or in markets related to unpredictable individual behaviour, where outcomes deviate from expectations.

By contrast, in markets where outcomes are determined by small, centralized decision-making groups, the risk of insider information is higher. In these contexts, individuals with access to non-public information may be better able to identify when market prices diverge from underlying realities and place longshot bets that would be inherently risky without such knowledge. As a result, consistent longshot success in such markets can plausibly reflect information asymmetry, and be an indicator of possible insider activity.[3]

> ACDC DEFINITION · LONGSHOT BET
>
> **Market price:** ≤ 35% probability (35 cents or lower)
>
> **Bet size:** ≥ $2,500 (cumulative over a 1-hour period)[4]

Across all markets, longshot bets perform within the expected probability range:

- **66,425** longshot bets were placed.
- Bets were placed across **15,110 markets (3%)** and made by **10,944 wallets**.
- **14% of longshot trades bought the winning outcome.**
- **2,658 wallets** recorded at least one winning longshot bet.

LONGSHOT SUCCESS BY TOPIC

We begin by comparing the success of longshot bets across different types of markets. Overall, longshot bets have a win rate of 14%, which though low, is broadly consistent with prior findings from Kalshi, a rival to Polymarket. Research finds that low-probability outcomes tend to be slightly overestimated, with users, on average, assigning probabilities that are too high and therefore losing more often than prices would imply.

However, this baseline expectation varies across market categories, as shown in Figure 4. First, we find that political markets have a relatively high success rate for longshot bets compared to most other categories. The one exception is culture, as many culture markets also have group outcome makers, such as award winners, that could be susceptible to insider trading. For example, Nobel Peace Prize officials investigated bets placed hours before the announcement of the winner in 2025.

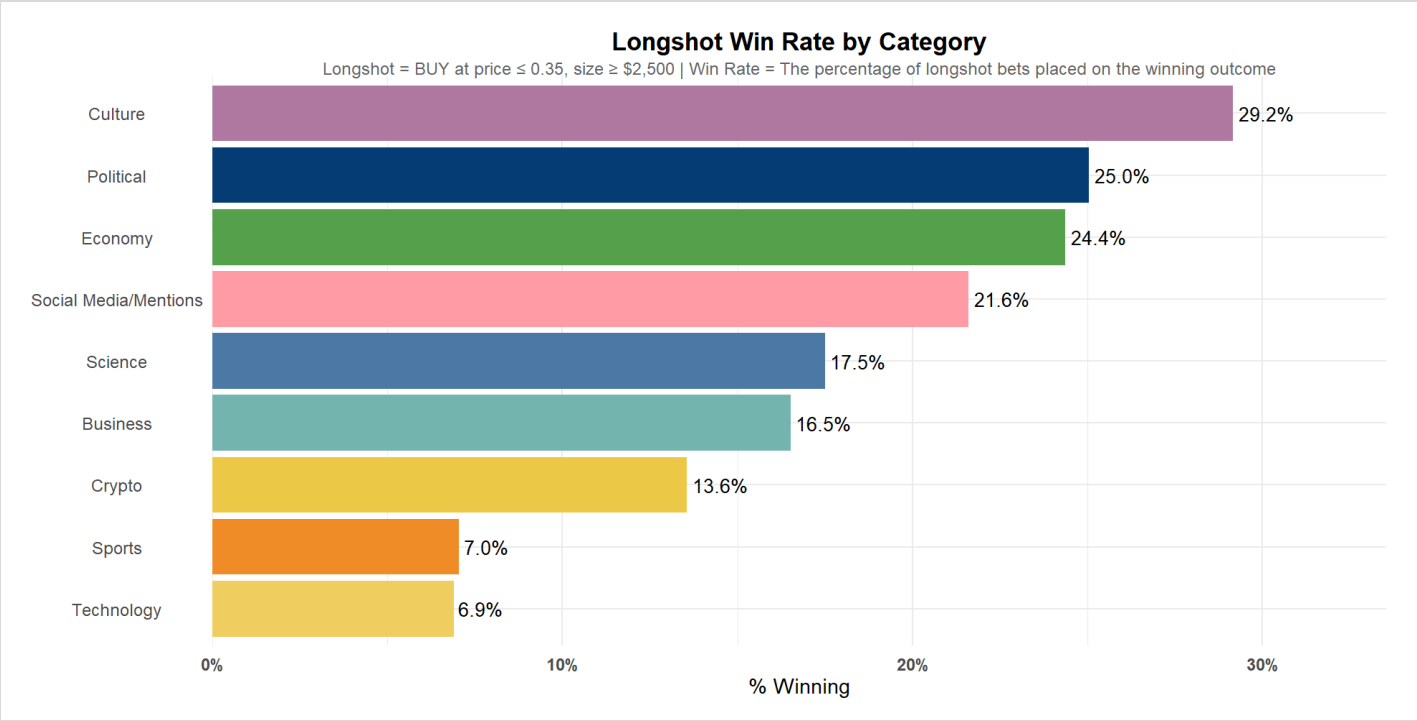

FIGURE 4

Figure 4: The percentage of longshot bets placed on the winning outcome in Polymarket markets by category. A longshot bet is made when a single wallet accumulates $2,500 or more worth of BUY trades with a weighted average price of 0.35 or less over one hour.

To show the significance of highly successful longshot bets, let's assume the price of an event happening (placing a bet on "Yes") is $0.10, representing a 10% chance of the event happening. Wagering $1,000 will buy 10,000 contracts, which will each pay out $1 if bet on the winning outcome. The expectation is that across ten similar markets, one of these longshot bets would pick the winning outcome and therefore win the bet (if they never sold their position) while the others would all lose, with a success rate of 10% across those longshot bets. The win rate of longshot bets should align with its low price. Betting on longshot bets, if correct, is very profitable. The wager of $1,000 on the winning outcome means a pay out of $10,000 on the 10,000 contracts purchased for $0.10 each, turning a profit of $9,000. Therefore, even low volumes placed on winning longshot bets provide a minimum of a three-fold return.

With the second highest longshot bet success rate, political markets also account for the **largest absolute volume of longshot bets on the winning outcome: $35 million has been wagered on winning longshot bets in political markets**. Figure 5 shows the change in volume of longshot bets placed on the winning outcome over time, with the overall height of the bar representing the millions of dollars wagered on longshot bets on the winning outcome and the coloured segment representing each market category. Winning longshot activity has accelerated sharply in 2026: **$25 million was wagered on longshot bets for the winning outcome in the first ten weeks of 2026 alone, exceeding the total for all of 2025**.

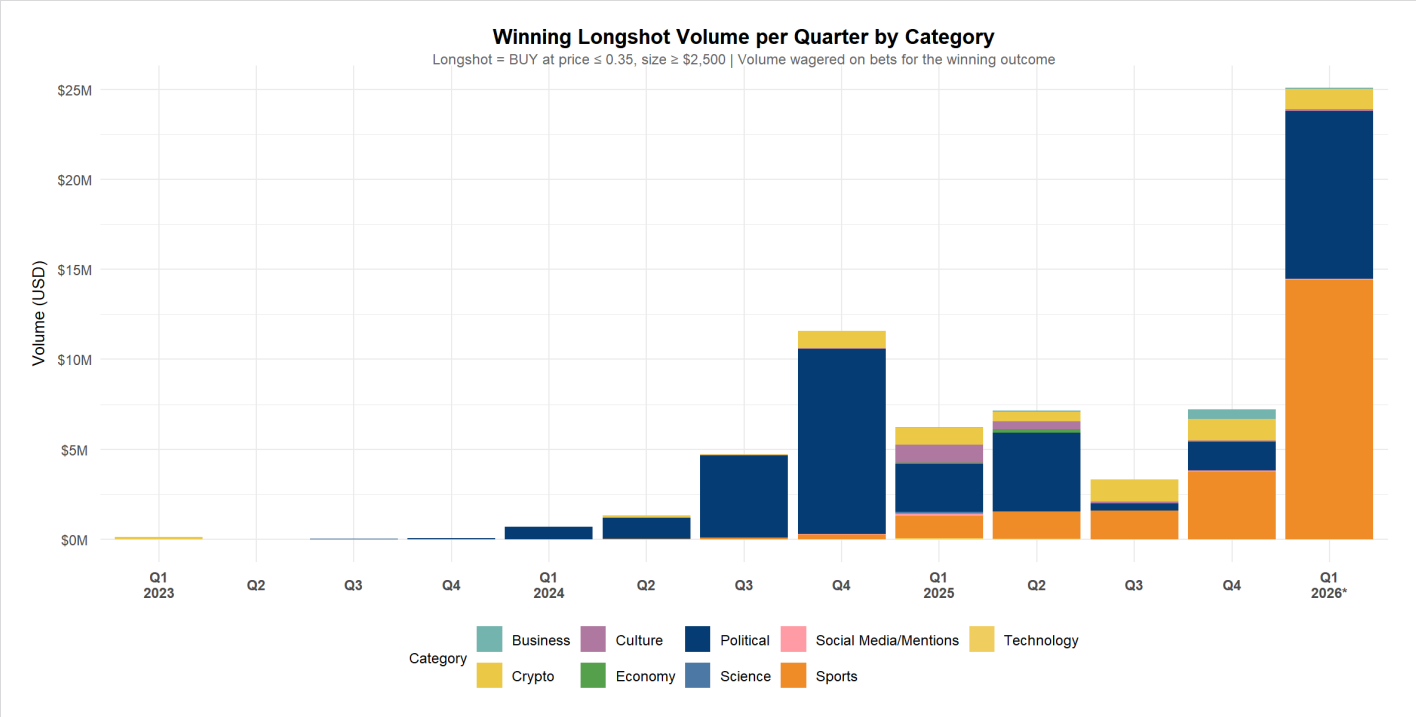

FIGURE 5

Figure 5: The volume of longshot bets placed on the winning outcome in Polymarket markets per quarter by category, based on the date the market closed for trading. A longshot bet is made when a single wallet accumulates $2,500 or more worth of BUY trades with a weighted average price of 0.35 or less over one hour. The height of the bar shows total bet volume for the quarter, with each coloured segment representing the given category as shown in the legend. Quarter 1 2026 only representative of the first ten weeks of the quarter.

