

Polymarket: Market Overview and Opportunities

Five years of volume, what is traded, fee structure, competition, data quality, and where a quant team could compete

Research paper 1 of 2 (paper 2 = Momentum strategy)

Data to 18 Oct 2026: press, on-chain trackers, Polymarket docs, our own recorder

Generated 2026-10-18

Internal research - not investment advice

0 Executive summary

Polymarket has grown from about \$5M a month in 2023 to \$4-10B a month in 2026, and about \$75B in 2026 up to 18 October (face value). Growth came in waves: the 2024 US election, then crypto 15m/5m Up/Down markets (launched Sep 2025 / Feb 2026), then sports and the 2026 World Cup. Since August 2026 the international venue has shrunk to about \$4.5B a month as US sports flow moves to the regulated **Polymarket US** app (\$7-9B a month), while **Kalshi** has overtaken both (about \$60B face in September; only about \$15B in dollars actually paid). Taker fees now apply to almost every category (crypto $0.07 \times p \times (1-p)$, up to 1.75c per share), and makers pay nothing.

Question	Short answer
How big?	International ~\$4.5-5B/month now (peak \$10.75B, Jun 2026); with Polymarket US ~\$12-13B/month. 1.4M trades/day, average trade \$55.
Growing?	Yes over 5 years (x100 since 2023). But the international venue is down ~55% from the Mar-Jun 2026 peak; growth has moved to the US venue and to Kalshi.
What is traded?	Last 30 days: sports 47%, other 20%, crypto 16.5%, politics 6.5%, world 3.5%. Politics was 75% in 2024.
What is picking up?	'Other' (+277% YoY), tech (+55%), world/geopolitics (+40%, and fee-free), politics (+23%). Falling: economics (-72%), sports on the intl venue (-27%), crypto (-14%).
Fees?	Taker-only, fee = shares $\times$ rate $\times p \times (1-p)$. Crypto 0.07, sports/econ/culture 0.05, politics/finance/tech 0.04, geopolitics 0. No tiers; 20-25% of fees go to makers.
Is the volume real?	Discount it. Dashboards often count trades twice (~1.9x); wash trading is estimated at ~25% (Columbia, 2025); compare venues on dollars paid, not face value.
Opportunity for us?	Real but specialised. The best documented edge is providing liquidity (makers +\$729k/week vs takers in 15m crypto, Feb 2026), not taking. Our taker strategy (paper 2) has decayed to near zero. See section 9.

1 How Polymarket works

- **Product:** binary event contracts. Each outcome is a token that pays **\$1 USDC** if it happens, \$0 otherwise, so the price (0-1) reads as a probability. Multi-outcome events are bundles of yes/no markets.
- **Exchange:** a central limit order book (CLOB). Matching is off-chain; settlement is on-chain on Polygon (Conditional Token Framework). Trading is gasless for users; USDC deposits and withdrawals are free.
- **Resolution:** crypto price markets settle on Chainlink Data Streams (the 5m/15m/4h Up/Down markets on a Chainlink **TWAP** since Aug 2026); most other markets on the UMA optimistic oracle (proposal, challenge window, vote if disputed).
- **Two venues:** Polymarket (international, crypto wallet, US users blocked since the 2022 CFTC settlement) and **Polymarket US** (CFTC-regulated exchange via the \$112M QCEX acquisition, Jul 2025; app live since 3 Dec 2025; 98% sports).
- **Market supply:** new markets per month rose from ~8k (Jun 2025) to ~38k (Oct 2025), mostly auto-generated recurring crypto markets: 288 (5m) + 96 (15m) + 24 (1h) per coin per day.
- **Activity (last 30 days to 17 Oct 2026):** 41.6M trades, 1.4M/day, average trade \$55. A retail-sized flow.

