

SUBMITTED VIA CFTC PORTAL

Secretary of the Commission
Office of the Secretariat
U.S. Commodity Futures Trading Commission
Three Lafayette Center
1155 21st Street, N.W.
Washington, D.C. 20581

Re: KalshiEX LLC – Kalshi Referral Program

Dear Sir or Madam,

Pursuant to Section 5c(c) of the Commodity Exchange Act (the “Act”) and Section 40.6(a) of the regulations of the Commodity Futures Trading Commission (the “Commission”), KalshiEX LLC (“Exchange”) hereby notifies the Commission that it intends to implement a referral program (“Program”). The purpose of the program is to promote liquidity and orderliness on the Exchange. Under the terms of the Program, which are described more fully in Appendix A, referring members and referred members who have traded on the Exchange will receive bonus payments from the exchange.

Additionally, Kalshi is amending its rulebook to make conforming changes for the Program. The amendments to the Rulebook consist of adding paragraph 3.6(f) to say that “Kalshi may from time to time establish incentive programs that provide participants with incentives that encourage membership and trading” and a corresponding addition to paragraph 5.13(g) to provide that Kalshi “may deposit funds into a Member’s Kalshi account, including but not limited to, in the event of an order cancellation, trade cancellation, expiration value adjustment, ledger adjustment, refund of wire transfer fees, or incentive program.” For convenience, a redline copy of the rulebook is attached.

Compliance with Core Principles

Kalshi has identified that the following core principles may be implicated by the program: core principles 2, 4, 9, 12, and 19. Core Principle 9 establishes the Commission's framework for regulating the execution of transactions, requiring DCMs, like Kalshi, to provide a competitive, open, and efficient market and mechanism for execution. Core Principle 12 also requires DCMs to establish and enforce rules to protect markets and market participants from abusive practices and to promote fair and equitable trading on DCMs. Core Principle 19 requires that DCMs avoid adopting any rules or taking any actions that result in unreasonable restraints of trade. The Program’s incentive structure does not incentivize manipulative trading or market abuse and does not impact the Exchanges’ ability to perform its trade practice and market surveillance obligations under the Act. The Program will serve to increase the liquidity and orderliness on the market. It will not otherwise impact the Exchange’s provision of a competitive, open, and efficient market. Trade executions for participants in the Program are identical to all other member trade executions on the Exchange. Additionally, the Program will only be available for members of the Exchange who have traded and thereby demonstrated a commitment to the Exchange and an existing interest in the Exchange’s products.

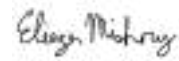
The Program also complies with core principles 2 and 4. It will not create an incomparable fee structure and will not cause any impermissible market distortion. Eligibility for the Program is restricted to members who have traded.

The amount of the incentive program will not exceed \$30 and is tailored to fit to the Exchange's markets. Finally, the Program's impact on the market will be to increase liquidity and enhance the orderliness on the market.

Kalshi certifies that the amendments comply with the requirements of the Commodity Exchange Act and the rules and regulations promulgated thereunder. Kalshi is not aware of any substantive opposing views expressed with respect to this filing and certifies that, concurrent with this filing, a copy of this letter and attachments were posted on the Kalshi website and may be accessed at: <https://kalshi.com/regulatory>.

If you have any questions or comments or require further information, please do not hesitate to contact me.

Sincerely,



Elie Mishory
Chief Regulatory Officer
KalshiEX LLC
emishory@kalshi.com

Appendix A

DESCRIPTION OF KALSHI'S END OF 2021 TRADING INCENTIVE PROGRAM ("Program")

Purpose: The Program is intended to increase membership and trading activity on the Exchange, enhancing market liquidity. More liquidity benefits all participants in the market.

Scope: The Program is available to all Exchange members who meet the eligibility requirements while the program is in effect. The Program is not limited to a particular subset of the Exchange's contracts. All participants of the program are subject to the Exchange's Rulebook.

Eligibility:

Referring member:

- A. Is an existing Exchange Member;
- B. Is not the subject of an open compliance investigation or review, and does not have a suspended account for any compliance or financial reason;
- C. Has executed at least 1 trade (of any size) in any market;
- D. Shares the unique link provided in the Promotion email; and
- E. Refers a friend who meets the Referred member eligibility criteria below.

Referred member:

- A. Gets approved for Membership, and opens a trading account;¹
- B. Makes a successful initial deposit of at least the minimum required initial deposit amount² (as specified by the Exchange in the terms and conditions that will be posted to the Exchange's website with the promotional material for the specific program) within 30 calendar days of the application date via one of the acceptable deposit methods as set forth on the Exchange website;

¹ Any Referred Member who is later deemed to have provided false or fraudulent information on the Membership application will be disqualified from the Program and required to return the referral payment. Depending on the specific circumstances of the fraud, the Referring Member may also be disqualified from the Program and required to return the referral payment as determined by the Compliance Department on a case by case basis.

² The initial deposit must occur in one transaction. An initial deposit which does not clear and/or is returned by The Exchange's bank for any reason will not be considered successful, and the Referred Member will be disqualified from the Program. A Referred Member or Referring Member who has received a referral payment based on an initial deposit which later fails to clear will be required to return the payment.