While Figure 5 shows a similar increase for political markets in 2026 as seen during the 2024 US elections in quarter 4 2024, the substantial increase in sports winning longshot volume in 2026 is due to two factors. First, sports longshot bets overall have increased to a staggering **$124 million** in the first ten weeks of 2026, out of $6.1 billion total bets wagered, compared to $103 million in the last quarter of 2025, out of $5.1 billion wagered. Second, although sports is historically one of the market categories where longshot bets are least successful, like political markets these markets have increased in number and precision, with a rise in markets about individual players, which are more susceptible to insider information and manipulation. Recent federal indictment of professional basketball and baseball players for sports betting conspiracies demonstrates this is not a theoretical risk. Sports markets have seen almost a doubling in the success rate of longshot bets (**9.4% vs 5.2%**). High volumes wagered led to a nearly four-fold increase in the volume wagered on winning outcomes between quarter four 2025 and the first ten weeks of 2026.

MILITARY AND DEFENSE MARKETS: AN OUTLIER

Next, we disaggregate the category of political markets to look at the specific types of topics where longshot bets are the most common. Within these markets, **military and defense markets are a clear outlier**. Since prices reflect probabilities, longshot bets priced below $0.35 should win no more than 35% of the time. However, as shown in Figure 6, **51.8% of longshot bets in military and defense markets were placed on winning outcomes**. This represents **$9.3 million** wagered.

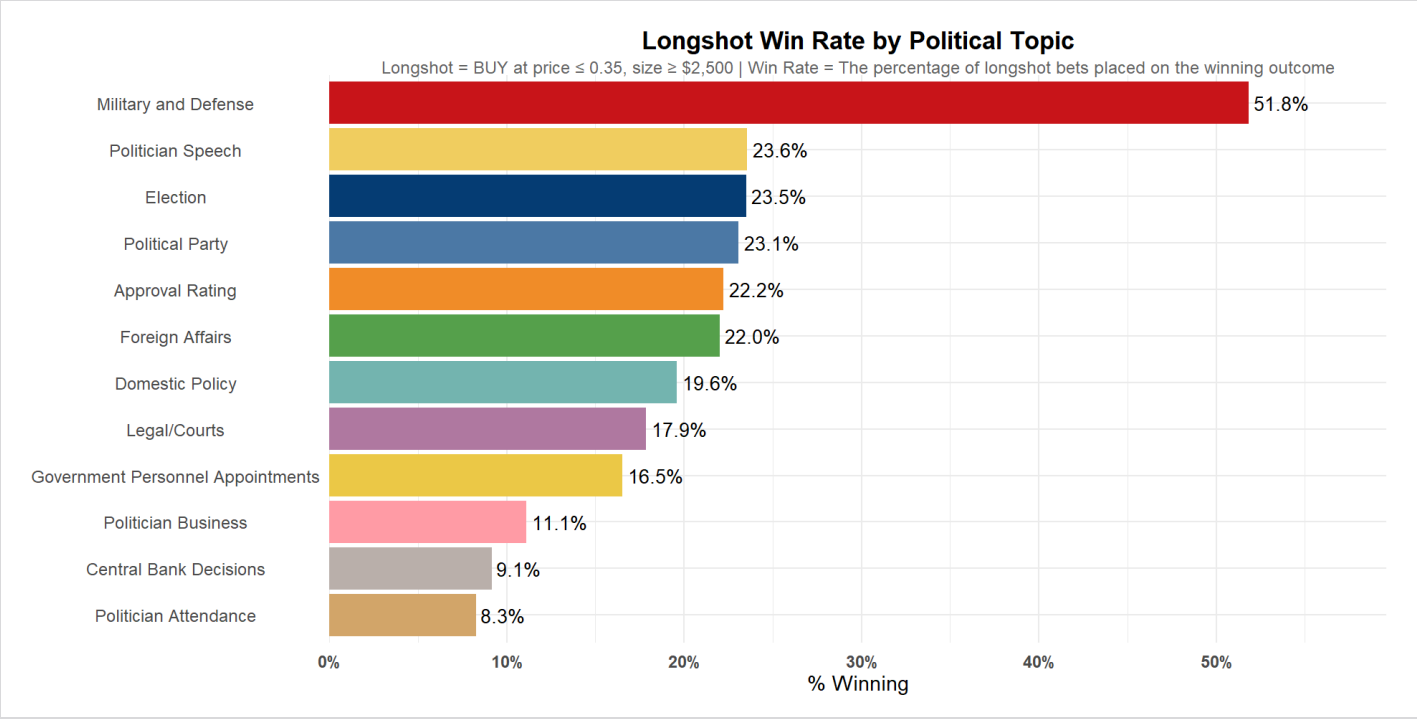

FIGURE 6

Figure 6: The percentage of longshot bets placed on the winning outcome in political markets by topic. A longshot bet is made when a single wallet accumulates $2,500 or more worth of BUY trades with a weighted average price of 0.35 or less over one hour. As price theoretically reflects probabilities, the probability of a longshot bet is expected to be at least 35% or less.

Other political topics remain within expected ranges such as politician speech (**23.6%**) and elections (**23.5%**). This suggests that some military and defense markets may contain information asymmetries not reflected in market prices.

SIGNALS OF POTENTIAL INSIDER TRADING

There are multiple rationales for elevated longshot success rates beyond insider information, including chance, market mispricing or structural biases in how users assess low-probability events. Therefore while longshot performance alone is not sufficient to definitively identify insider behaviour in a single market, higher than expected success across a series of related markets, such as military and defense markets, is indicative of systemic insider risk.

To strengthen the analysis, we introduced two additional layers. First, we analyze behaviour at the wallet level to determine whether unexpected success is concentrated among a small number of users rather than distributed across the broader market. Second, we examine timing, as informed traders are more likely to place bets shortly before an outcome is realized, possibly distinguishing them from participants who are simply lucky.

To identify political topics with potential insider behaviour, our analysis looked for three possible red flag indicators.

01

UNUSUALLY HIGH LONGSHOT SUCCESS RATES

Market categories where longshot bets win more often than expected may indicate presence of asymmetric information and insider risk.

02

HIGHLY SUCCESSFUL INDIVIDUAL WALLETS

If the anomaly is driven by a small number of traders with unusually high success rates, this may suggest information advantages held by specific participants. This is evaluated by examining the longshot success rate of a given wallet across all markets of a given outcome maker type, as frequency traders and lucky users will inherently experience longshot losses over time, while informed insiders will have high success rates for a theoretically low success rate bet.

03

LONGSHOT BETS PLACED SHORTLY BEFORE THE OUTCOME

Bets placed immediately before an event, particularly when a market closes early because the event occurs, may indicate knowledge of the timing of the event.

These signals are most pronounced in political markets with group-level outcome makers, such as militaries, executive administrations, and central banks, which also carry the highest risk of insider trading. Compared to markets with individual and public outcome makers, group-level outcome maker markets show a greater concentration of all three red flags. Consistent with their elevated longshot win rates, military and defense markets stand out as an outlier.

EVIDENCE BY OUTCOME MAKER

With the highest volume of longshot bets and second highest win rate across categories, longshot success in political markets is skewed towards group-level outcome markets as seen in Table 6, where longshot bet win rate and share of longshot trade volumes placed on winning outcomes is higher than for other outcome makers.

TABLE 6 · LONGSHOT PERFORMANCE BY OUTCOME MAKER

OUTCOME MAKER	LONGSHOT TRADES	WIN RATE	WINNING TRADES VOLUME	WINNING SHARE OF VOLUME	INSIDER RISK
Group	8,658	27.6%	$15.3M	30.1%	HIGH
Individual	422	14.7%	$0.4M	15.5%	MEDIUM
Public	11,438	23.5%	$19.3M	19.3%	LOW

Table 6: Success rate of longshot bets and volume share of longshot bets placed on winning outcomes by outcome maker and associated insider risk. A longshot bet is made when a single wallet accumulates $2,500 or more worth of BUY trades with a weighted average price of 0.35 or less over one hour.