2 Volume: five years, month by month

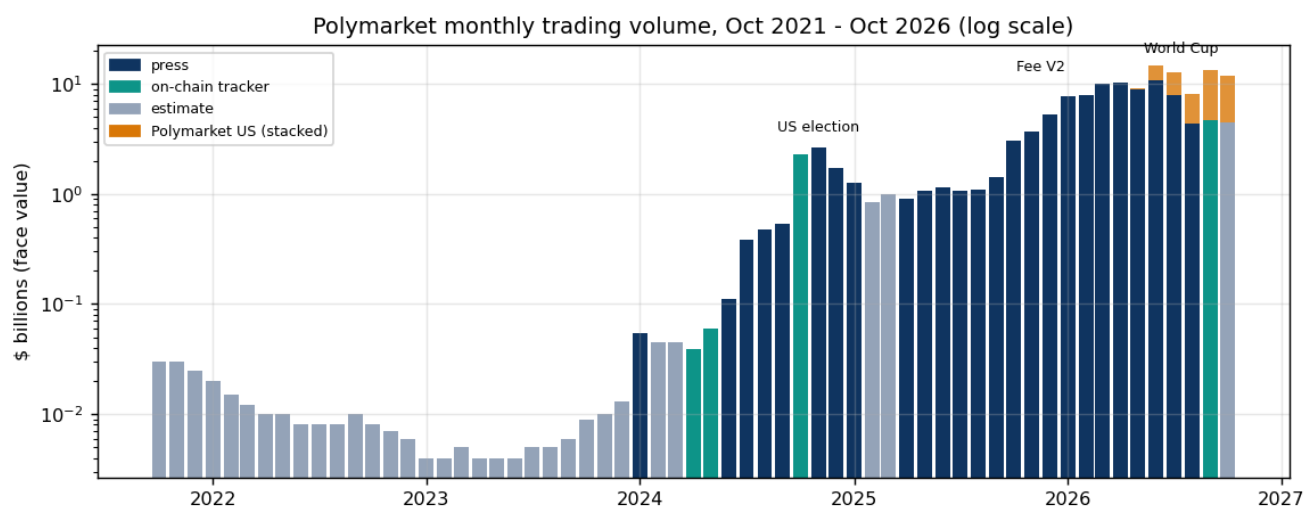


Fig 2.1 - Monthly volume, log scale. Grey bars are estimates (no public monthly series before 2024); Polymarket US stacked in orange from Jun 2026.

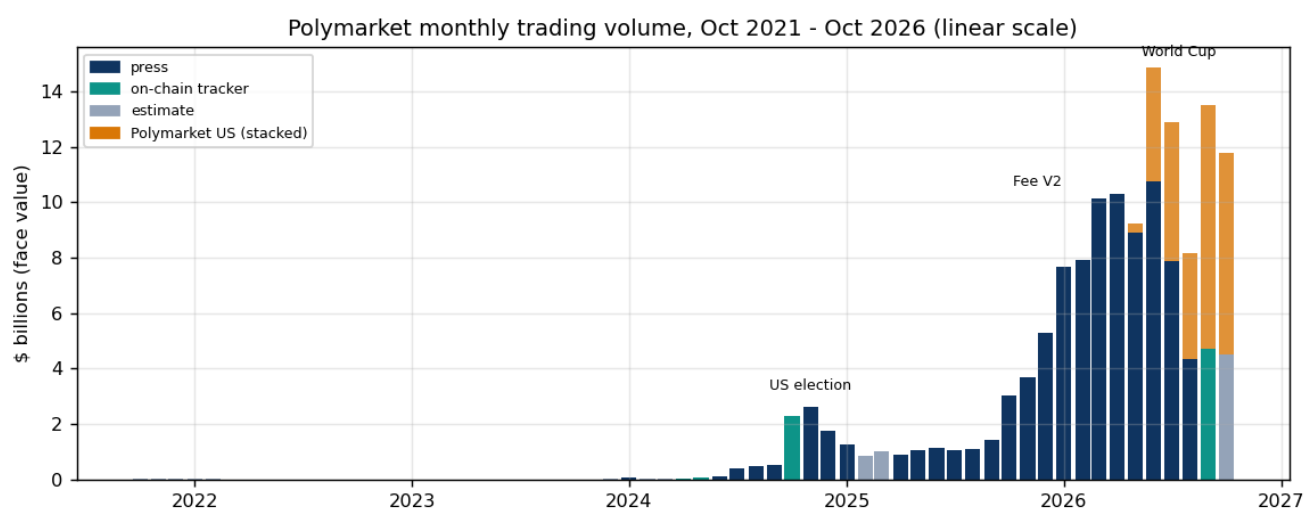


Fig 2.2 - The same on a linear scale: almost all volume is from Oct 2025 onward.

Year	Volume (face)	Peak month	Driver	Quality
2021 (Oct-Dec)	\$85M	-	early crypto-native users	estimate
2022	\$122M	Jan	CFTC settlement; US blocked	estimate

Year	Volume (face)	Peak month	Driver	Quality
2023	\$73M	Dec	quiet year	press total, months estimated
2024	~\$9B	Nov \$2.63B	US election (87% of Aug volume)	press / tracker
2025	\$21.85B	Dec \$5.31B	crypto 15m markets, sports, token hopes	press (Feb-Mar est.)
2026 to 18 Oct	\$74.6B (tracker, face)	Jun \$10.75B	5m crypto, Fee V2, World Cup	press / tracker

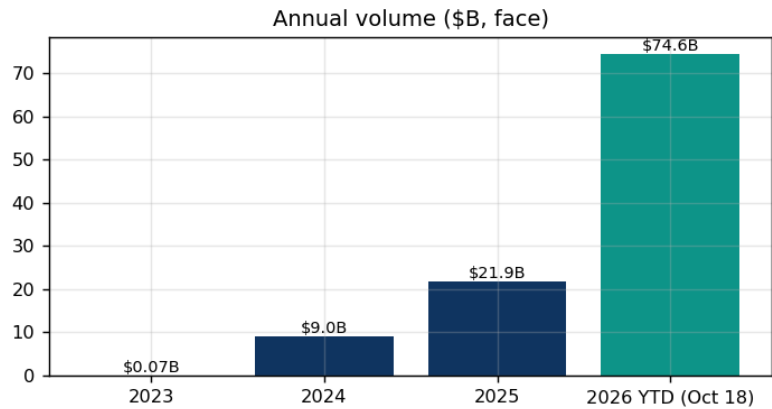


Fig 2.3 - Annual totals.

