

# Introduction to Prediction Markets

## Overview

B.E.T is the first capital-efficient prediction market on Solana. Bet bigger on real-world outcomes.

Here's how:

- Use 30+ tokens (supported as collateral) — not just USDC.
- Hedge your bets on a unified platform.
- Earn yield while in position.

Each Drift prediction market supports a binary outcome (YES or NO) represented by price 1 or 0. These markets support all the advanced order types (limit, stop, etc) available in other markets and have multiple capital efficiency benefits vs other prediction markets:

- earn lending interest on all supported collateral
- get margin extended on all supported non-usdc collateral tokens, with 0% interest until losses (realized or unrealized) get settled by a counterparty. after losses get settled, the account pays a floating borrow rate specified [here \(opens in a new tab\)](#)
- .\* trading with sufficient/solely USDC do not risk any margin/borrow interest
- - additionally, solely USDC collateralized accounts (with no other positions) face no liquidation risk (even with depeg in usdc like in march 2023)
- every account's margin requirement is only the 'worst case liability'.\* this can be more capital efficient vs typical open order allocation:1. users can still earn lending interest with open orders.
- - 1. liquidity providers with two-sided orders or orders that would only reduce risk require no additional margin.

## Initialization, Resolution, and Settlement

### Initialization

Upon sufficient community requests and liquidity support/interest, Drift's security council (an elected multisig under realms governance) can initialize. For conservative purposes, markets will require full margin requirement. Prices are bounded between 0 and 1 and a market margin ratio of 100% requires liability value of the position (1 - price for shorts and price for longs).

### Resolution

The security council (an elected multisig under realms governance) also acts as the resolver for all prediction markets. After an indicated resolution time, the resolution step is to update the oracle (to a fixed value 0 or 1) and setting an expiry date.

### Settlement

After the expiry date is set, users can only trade the market in reduce only mode (no new entrants or risk-increasing positions). After expiry date and settlement is triggered, users can settle their positions at the settlement price (determined by the stable resolution oracle).

In a tail-risk event where the market has a shortfall that is not covered by fees or insurance, the shortfall will be socialized into a settlement price (i.e. settlement price can be < 1 despite a resolution set to 1).

### Under what circumstances can a shortfall occur?

Despite setting a market's margin ratio for 100% collateralization, if a user uses another token (for example consider with 80%/90% initial/maintenance asset weight), if the value falls beyond 1-initial\_asset\_weight % (20% in example case) before liquidators take over, and SOL insurance is depleted, that means that USDC insurance is required to service the prediction market position.

Again, the shortfall must exceed the market's USDC insurance fund or market's specific fee pool for settlement price to be impacted.

## FAQ

### How do prices reflect the probability of winning?

Prices are the cost of buying 1 share, and they range between 0 to 1. When the market is resolved, the price of the correct share will resolve to 1, whereas the shares of the opposing side will resolve to 0.

For the more advanced users, you may notice that

Cost of "Yes" share + Cost of "No" share = 1

This is because a "No" share is essentially selling a "Yes" share on margin.

## How do I make money?

When the markets are resolved, and you own shares of the correct side, the prices of those shares will resolve to 1.

Example:

You bought Yes shares for "Donald Trump wins 2024 US Elections" market at 0.70 per share. If Donald Trump does indeed win the 2024 US Elections, you will make a profit of  $(1 - 0.70 = 0.30)$  per Yes share that you own.

The same calculation works for No shares too.

## Can I sell my shares at any time?

Yes, you can sell your shares at any time.

If you bought Yes shares at 0.40/share, and it is now worth 0.60/share, you may want to de-risk and sell some/all of your Yes shares for a profit.

## Does my B.E.T activity earn Fuel?

All B.E.T trades will be boosted by Fuel. The Fuel booster will be available for two weeks - from the 19th of August till the 1st of September.

How is Fuel calculated?

For every 1 trade, you will receive 1 FUEL. This is further boosted by a 5X Fuel Boost. This means that during the 2-week period, you will receive 5 FUEL for every 1 traded.

## What are the fees?

Prediction markets have the same fee structure as perp markets, which you can read more about [here \(opens in a new tab\)](#).

[Overview Delisting Process](#)