Although markets with public outcome makers account for the largest share of longshot trades, **group-level markets exhibit the highest longshot win rates**. Differences also emerge in bet sizing. In both group- and individual-level markets, **longshot bets placed on winning outcomes tend to be larger than those placed on losing outcomes**. This is reflected in the gap between the share of winning volume and the share of winning trades. For example, in group markets, winning trades account for 27.6% of bets but 30.1% of total volume. This pattern indicates that longshot bettors are willing to risk more capital on those bets, which may indicate higher confidence in the outcome aligned with having insider information.

While individual-level markets have medium insider risk, longshot bet performance was found to be weak. One possible explanation is that these markets often lack clear external signals or data sources that non-insiders can use to form accurate predictions, and given the decision is ultimately personal, the outcome may still be unpredictable even with insider knowledge.

Figure 7 reveals how longshot trade volumes on the winning outcome are concentrated in the end of 2025 and first ten weeks of 2026. This leap in winning longshot bets in group-level outcome maker markets (the orange bar) has led to the rise in media attention to Polymarket and questions of insider trading.

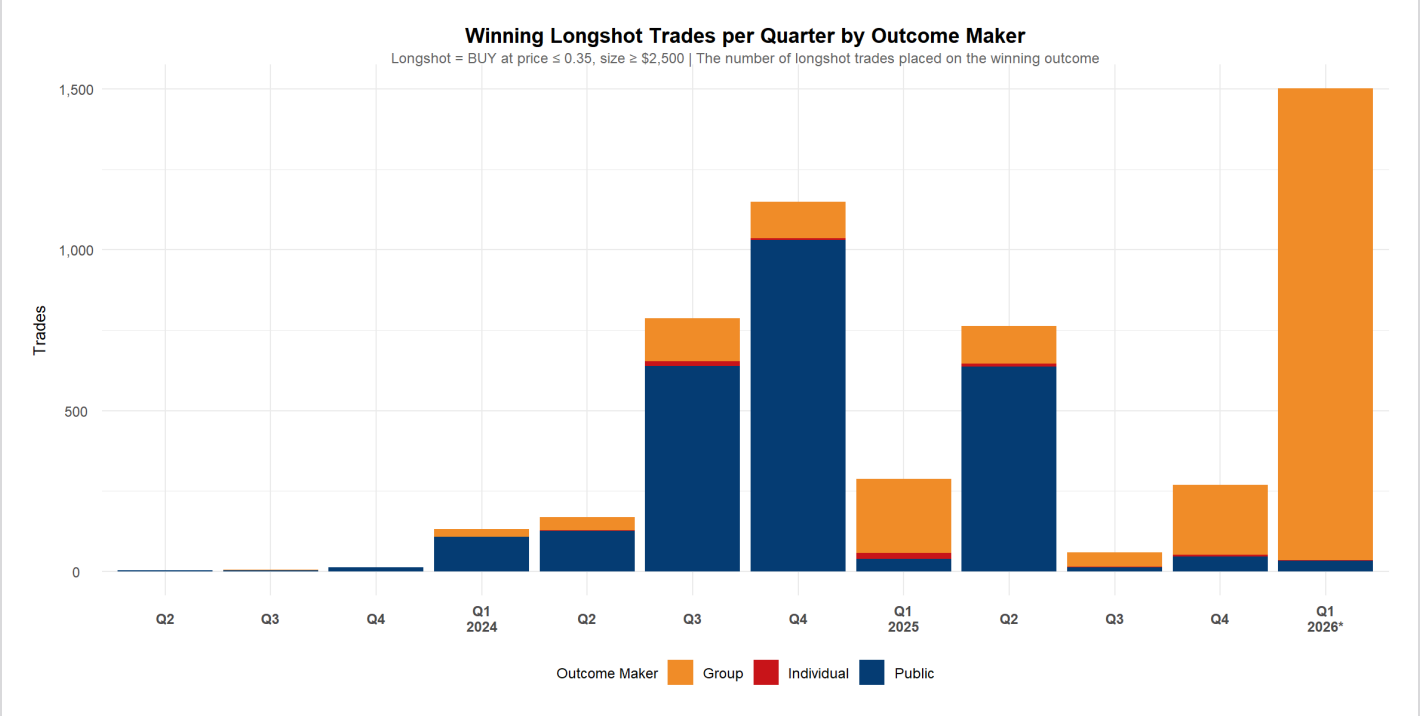

FIGURE 7

Figure 7: The volume of longshot bets placed on the winning outcome in political markets per quarter by outcome maker, based on the date the market closed for trading. A longshot bet is made when a single wallet accumulates $2,500 or more worth of BUY trades with a weighted average price of 0.35 or less over one hour. The height of the bar shows total bet volume for the quarter, with each coloured segment representing the given outcome maker as shown in the legend. Quarter 1 2026 only representative of the first ten weeks of the quarter.

HIGHLY SUCCESSFUL WALLETS

Patterns also emerge at the individual wallet level. Figure 8 shows the distribution of wallet-level success rates for longshot bets across political markets, grouped by outcome maker type. Wallets are binned in 10% intervals, ranging from the lowest success rates on the left (0–10%) to perfect or near-perfect success rates on the right (90–100%). Across all outcome maker types, most wallets cluster in the lowest success bin (0–10%), which is consistent with expectations that longshot bets should lose the majority of the time.

Some wallets achieve **extremely high success rates (90–100%) on longshot bets**. This pattern is most pronounced in markets with group-level outcome makers, where a larger share of wallets fall into the perfect or near perfect success rate bin compared to individual or public outcome maker markets.

If higher than expected longshot success were driven purely by general mispricing or widespread expectation bias, we would expect improved performance to be distributed more evenly across participants. Instead, success is highly concentrated in a small number of wallets, suggesting that a limited set of traders may be outperforming the market in a systematic way.

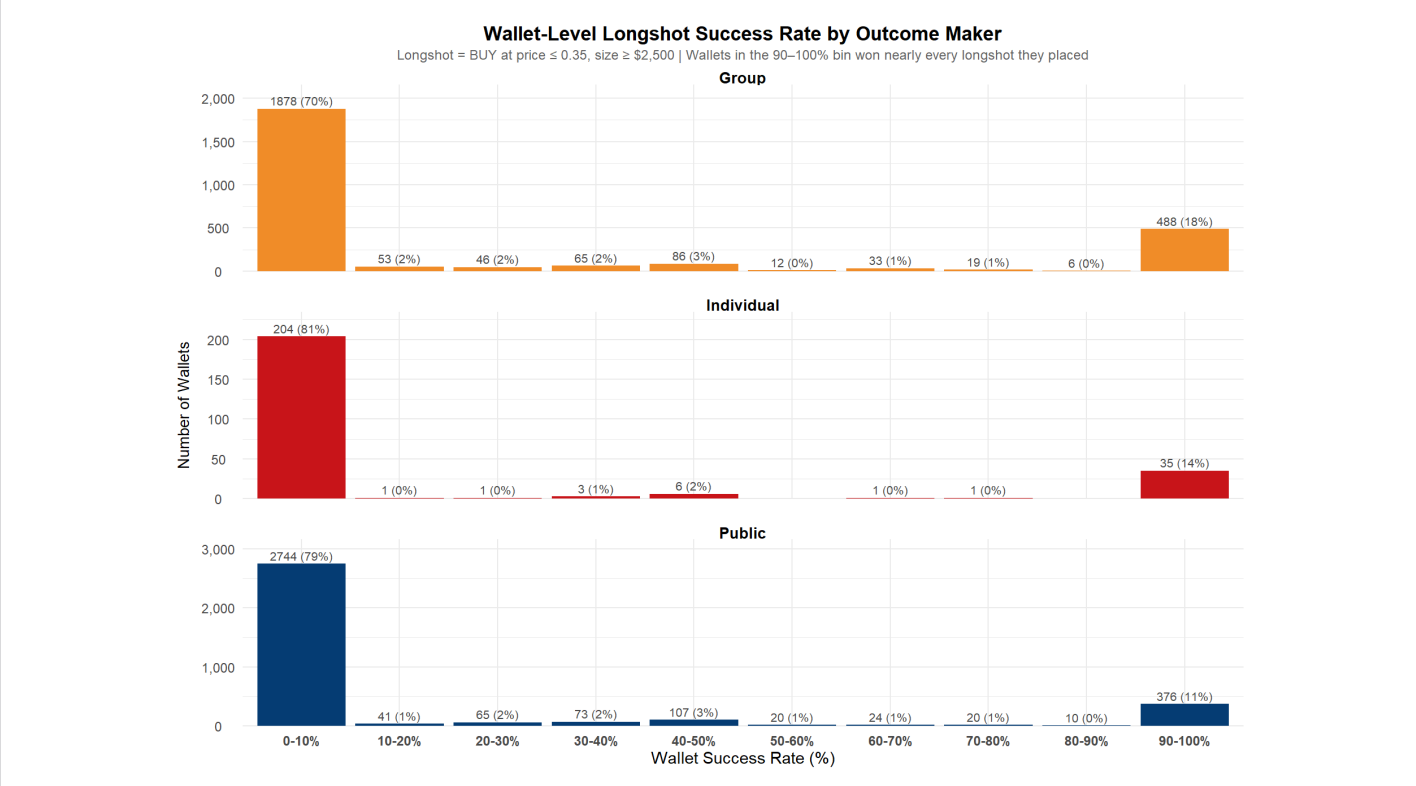

FIGURE 8

Figure 8: The number of wallets and share of wallets that achieved a given success rate for their longshot bets in political markets of each outcome maker type, separated into buckets of 10%, with the lowest success rates on the left, rising to perfect or near perfect success rates on the right. Wallet level success rate is determined by dividing the longshot bets made on the winning outcome by the total number of longshot bets made across markets in that given outcome type. A longshot bet is made when a single wallet accumulates $2,500 or more worth of BUY trades with a weighted average price of 0.35 or less over one hour.