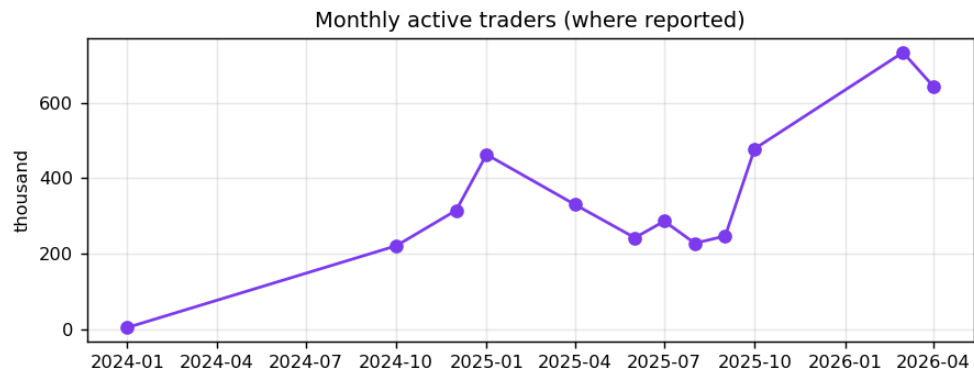


Fig 2.4 - Monthly active traders (where reported). Peak about 733k in Mar 2026.

3 Competition: Kalshi and Polymarket US

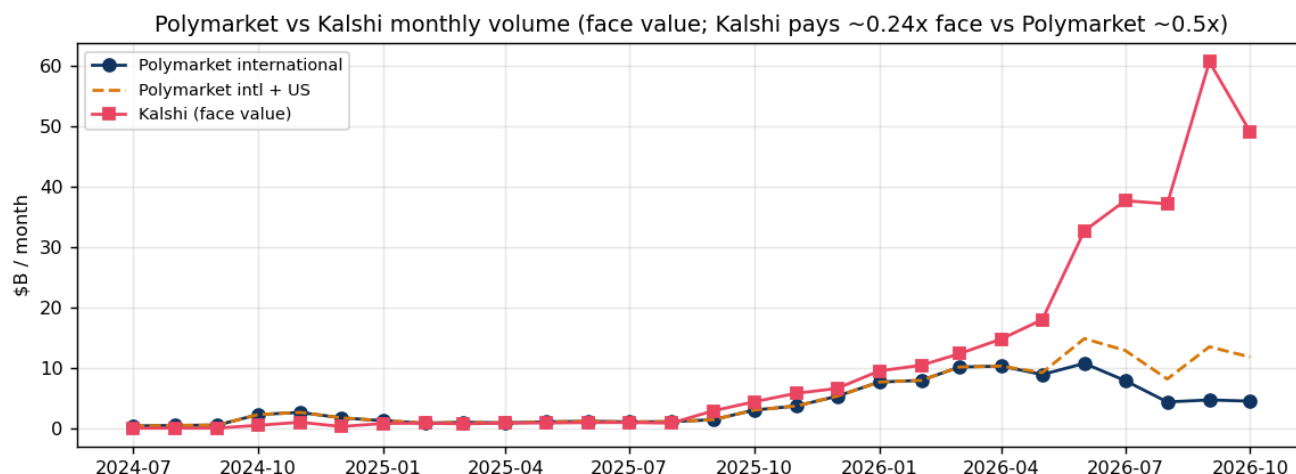


Fig 3.1 - Monthly face volume since Jul 2024.

- **Kalshi** (CFTC-regulated, US) passed Polymarket in late 2025 and reached about **\$60.7B face in Sep 2026**. Its face value inflates more: dollars actually paid are ~0.24x face (cheap contracts, parlays at 27% of dollars paid) against ~0.5x for Polymarket. In dollars paid, Sep 2026 is Kalshi ~\$14.7B vs Polymarket ~\$2.3B international.
- **Polymarket US** reached \$8.8B in Sep 2026, more than the international venue, and is almost entirely sports.
- The international venue's decline since Aug 2026 (from \$7.9B in Jul to ~\$4.4-4.7B) coincides with sports flow moving onshore. Crypto, politics and world markets remain mainly international.
- Open interest estimates disagree: Polymarket ~\$0.36B (DeFi Rate, Oct 2026) to \$1.2-2B (The Block, mid-2026); Kalshi \$4.5B.