High wallet-level success alone is not definitive evidence of insider activity, as a single lucky longshot bet also had a perfect success rate. Given the low chance of insider trading in public outcome maker markets, the **11%** of wallets in the perfect or near perfect success rate bin provides a baseline to compare higher insider risks markets.

The percentage of perfect or near perfect wallets increases with an increase in insider risk, to **14%** for individual outcome makers (medium insider risk) and **18%** for group outcome makers (high insider risk). This strengthens the case that there may be wallets whose success rate is not based on chance, selective participation (only entering certain types of markets) or analyzing public information, but rather insider information given the increased vulnerability of those markets.

This pattern may also explain that while the previous indicator for insider activity (longshot win rate) was lower for individual outcome maker markets. The large number of wallets with very low success rates (0-10%) can mask the presence of a small number of wallets with perfect or near perfect performance on longshot bets. While the overall average suggests weak performance, these outlier wallets may still indicate the presence of insiders.

TIMING OF LONGSHOT BETS

The timing of trades provides additional evidence. Across many markets, trading activity increases shortly before the scheduled close of the market. This is typical speculative behaviour, as traders evaluate the direction of the market and profit potential.

In many cases, outcomes become more predictable as the deadline approaches. For example, if a military action has still not occurred by late Thursday, the probability of it occurring that day decreases significantly. As a result, the price of the more certain outcome (no military action) rises, while the price of the less likely outcome falls further. These declining prices create opportunities for last-minute high-risk longshot bets on increasingly unlikely outcomes. Most of these longshot bets ultimately lose.

However, in markets determined by group outcome makers, **longshot bets placed on the winning outcome are more often made immediately before the market closes**. Figures 9 and 10 show the number of winning (green) and losing (red) longshot bets made in the hours before the market closed, with figure 9 showing the final 30 days of a market and figure 10 focusing in the last 72 hours. For public outcome makers (bottom of the three charts), such as elections, longshot bets are placed on the winning outcome more evenly throughout the final days and hours until resolution. For individual and group outcome maker markets, there is an increase in the number of longshot bets placed on the winning outcome as the market nears close (moving towards the left of the chart), especially when zoomed in to focus in the last 72 hours of the market.

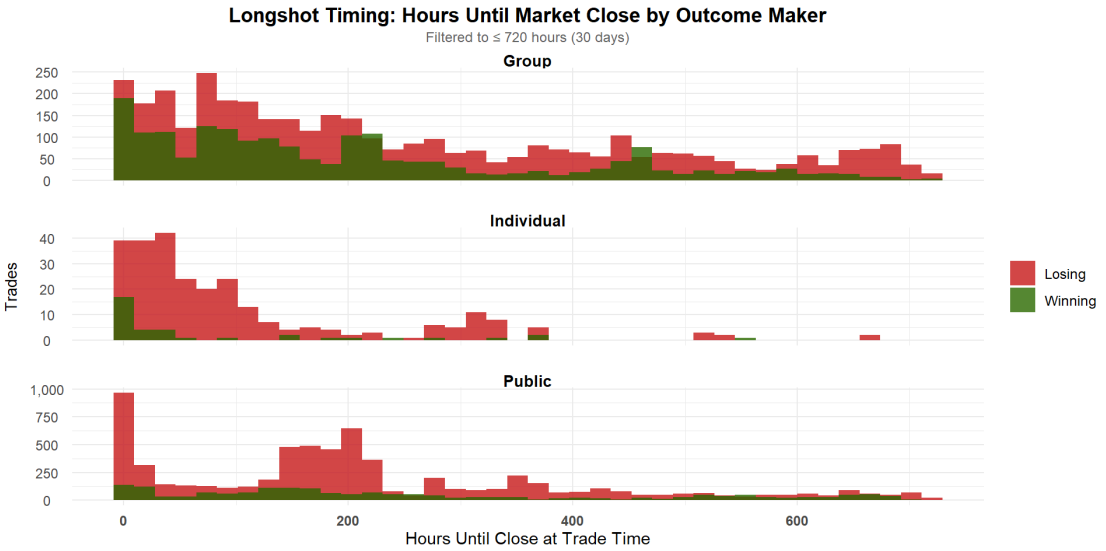

FIGURE 9

Figure 9: Number of longshot bets placed on winning (green) and losing (red) outcomes in the 30 days prior to the close of political markets, grouped by outcome maker type. Market close time is determined by the time the market was resolved by Polymarket, not the scheduled end time of the market posted when the market was opened. A longshot bet is made when a single wallet accumulates $2,500 or more worth of BUY trades with a weighted average price of 0.35 or less over one hour.

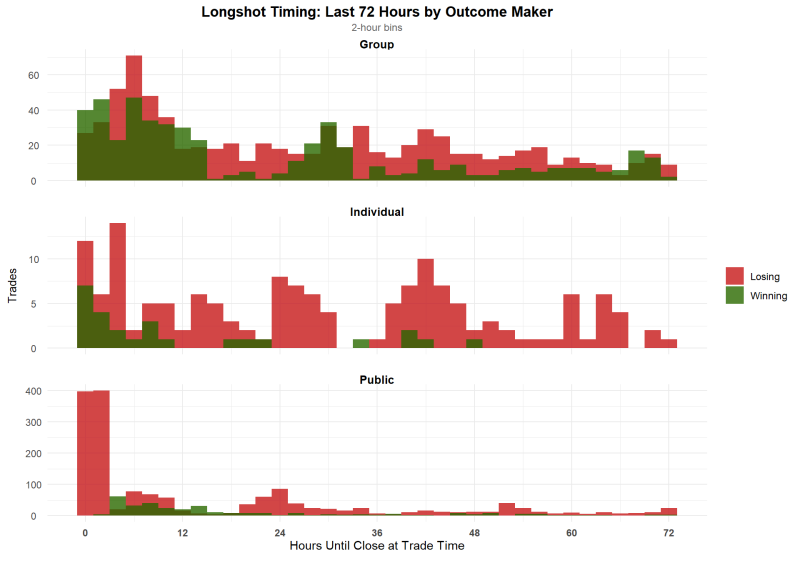

FIGURE 10

Figure 10: Number of longshot bets placed on winning (green) and losing (red) outcomes in the 72 hours prior to the close of political markets, grouped by outcome maker type. Market close time is determined by the time the market was resolved by Polymarket, not the scheduled end time of the market posted when the market was opened. A longshot bet is made when a single wallet accumulates $2,500 or more worth of BUY trades with a weighted average price of 0.35 or less over one hour.

This is particularly notable given that markets do not always close on schedule. If a given event happens prior to the schedule close, the market will resolve prematurely, resolving quickly once the winning outcome is known. In these cases, placing longshot bets on the winning outcome may not only indicate knowledge of the outcome, but also indicate knowledge of the timing of the event.

This matters because in typical markets there is increased trading with typical speculative behaviour as the scheduled close near and uncertainty resolves. However, when markets resolve well before their expected close, traders do not anticipate market close and engage in the usual general trading activity. As a result, these well-timed longshot bets may be more indicative of insider knowledge than general trading patterns.

For example, media reporting on military actions, including those in Venezuela in January and Iran in February, have shown longshot bets placed in the hours before military action despite the scheduled close of those markets being further in the future. In these situations, the timing of trades is less consistent with normal speculative behaviour and more consistent with access to non-public information about when the event would occur.

Given the prevalence of longshot bet timing analysis in media coverage of military action, we took a closer look at longshot timing across all military and defense markets. The effect is especially pronounced in these markets, as seen in Figure 11A, with green bars outperforming red ones in the hours preceding the market closing (left side of the chart). Looking at twelve hours before the market closed, **in five of the six two-hour intervals the number of winning longshot bets exceeded losing ones**. Given the implied probabilities by prices less than $0.35, these longshot bets should, in theory, win only 35% of the time and rarely outperform losing longshot bets. Figure 11B isolates to show only wallets with a success rate of 90-100% for longshot bets.

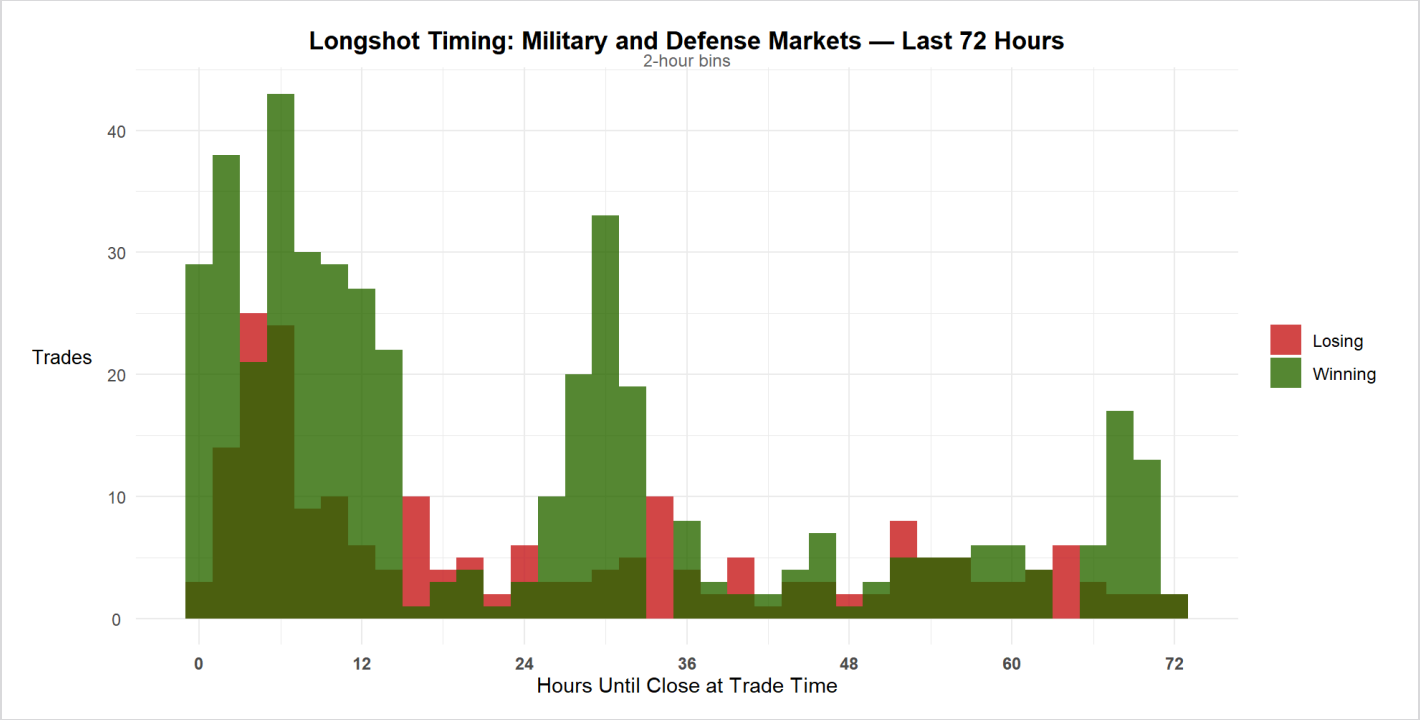

FIGURE 11A

Figure 11A: Number of longshot bets placed on winning (green) and losing (red) outcomes in the 72 hours prior to the close of military and defense markets. Market close time is determined by the time the market was resolved by Polymarket, not the scheduled end time of the market posted when the market was opened. A longshot bet is made when a single wallet accumulates $2,500 or more worth of BUY trades with a weighted average price of 0.35 or less over one hour.

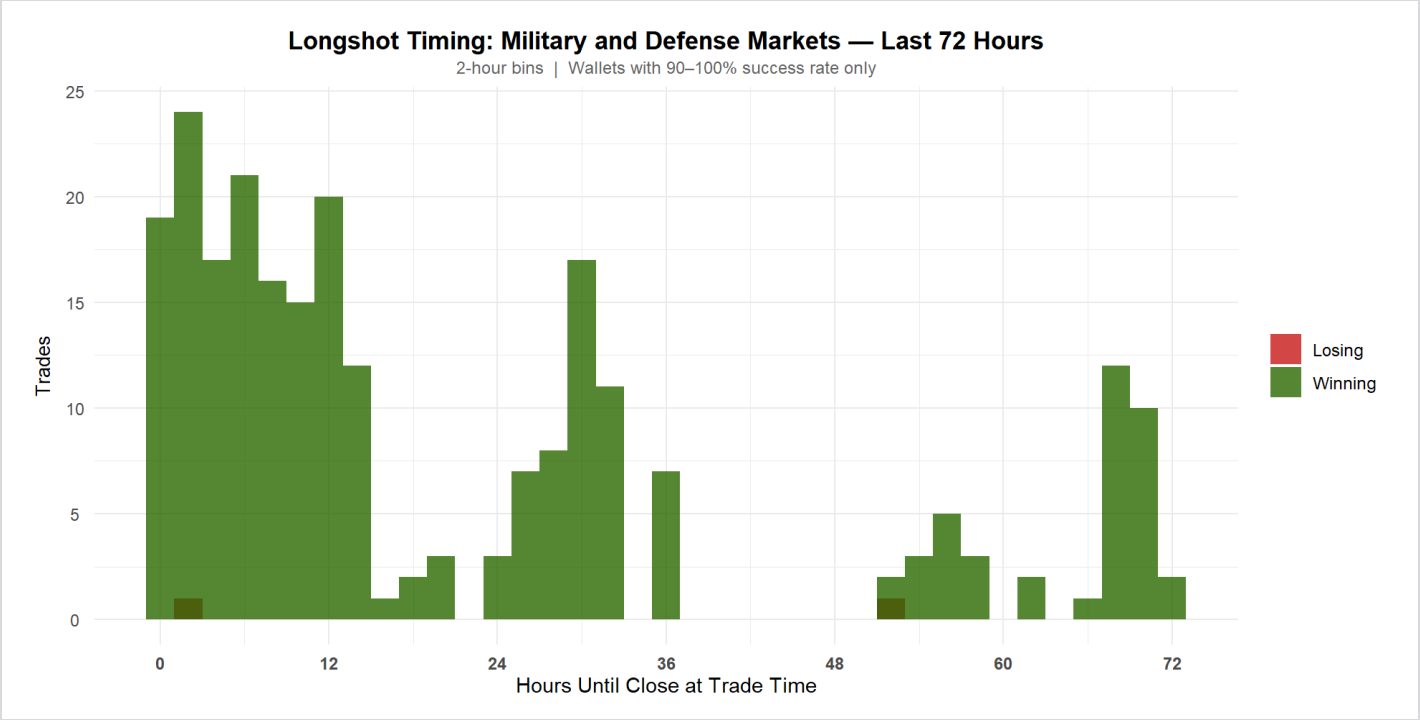

FIGURE 11B

Figure 11B: Number of longshot bets placed on winning (green) and losing (red) outcomes in the 72 hours prior to the close of military and defense markets for wallets with a longshot success rate of 90-100%. Wallet level success rate is determined by dividing the longshot bets made on the winning outcome by the total number of longshot bets made across markets in that given outcome type.

CASE STUDY · JUNE 2025

Case Study: US Strike on Iran (June 2025)

On Saturday June 21, 2025, between 18:40–19:05 ET the United States conducted military strikes against Iranian nuclear facilities. In the days leading up to the strike, Polymarket hosted several markets asking whether military action would occur by specific days.

Lessons from these red flags can be used to design three signals that indicate if red flags of insider behaviour exist at the market level. To illustrate how these signals operate in practice, we used a concrete example, focusing on military and defense markets where red flags of insider risks were highest.

- Markets for Thursday June 19th and Friday June 20th resolved with a "No" outcome.
- Markets for Saturday June 21st, Sunday June 22nd, and Monday June 23rd resolved "Yes" after the strike occurred.

The three "Yes" markets display all three insider-trading signals as shown in our four charts below.

SIGNAL 1 · LONGSHOT BETS BEFORE THE EVENT

Longshot bets placed hours before an event may indicate knowledge of the event's timing. As shown above in Figure 11, military and defense markets have a notably high success rate of longshot bets placed in the hours leading up to market closing. Political events can change at the last minute, so even insiders with knowledge significantly before the event may wait until closer to the event to make large bets in case circumstances change. This signal is particularly strong when the event happened before the scheduled close of a market, as the market closing time would be unknown to the public.

Figure 12 shows all the BUY trades made in markets related to the June 2025 Iran strikes, with dots for contracts bought on outcome "No" (no strike by that day) in grey and outcome "Yes" (strike by that day) in blue at the implied probability based on its price (10% probability equal to $0.10 BUY price) over time. Red dots represent longshot bets placed on "Yes" outcomes, that the strike would happen that day.

There are no winning longshot bets placed in the Thursday or Friday markets, only a single longshot bet placed on the losing outcome when the market for Friday opened. In contrast, across the Saturday, Sunday and Monday markets, **19 longshot bets** were placed, wagering a total of **$164,292**.