4 What is traded, and what is picking up

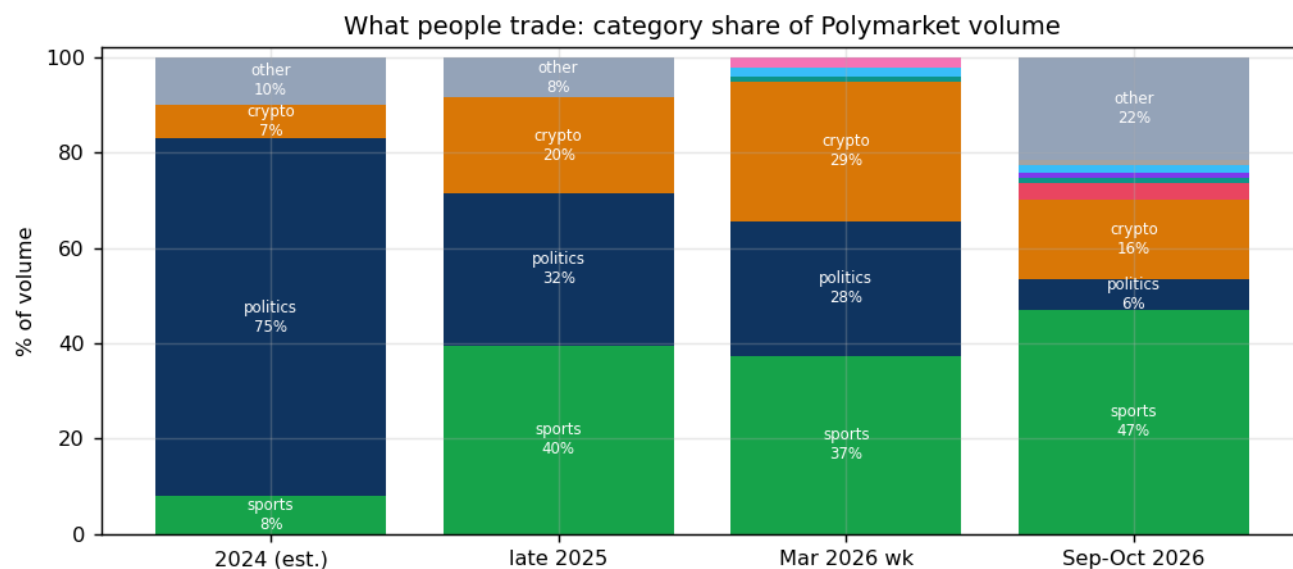


Fig 4.1 - Category share over time. 2024 is an estimate; later snapshots are tracker data.

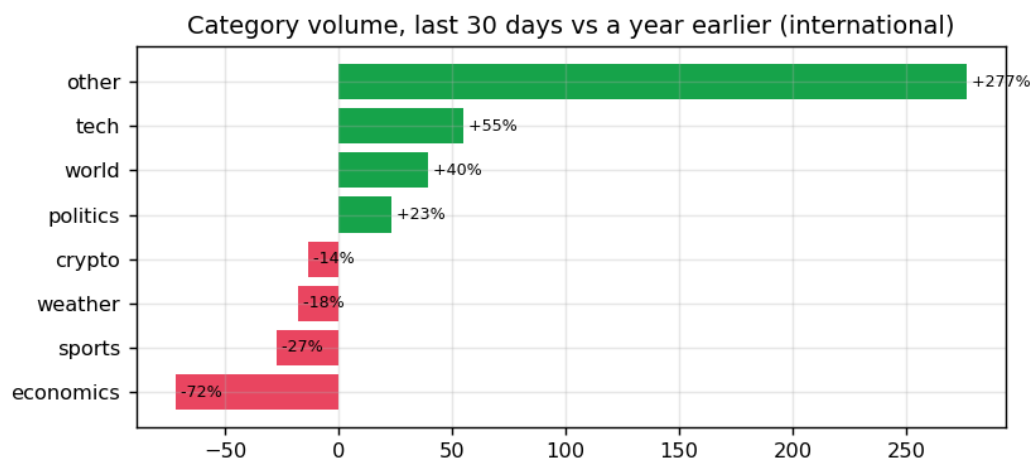


Fig 4.2 - Last 30 days vs a year earlier, international venue.

Reading. Polymarket has gone from an election venue (2024) to a **sports + crypto** venue (2025-26). On the international venue, sports is still the largest category but shrinking as it moves to Polymarket US; crypto Up/Down markets are a steady 15-30%. Smaller categories are growing fast from low bases: 'other' (+277%), tech (+55%), world/geopolitics (+40%, the only fee-free category). Economics markets have collapsed (-72%).