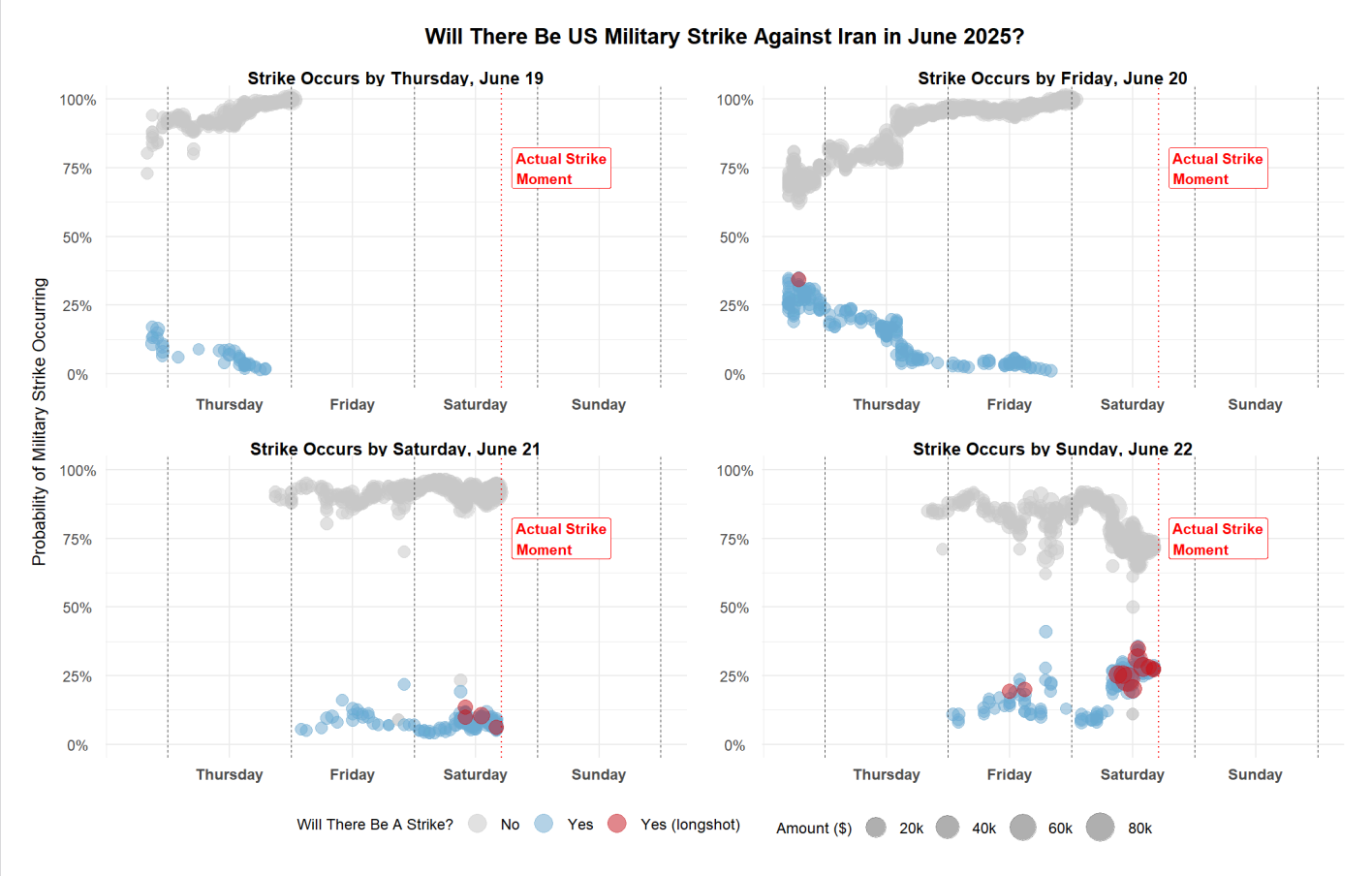

FIGURE 12

Figure 12: A plot of all the BUY trades made in markets related four day-specific markets related to the June 2025 strike on Iran, with dots for bets placed on outcome "No" (no strike by that day) in grey and outcome "Yes" (strike by that day) in blue at the implied probability based on its price (10% probability equal to $0.10 BUY price) over time. The red dotted line indicates when the strike happened and all bets made after the strike were filtered out. Red dots represent longshot bets placed on "Yes" outcome, a longshot bet is made when a single wallet accumulates $2,500 or more worth of BUY trades with a weighted average price of 0.35 or less over one hour.

These bets were heavily concentrated in the **hours leading up to the strike**, with the red dots preceding the red dotted line that represents the time of the strike. Eight wallets placed winning longshot bets across these markets, and combined they won **$1.8 million in profit**, with one wallet earning nearly **$500,000**. While rising tensions and Israeli strikes in the weeks prior indicated a heightened risk of military action, the precise timing of the strike was difficult to anticipate. The operation relied on deception, using decoy bombers and long-range stealth aircraft that required no visible regional buildup immediately before the attack.

SIGNAL 2 · SUDDEN PRICE ACCELERATION

Prediction markets operate by matching counterparties; a bettor for one outcome must find someone willing to take the other outcome or a seller for the same outcome. When a trader rapidly submits wagers for a given outcome, they may run out of willing counterparties at a given low price and must begin offering increasingly aggressive prices to find counterparties.

This can produce **abrupt price accelerations**, rather than the gradual movements typical of normal trading. In Figure 13, the hourly changes in price are graphed over time for each market, showing how the price fluctuates with market forces. The moments where the price changes beyond two standard deviations, demonstrating a rapid acceleration in prices, are shown with red dots; the higher the dot the more drastic the price acceleration.

Professional traders and high-frequency participants generally avoid accelerating prices because rapid price movement reduces potential profit margins. As a result, sudden price acceleration may indicate traders **prioritizing speed over price efficiency**, consistent with trading on time-sensitive information.

Price movements in the Thursday and Friday markets follow a typical pattern: an initial burst of trading activity followed by more gradual price adjustments. Early volatility, such as the red dots on the left of the Thursday and Friday charts during early trading, are expected as traders establish the market.

In contrast, the Saturday, Sunday, and Monday markets exhibit **sharp price acceleration** hours before the strike occurred, as shown by the significantly taller red dots close to the dotted red line indicating the time of the strike.

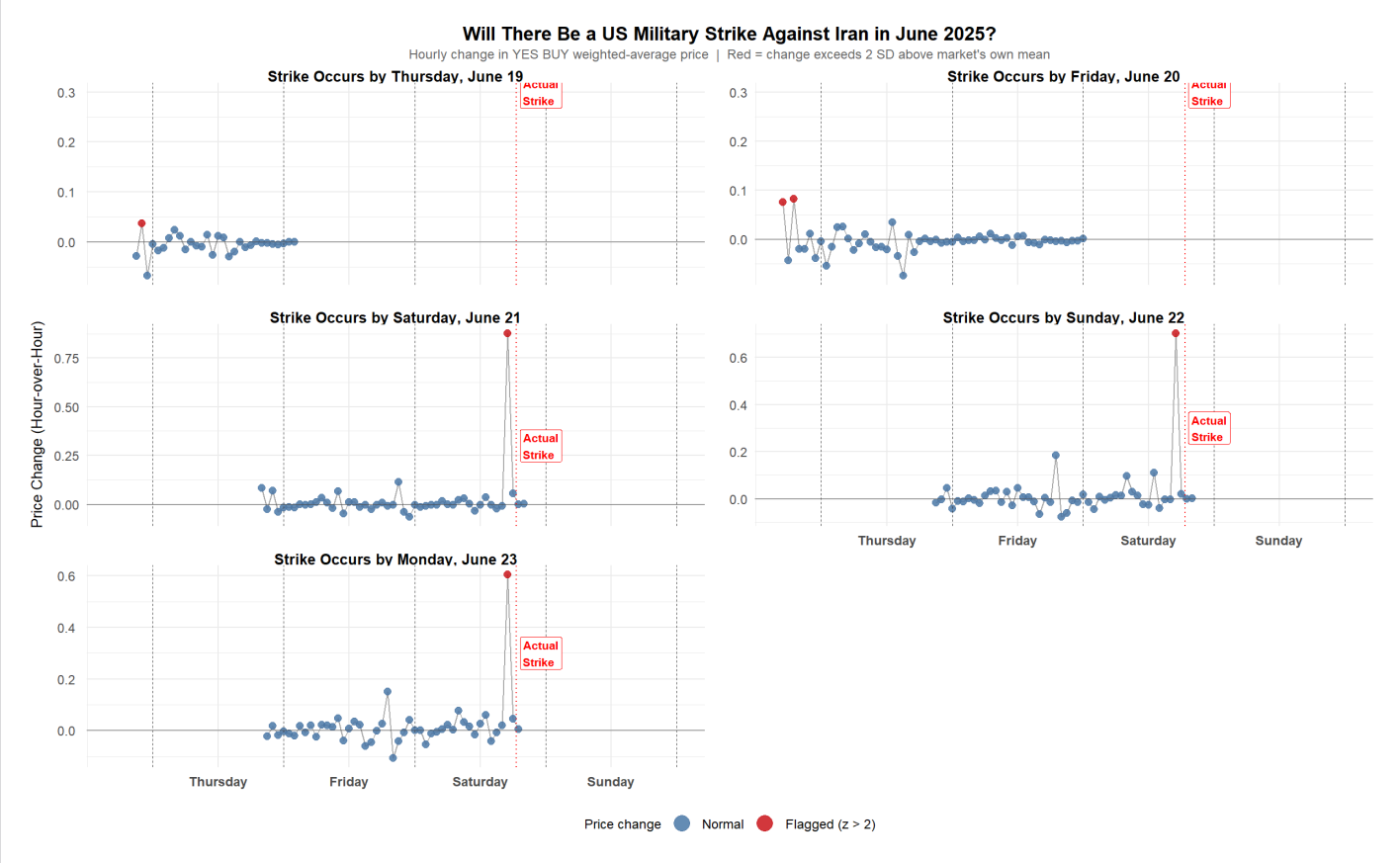

FIGURE 13

Figure 13: Hourly changes in price for BUY trades of "Yes" contracts over time for five day-specific markets related to the June 2025 strike on Iran. Red dot indicates moments where the price changes beyond two standard deviations, demonstrating a rapid acceleration in prices, the higher the dot the more drastic the price acceleration. The red dotted line indicates when the strike happened.