5 Deep dive: crypto Up/Down markets (our segment)

Item	Value	Source
Launch	15m and 1h: Sep 2025 (BTC/ETH/SOL/XRP); 5m: 12 Feb 2026 (BTC first)	tracker / press
Share of platform volume	under 10% at launch, 20-25% by early 2026; crypto 16.5% of the last 30 days	press / tracker
5m vs 15m	15 Feb - 30 Mar 2026: 5m \$2.3B vs 15m \$0.8B (5m overtook within 2 weeks)	tracker
15m, one week (2-8 Feb 2026, counted once)	\$153M over 2,688 markets: \$56.8k and 5.7k fills per market, 47k wallets	Telonex
Who wins	makers +\$728.5k, takers -\$728.5k that week (before fees); 36.8% of wallets profitable	Telonex
Single 5m BTC window	\$113k-234k traded	explorer samples
Timing	fills peak at minute 0; volume spikes in the final minutes, mostly near \$0/\$1 prices	Telonex
Our recorder, 10-18 snapshot	1,179 crypto markets; 24h volume: 15m \$964k, weekly \$1.29M, daily \$774k, 1h \$503k	own data
Our depth sample, 10-18	BTC 15m: best ask ~\$71, 5 levels ~\$1.4k; ETH 15m ~\$280; SOL 15m ~\$140 (5 levels)	own data
Resolution	Chainlink Data Streams; 5m/15m/4h on a TWAP over the window since ~7 Aug 2026	market text
Fee	taker $0.07 \times p \times (1-p)$ (max 1.75c/share at 0.50); 20% of fees to makers	official docs

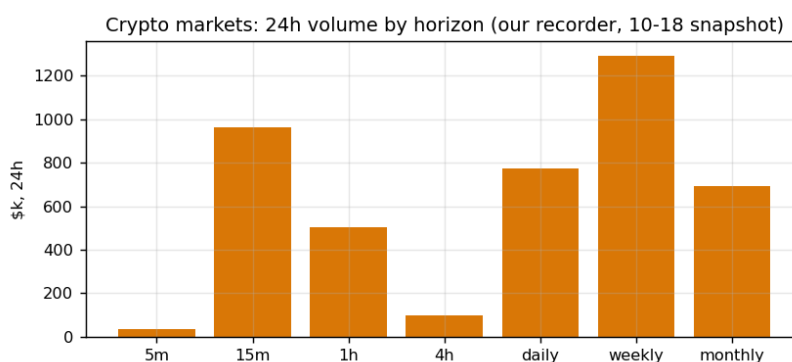


Fig 5.1 - Our recorder: 24h crypto volume by horizon. (Our snapshot starts at 05:46 UTC, so it under-counts the day.)

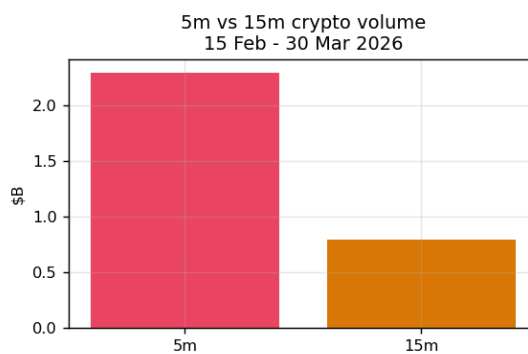


Fig 5.2 - 5m markets overtook 15m within weeks of launch.

Why it matters for a quant team: these markets are **continuous, 24/7, mechanically resolved, and priced off a public reference** (Binance/Chainlink), the closest thing on Polymarket to a normal derivatives market. Fair value can be computed, so they are the natural starting point for systematic market making or lead-lag trading.

6 Fee structure (as of October 2026)

Formula (official docs): $\text{fee} = \text{shares} \times \text{feeRate} \times p \times (1 - p)$, charged to the **taker** only. Makers pay nothing and receive a share of the fees. The fee is largest at $p = 0.5$ (rate/4 per share) and goes to zero at the extremes. As a share of the money spent, it is largest on cheap longshots.

Category	Taker feeRate	Max fee / share (p = 0.5)	% of premium at p = 0.5	% of premium at p = 0.2	Makers' share of fees
Crypto (all horizons)	0.07	1.75c	3.5%	5.6%	20%
Sports	0.05 (was 0.03)	1.25c	2.5%	4.0%	15% (was 25%)
Economics, culture, weather, other	0.05	1.25c	2.5%	4.0%	25%
Politics, finance, tech, mentions	0.04	1.00c	2.0%	3.2%	25%
Geopolitics / world	0	0	0	0	-

Fee tiers: **none** on the international venue (one rate for every account); Polymarket US offers maker volume rebates above \$250k/month of taker volume. Gas: none for trading. Deposits/withdrawals: free on Polymarket; on/off-ramp and bridge costs depend on the route. Separate **Liquidity Rewards** pay resting orders near the midpoint (details not re-verified).

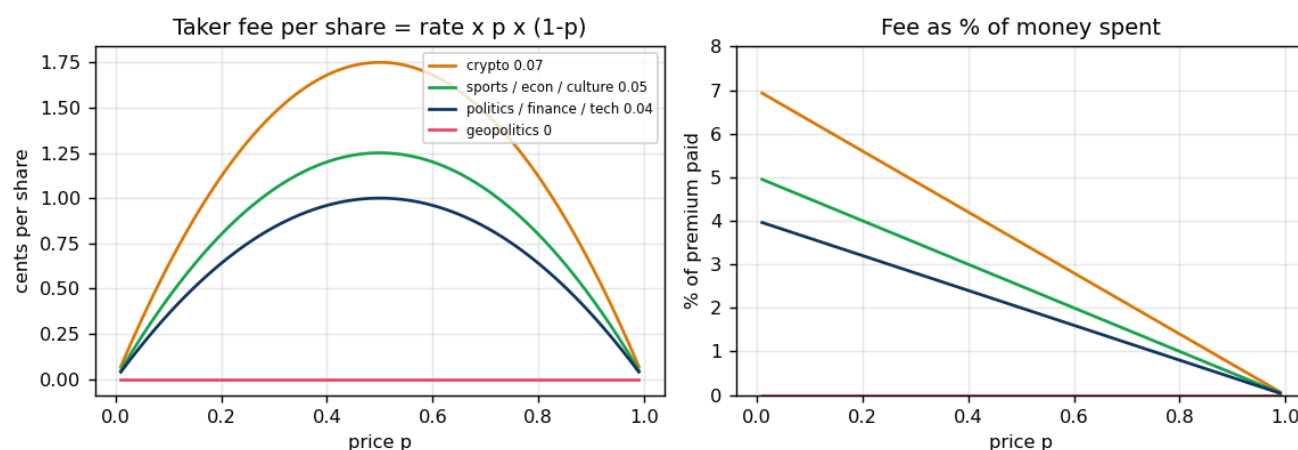


Fig 6.1 - Fee per share and fee as % of premium, by category.

Date	Change
before Jan 2026	no trading fees (liquidity rewards only)
5-6 Jan 2026	taker fees on 15m crypto (peak ~1.56c/share at 0.50)
18 Feb 2026	sports fees
6 Mar 2026	all crypto horizons
30 Mar 2026	Fee V2: $\text{rate} \times p \times (1-p)$ across categories, maker share of fees
~Jul 2026	sports rate 0.03 to 0.05; makers' share 25% to 15%
3 Apr / 1 Jul 2026	Polymarket US: 0.05 taker + 0.0125 maker rebate, then the category schedule + volume rebates above \$250k/month

Fee revenue: ~\$787k in the week of 20 Jan 2026 (all from 15m crypto); ~\$1B annualised by June 2026 (press). One analyst estimate puts the blended fee at ~0.76% of volume.

7 How far to trust the volume numbers

- **Double counting:** Paradigm (Dec 2025) showed that most dashboards count each trade twice (once per side). Example: 15m crypto, one week in Feb 2026: \$292M on a dashboard vs \$153M counted once (1.9x). Which press figures are corrected is unclear; assume some are not.
- **Wash trading:** a Columbia study (Nov 2025) estimates ~25% of historical volume (~\$4.5B) as wash, peaking near 60% of weekly volume in Dec 2024 and ~20% in Oct 2025, around POLY token/airdrop expectations. The token was announced but had not launched as of the last verified date (Apr 2026).
- **Face value vs dollars paid:** Polymarket dollars paid ~0.5x face; Kalshi ~0.24x. Compare venues on dollars paid.

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- **Source disagreement:** monthly figures differ 15-20% between trackers; 2021-2023 months are reconstructed (shaped to the 2023 total of \$73M).
 - **Practical rule:** divide headline volume by ~2 to 3 to get the economically meaningful flow a liquidity provider can actually trade against.

8 Regulatory and corporate timeline

Date	Event
2020-06	Polymarket launches (Shayne Coplan), USDC on Polygon
2022-01-03	CFTC settlement: \$1.4M civil penalty for unregistered event-contract facility; US users geoblocked; non-compliant markets wound down
2024-11	US election: \$2.63B monthly volume, OI \$510M; FBI search of CEO (Nov 13); DOJ/CFTC probes
2025-07	DOJ and CFTC investigations closed; acquires QCEX (CFTC DCM+DCO) for \$112M
2025-09-03	CFTC staff no-action letter for QCX/QC Clearing (swap reporting/recordkeeping)
2025-10-07	ICE strategic investment up to \$2B (\$1B primary Series D + up to \$1B secondary) at ~\$8B pre / ~\$9B post
2025-10	CMO confirms POLY token + airdrop ('there will be a token'); fuels activity/wash concerns
2025-11	CFTC Amended Order of Designation - intermediated trading allowed; Columbia wash-trading paper (~25%)
2025-12-03	Polymarket US app rollout (sports first)
2025-12	Paradigm: most dashboards double-count Polymarket volume
2026-01-06	taker fees on 15m crypto markets
2026-02-12	5-minute BTC up/down markets launch
2026-03	MLB exclusive prediction market partner; ICE completes further \$600M (Series E) on Mar 27 - ICE carrying value ~\$2.0B
2026-03-30	Fee V2 across categories
2026-04-28	V2 exchange upgrade: 1h trading pause, all open orders wiped
2026-05-27	Polymarket US exchange volume tracked from this date (broad launch)
2026-06/07	FIFA World Cup: World Cup winner market ~\$4B; combined PM+Kalshi July record \$50.6B
2026	reported raise talks at up to \$15B valuation (press, unconfirmed close); Kalshi raised at \$22B, reportedly eyeing \$40B
2026-10-18	POLY token: announced but NOT launched as of last verified info (Apr 2026 no snapshot yet); status after that unverified

9 Where the opportunities are

Ranked by our judgement of edge x capacity x fit with our existing stack (crypto recorders, Binance feeds, low-latency C++). Sizes are order-of-magnitude estimates.