These spikes occurred **simultaneously** across the markets and **well before scheduled closing times**. This is demonstrated in Figure 14, which focuses on the last twelve hours of trading for Saturday, Sunday and Monday markets, and is consistent with traders rapidly accumulating positions ahead of the event.

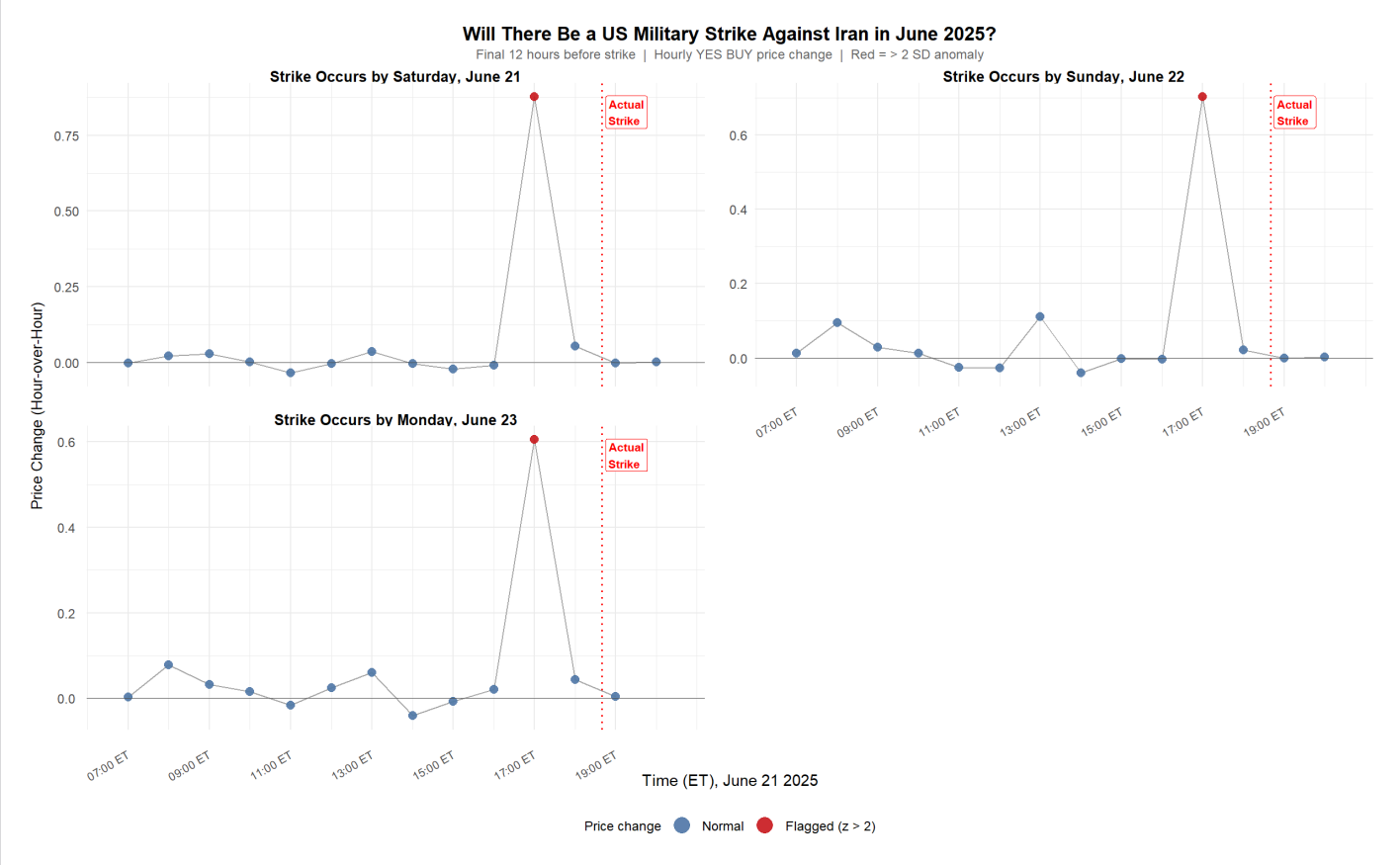

FIGURE 14

Figure 14: Hourly changes in price for BUY trades of "Yes" contracts over time for three day-specific markets related to the June 2025 strike on Iran focused on the twelve hour window before the strikes. Red dot indicates moments where the price changes beyond two standard deviations, demonstrating a rapid acceleration in prices, the higher the dot the more drastic the price acceleration. The red dotted line indicates when the strike happened.

SIGNAL 3 · PERFECT-WIN WALLETS

The final indicator appears in wallet-level behaviour. As described above, wallet level success is not a definitive indicator of insider activity as there are smart and lucky traders with high success rates. However, how wallets holding contracts for the winning outcome respond to market movements can help distinguish potential insiders from other bettors.

Traders without certainty about an outcome often sell positions when prices move in their favour, such as when prices for the winning outcome rise from $0.10 to $0.90. This allows traders to lock in profits while reducing risk of last-minute changes in outcome. Traders who are confident of the final outcome may instead **hold their positions until settlement**, maximizing their returns. Wallets that combine:

- extremely high win rates
- large trade volumes
- minimal position selling

may therefore represent **potential insider trading behaviour**.

Figure 15 plots a wallet's win rate against their sell rate to categorize them based on these factors, one dot for each wallet with the size of the dot representing the volume of trades bought across the markets. In dark grey (bottom left) are bettors referred to as retail, who will casually enter the market, make exciting, but losing bets and then wait until the market closes to see the result. In blue (top right) are whales, often frequency traders, who use tools and research to make winning bets, but exit when prices rise to maximize the certainty of their payout. In red (top left) are wallets with the indicators for potential insider trading behaviour, high win rates while also holding onto the contract until the market resolves.

Comparing the Thursday and Friday markets to Friday through Sunday reveals an increase in the number of wallets and volume of bets in the insider position. In the Thursday and Friday markets, most traders resemble typical participants. Many were retail, holding losing positions to settlement, or whales who sold winning positions early. Only a few traders exhibit high success rates and no wallets achieved a 100% win rate.

In contrast, the markets that resolved after the strike show several wallets with **extremely high success rates**, found in the top portion of the graph. Most winning traders sold at least part of their positions before settlement, found on the right side of the top of the graph, exhibiting whale behaviour. However, a small number of large wallets are on the top left of the graph, **who held their positions to the end**, consistent with traders confident in the final outcome. Of the eight wallets that placed winning longshot bets, four achieved perfect or near-perfect win rates (99% or higher) and showed little to no selling activity, with sell-off rates of 3% or less, located in the top left portion of the graph.