#	Opportunity	Evidence	Size (est.)	Competition	Fit / verdict
1	Market making in crypto Up/Down (15m, 5m, 1h): quote both sides around a Binance/Chainlink fair value, skew on inventory, pull quotes on moves	makers took +\$729k/week from takers in 15m alone (Feb 2026, before fees); makers pay no fee and get 20% of taker fees	maker pool ~\$3M/month (15m, Feb); a newcomer 2-5% share = \$60-150k/month (speculative)	high, professional bots; latency matters for quote-pulling	best fit: same skills as our crypto MM; build a quote-pull latency budget first
2	TWAP-aware fair value for 5m/15m/4h since Aug 2026	settlement rule changed; many quoters may still price on end price	unknown; could feed both #1 and #3	unknown	cheap to test with recorded data
3	Taker lead-lag (our Momentum strategy)	+164 \$ per 1-share stake, real outcomes, but Sep-Oct ~+0.04/trade; adverse selection at 5 s latency	few hundred \$ per signal; ~\$650/month now	high	decayed; see paper 2
4	Cross-venue: Polymarket vs Kalshi / Polymarket US on identical events	two large venues, different user bases and fees	large in sports/politics	medium	needs US-venue access (KYC); legal question
5	Sports market making against sharp bookmaker lines	sports is 47% of volume	largest pool	high; moving onshore	outside our expertise
6	Fee-free geopolitics/world markets	0 fee, +40% YoY	small (3.5%)	low	event-driven, not systematic

Opportunity vs margin. All positions are fully collateralised in USDC (no leverage, no margin calls), so capital = inventory. A crypto market-making book quoting BTC/ETH/SOL/XRP across 5m/15m/1h with ~\$200-500 per side per market and ~20-40 live markets needs roughly **\$10-25k** of working capital. The limit is depth and adverse selection, not capital: a 15m BTC market trades ~\$35-60k over its life, and its book holds only ~\$1-1.5k within 5 ticks.

10 Risks

- **Access / legal:** the international venue blocks US persons; rules for an India-based entity trading from India (FEMA/LRS, crypto rails, tax) need legal review before any capital is deployed.
- **Custody:** USDC on Polygon in a self-custody wallet; smart-contract and bridge risk; operational key management.
- **Rule changes:** fees went from zero to 0.07 in three months; settlement moved to TWAP without a version bump. Strategies must re-validate after each change (our Momentum did not).
- **Platform events:** the 28 Apr 2026 V2 upgrade paused trading for 1 h and **wiped all open orders**; a market maker must handle that.
- **Volume quality:** headline figures overstate tradable flow 2-3x (section 7).
- **Competition:** the crypto Up/Down segment is already contested by professional bots; edges decay in months (paper 2 documents one: ~6x in five months).

11 Recommendation and next steps

Is there potential? Yes, as a *market-making* business in the crypto Up/Down segment, where the economics are documented (makers earn, takers pay) and we already own most of the tooling. No, as a taker/directional business: our own 5.5-month record shows that edge decaying to near zero.

#	Step	Effort	Decision gate
1	Legal/access memo: can our entity trade Polymarket international from India; tax and rails	1-2 weeks (external)	go / no-go for any capital
2	Extend the recorder: CLOB WebSocket for full L2 + trades on all crypto Up/Down markets, plus the Chainlink TWAP reference	1 week	complete, gap-free data for 2 weeks
3	Maker simulator: queue-aware fills on recorded books; fair value = TWAP model; inventory skew; fee/rebate accounting	2-3 weeks	positive after fees with conservative queue position

#	Step	Effort	Decision gate
4	Latency budget: measure Binance tick to cancel-acknowledged on the CLOB API	1 week	p95 cancel under ~300 ms
5	Micro-live market making, \$2-5k capital, hard loss limits (only after 1-4 pass and explicit approval)	4 weeks	live PnL within 30% of simulation
6	Scale to \$10-25k and add 1h/4h and other coins only if step 5 passes	-	monthly PnL > team + infra cost

Companion document: **Paper 2 - Polymarket Momentum Strategy** (detailed results of our running taker strategy).

A Appendix: monthly volume table

Tags: press = figure reported in an article (mostly The Block data); tracker = Dune / DeFi Rate / Telonex; estimate = interpolated or derived. Oct 2026 = full-month estimate from \$2.6B traded 1-18 Oct. Polymarket US Oct = 1-18 Oct only.

Month	Polymarket intl	Tag	Polymarket US	Kalshi (face)	Note
2021-10	\$30M	estimate			low confidence; pre-CFTC-settlement era, no verified monthly source
2021-11	\$30M	estimate			low confidence; pre-CFTC-settlement era, no verified monthly source
2021-12	\$25M	estimate			low confidence; pre-CFTC-settlement era, no verified monthly source
2022-01	\$20M	estimate			low confidence; post Jan-2022 CFTC settlement, US geoblocked
2022-02	\$15M	estimate			low confidence; post Jan-2022 CFTC settlement, US geoblocked
2022-03	\$12M	estimate			low confidence; post Jan-2022 CFTC settlement, US geoblocked
2022-04	\$10M	estimate			low confidence; post Jan-2022 CFTC settlement, US geoblocked
2022-05	\$10M	estimate			low confidence; post Jan-2022 CFTC settlement, US geoblocked
2022-06	\$8M	estimate			low confidence; post Jan-2022 CFTC settlement, US geoblocked
2022-07	\$8M	estimate			low confidence; post Jan-2022 CFTC settlement, US geoblocked
2022-08	\$8M	estimate			low confidence; post Jan-2022 CFTC settlement, US geoblocked
2022-09	\$10M	estimate			low confidence; post Jan-2022 CFTC settlement, US geoblocked
2022-10	\$8M	estimate			low confidence; post Jan-2022 CFTC settlement, US geoblocked
2022-11	\$7M	estimate			low confidence; post Jan-2022 CFTC settlement, US geoblocked
2022-12	\$6M	estimate			low confidence; post Jan-2022 CFTC settlement, US geoblocked
2023-01	\$4M	estimate			shaped to match 2023 annual total \$73M (press)
2023-02	\$4M	estimate			shaped to match 2023 annual total \$73M (press)
2023-03	\$5M	estimate			shaped to match 2023 annual total \$73M (press)
2023-04	\$4M	estimate			shaped to match 2023 annual total \$73M (press)
2023-05	\$4M	estimate			shaped to match 2023 annual total \$73M (press)
2023-06	\$4M	estimate			shaped to match 2023 annual total \$73M (press)
2023-07	\$5M	estimate			shaped to match 2023 annual total \$73M (press)
2023-08	\$5M	estimate			shaped to match 2023 annual total \$73M (press)
2023-09	\$6M	estimate			shaped to match 2023 annual total \$73M (press)
2023-10	\$9M	estimate			shaped to match 2023 annual total \$73M (press)
2023-11	\$10M	estimate			shaped to match 2023 annual total \$73M (press)
2023-12	\$13M	estimate			shaped to match 2023 annual total \$73M (press)
2024-01	\$54M	press			
2024-02	\$45M	estimate			
2024-03	\$45M	estimate			
2024-04	\$39M	dune			
2024-05	\$59M	dune			
2024-06	\$111M	press			
2024-07	\$387M	press		\$25M	
2024-08	\$473M	press		\$25M	

Month	Polymarket intl	Tag	Polymarket US	Kalshi (face)	Note
2024-09	\$533M	press		\$30M	
2024-10	\$2.28B	dune		\$500M	traders = unique addresses
2024-11	\$2.63B	press		\$1.00B	election ATH; 2024 total ~\$9B
2024-12	\$1.74B	press		\$300M	derived from -34% vs Nov (The Block)
2025-01	\$1.26B	press		\$800M	
2025-02	\$850M	estimate		\$850M	press says Feb volume dropped; no exact figure found
2025-03	\$1.00B	estimate		\$740M	
2025-04	\$900M	press		\$870M	'just under \$900M' (The Block); >7,000 new markets
2025-05	\$1.06B	press		\$880M	derived: June \$1.16B was +9.4% MoM
2025-06	\$1.16B	press		\$950M	7,990 new markets
2025-07	\$1.06B	press		\$960M	
2025-08	\$1.10B	press		\$859M	12,800 new markets
2025-09	\$1.43B	press		\$2.90B	
2025-10	\$3.02B	press		\$4.40B	38,270 new markets; POLY airdrop anticipation; Columbia: ~20% of weekl
2025-11	\$3.70B	press		\$5.80B	
2025-12	\$5.31B	press		\$6.60B	
2026-01	\$7.66B	press		\$9.50B	
2026-02	\$7.94B	press		\$10.44B	
2026-03	\$10.15B	press		\$12.35B	
2026-04	\$10.30B	press		\$14.80B	first MoM decline in 8 months per one source; V2 upgrade outage Apr 28
2026-05	\$8.90B	press	\$325M	\$18.00B	
2026-06	\$10.75B	press	\$4.10B	\$32.70B	derived: The Block PM+PM US \$14.0B minus PM US ~\$3.25B; World Cup
2026-07	\$7.90B	press	\$5.00B	\$37.70B	
2026-08	\$4.36B	press	\$3.80B	\$37.17B	derived: The Block PM+PM US \$8.16B minus PM US \$3.8B
2026-09	\$4.70B	dune	\$8.80B	\$60.70B	DeFi Rate tracker (API, face value); dollars paid \$2.3B
2026-10	\$4.50B	estimate	\$7.30B	\$49.10B	partial Oct 1-18 = \$2.6B face (DeFi Rate); full-month extrapolation