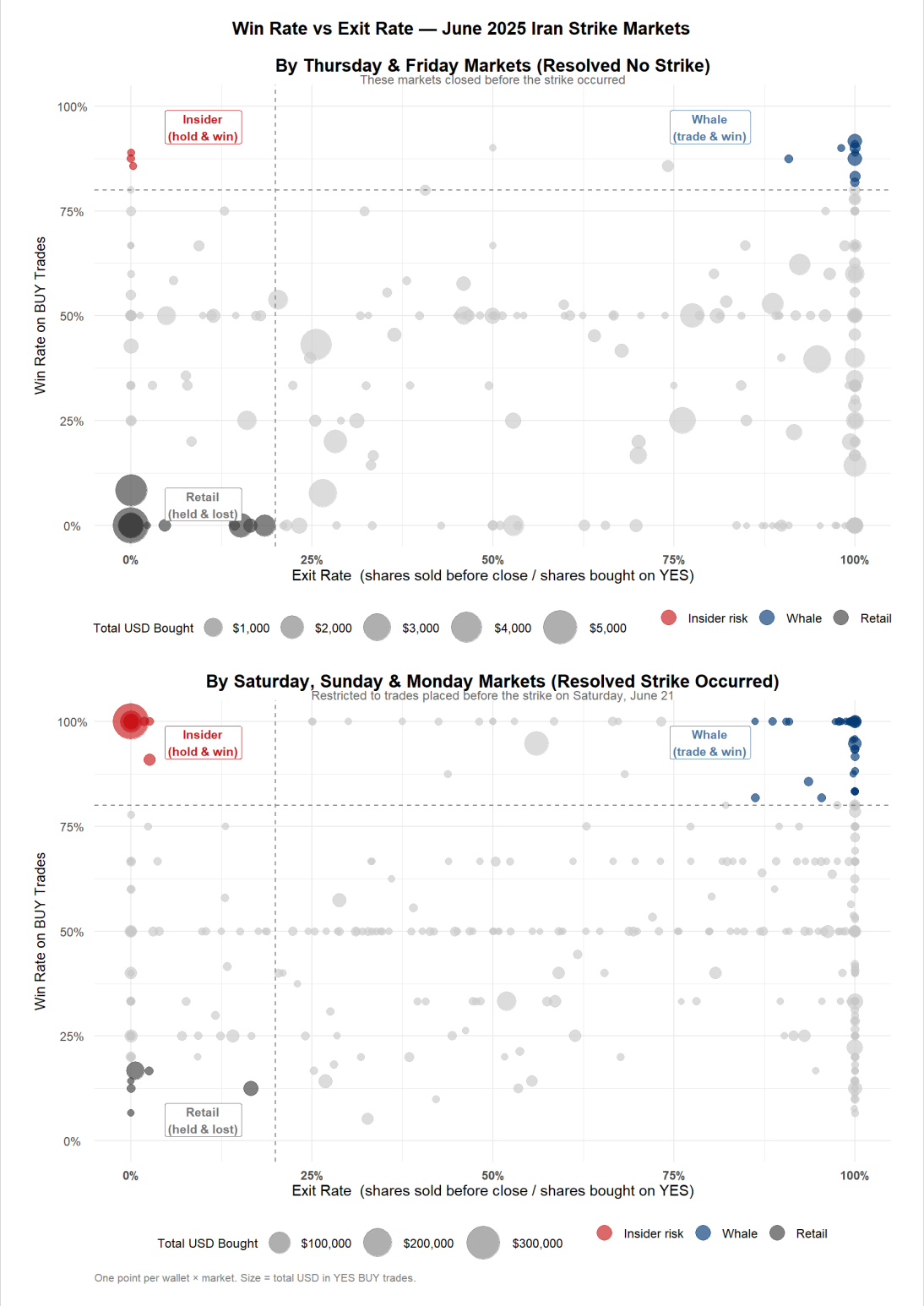

FIGURE 15

Figure 15: A plot with a dot for each wallet's win rate against their sell rate, with the size of the dot representing the volume of trades bought across the markets. The win rate is the percentage of BUY trades purchased for the winning outcome. The exit rate is the percentage of BUY trades close before the market closes. Dots on the left did not sell any contracts. Dots at the top only bought winning contracts. Insider risk, marked in red, indicates low exit rate, but high win rate. Whales, marked in blue, indicate a high exit rate with a high win rate.

CURRENT LEGISLATIVE AND MARKET CHANGES

To tackle the challenge of insider trading, lawmakers in the US are proposing several bills.

THE PREDICTION MARKETS ARE GAMBLING ACT

The bill amends the Commodity Exchange Act to ban markets related to sports and casino-like games.

THE PUBLIC INTEGRITY IN FINANCIAL PREDICTION MARKETS ACT

Prohibits federal elected officials, political appointees, Executive branch and congressional staff from buying, selling or exchanging in prediction markets related to government policy, government action or political outcomes when they possess nonpublic information.

THE BANNING EVENT TRADING ON SENSITIVE OPERATIONS AND FEDERAL FUNCTIONS (BETS OFF) ACT

Bans wagering on government actions, terrorism, war, assassination and events where an individual could know or control the outcome.

Furthermore, in late March, Polymarket itself published new integrity rules. The rules clarify the prohibition of trading on stolen confidential information, illegal tips and by those who can influence the outcome.

The Public Integrity in Financial Prediction Markets Act and Polymarket's updated rules aim to address the risks by targeting individuals, but given the pseudonymous nature of blockchain-based trading, enforcement will remain a challenge. Polymarket users transact through wallets without verified identities, making it difficult to determine whether a trader has access to privileged information or holds a restricted position. This differs from their rival, Kalshi, which as a regulated entity requires government-issued ID. Moreover, a single individual can operate multiple wallets, meaning that banning one account does not prevent further activity by the same person. In contrast, broader restrictions such as the BETS OFF Act take a more structural approach by eliminating entire categories of high-risk markets, including those identified in this analysis as most vulnerable to insider trading.

Another challenge for legislation and rule making is that even when suspicious patterns are observable, distinguishing insider trading from informed speculation or chance remains difficult. This difficulty is compounded by the growing array of tools and online communities that track unusual trading activity in real time. These platforms can amplify and disseminate potential signals of insider behaviour, enabling other traders to rapidly replicate profitable positions. As a result, what may begin as a narrow informational advantage can quickly diffuse across a broader set of users, obscuring the original source of the information. As political prediction markets continue to scale and attract wider participation, this dynamic will further complicate efforts to identify and regulate insider trading behaviour.

RECOMMENDATIONS

We recommend that legislation and platform-level rules consider the following:

01 **IDENTITY VERIFICATION**

Polymarket should be required to collect government-issued identification for all bettors, enabling the identification of suspicious participants. The use of non-public government information for private gain is prohibited for government employees, including military personnel, making traceability critical for enforcement of Polymarket's new integrity rules.

02 **CONDITIONAL PAYOUTS FOR HIGH-RISK BETS**

Bets identified as suspicious could be held and not paid out until the bettor's identity is verified and any potential conflicts of interest are assessed. If ID collection is not feasible, this approach could be applied selectively to high-risk bets.

03 **RESTRICTIONS ON HIGH-RISK MARKET TYPES**

Certain categories of markets, particularly markets with group outcome makers, are structurally vulnerable to insider trading. The analysis suggests these risks are systematic rather than isolated, and restricting or prohibiting these markets should be considered.

04 **LIMITS ON MARKET PRECISION**

Increasingly precise markets heighten insider risk by making non-public information more actionable and profitable. Where outright bans are not feasible, reducing the number or specificity of markets may help mitigate these risks.

CONCLUSION

The fears of insider trading highlighted by media reporting on specific high attention markets are probably well founded. According to ACDC's analysis, these are not isolated incidents but likely part of a wider pattern. Political markets where outcomes are determined by small, centralized decision-making groups are vulnerable to insider information. Across Polymarket, these group-based markets exhibit multiple indicators consistent with asymmetric information and potential insider trading: disproportionately high success rates for low-probability bets, clustering of winning activity among a small number of wallets, and a consistent pattern of trades placed immediately before outcomes occur.

The findings suggest these political markets are structurally vulnerable to insider trading and were starkest for military and defense markets. Given the transparency of the blockchain that allows high frequency traders to identify possible insider activity and take advantage of it, these vulnerabilities not only allow insiders to profit but those able to identify them quickly, further widening the information gap that disadvantages regular bettors.

Recent legislative proposals and reforms by Polymarket aim to address these risks, but as prediction markets continue to grow in scale and precision, especially related to military activities, these structural vulnerabilities are likely to intensify, underscoring the need for closer scrutiny of market design, monitoring mechanisms and regulatory frameworks governing participation in high-risk market categories.

> Ultimately, there should be an evidence-informed debate about whether the public should be betting on these outcomes at all.

NOTES

1. Political markets span a wide range of politics related markets including those related to: all branches of government including executive, legislative, and judicial; politicians, public officials and government employees; independent or semi-independent government bodies, such as regulatory agencies and central banks; and events determined by the public, including elections and referendums. While Polymarket uses a tag system, often the tags were not suitable for ACDC's analysis, so we tagged and categorized the data ourselves. Political markets were further assigned one of twelve topics: approval rating, central bank decisions, military and defense, domestic policy, election, foreign affairs, government personnel appointments, legal/courts, political party, politician attendance, politician business and politician speech. ACDC used two dictionaries to categorize markets, reviewed the results and manually adjusted as necessary.
2. To classify outcome makers, we aligned political market topics with the type of actor responsible for determining the outcome. Specifically: Individual outcome makers correspond to markets involving Politician Speech, Politician Attendance and Politician Business. Public outcome makers correspond to Elections and Approval Ratings. Group outcome makers correspond to Military and Defense, Foreign Affairs, Domestic Policy, Legal/Courts, Government Personnel Appointments, Political Party and Central Bank Decisions.
3. While we incorporate additional indicators of potential insider trading in the broader analysis, longshot trading provides a practical and analytically strong starting point. It is widely used as a signal of possible information asymmetry, both in media reporting and in insider risk models used by frequency traders. It also has the advantage that longshot success can be evaluated at the market level without requiring external data or full wallet history. These features make it a good entry point for assessing insider risk, but this is not the only indicator to consider.
4. To adjust for instances where multiple bets were placed by the same wallet consequently that summed to $2,500, but no individual bet was more than $2,500, we condensed trades per wallet on an hourly basis, setting the price based on the average price, weighted for the trade volume per price.

INSIDER RISKS IN POLYMARKET POLITICAL MARKETS

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