- C. Trades at least 100 total contracts on the Exchange within 30 calendar days of the application date; and
- D. Is not the subject of an open compliance investigation or review, and does not have a suspended account for any compliance or financial reason.

Incentive:

The Exchange will deposit bonus funds into participants' accounts. For referred members (who by definition have not yet traded on the Exchange), the bonus funds must be used for trading within 45 calendar days. After 45 calendar days, unused funds will be automatically forfeited back to the Exchange. Bonus funds that are given to Referring members (who by definition have already traded on the Exchange) may be withdrawn without any subsequent trading. The amount of the bonus funds will be specified by the Exchange prior to implementation and will not be more than \$30 for Referring members and \$25 for Referred members. All programs will be fair and equitable and applied in a non-discriminatory manner.

Program Term: The Exchange will announce each referral program's effective period via Notice on the Exchange's website. The Program's effective period may be retroactive to the self-certification filing date, in order to not disincentivize new members from joining the Exchange during the pendency of the filing. The program will expire at the later of 12 weeks from the start date and 10,000 referred members, unless extended by the Exchange.

Monitoring and Termination of Status: The Exchange will monitor trading activity and eligible participants' performance and retains the right to revoke program eligibility and/or disqualify certain trades or trading activity not permitted under the Exchange Rulebook, in the Chief Regulatory Officer's sole discretion.



KalshiEX LLC Rulebook

Date: ~~September 21~~ December 9, 2021

Version: 1. ~~109~~

CHAPTER 1 DEFINITIONS	7
CHAPTER 2 MARKET GOVERNANCE	11
RULE 2.1 OWNERSHIP	11
RULE 2.2 BOARD OF DIRECTORS	11
RULE 2.3 OFFICERS	12
RULE 2.4 RESTRICTIONS ON WHO MAY BE MEMBERS OF THE BOARD, MEMBERS OF COMMITTEES , OR TEN PERCENT OR GREATER OWNERS	13
RULE 2.5 COMMITTEES AND SUBCOMMITTEES	14
RULE 2.6 REGULATORY OVERSIGHT COMMITTEE	15
RULE 2.7 DISCIPLINARY PANEL, APPEALS COMMITTEE, AND OUTCOME REVIEW COMMITTEE	16
RULE 2.8 EMERGENCY RULES	17
RULE 2.9 VOTING BY INTERESTED BOARD MEMBERS	19
RULE 2.10 INDEMNIFICATION OF DIRECTORS, OFFICERS, AND OTHERS	19
RULE 2.11 PROHIBITION ON USE OF MATERIAL, NON-PUBLIC INFORMATION	19
RULE 2.12 LIMITATION ON TRADING BY AFFILIATES	20
RULE 2.13 CONSENT TO JURISDICTION	21
RULE 2.14 RECORDKEEPING	22
RULE 2.15 INFORMATION-SHARING AGREEMENTS	22
RULE 2.16 RECORDKEEPING AND REPORTING REQUIREMENTS	22
RULE 2.17 PUBLIC INFORMATION	23
CHAPTER 3 MEMBERSHIP	24
RULE 3.1 MEMBERS - APPLICATIONS, AGREEMENTS, ELIGIBILITY CRITERIA, CLASSIFICATIONS, AND PRIVILEGES	24
RULE 3.2 MEMBER OBLIGATIONS	26
RULE 3.3 REJECTION OF APPLICANT AND LIMITATIONS OF TRADING PRIVILEGES	27
RULE 3.4 COMMUNICATIONS BETWEEN KALSHI AND MEMBERS	28
RULE 3.5 MEMBER FUNDS MAINTAINED WITH THE COMPANY	28
RULE 3.6 DUES, FEES, AND EXPENSES PAYABLE BY MEMBERS	28
CHAPTER 4 [RESERVED]	29

CHAPTER 5 METHOD FOR MEMBERS TO TRADE CONTRACTS	29
RULE 5.1 PRIOR REVIEW OF THESE RULES AND ACCEPTANCE OF TERMS OF MEMBER AGREEMENT	29
RULE 5.2 MEMBER ACCESS TO KALSHI	29
RULE 5.3 TRADING CONTRACTS – MEMBERS	30
RULE 5.4 ORDER ENTRY	31
RULE 5.5 HANDLING OF CUSTOMER ORDERS	32
RULE 5.6 DISPUTED ORDERS	32
RULE 5.7 PRIORITY OF ORDERS	33
RULE 5.8 FILLING ORDERS TO TRADE CONTRACTS	33
RULE 5.9 CANCELLATION OF ORDERS	34
RULE 5.10 TRADE CANCELLATIONS	34
RULE 5.11 VIEWING THE MARKET AND EXECUTED ORDERS	35
RULE 5.12 HOURS FOR TRADING CONTRACTS	35
RULE 5.13 PROHIBITED TRANSACTIONS AND ACTIVITIES	36
RULE 5.14 POSITION LIMITS	38
CHAPTER 6 CLEARING AND SETTLING CONTRACT TRADES, SETTLEMENT , AND MEMBER WITHDRAWAL REQUESTS	39
RULE 6.1 CLEARANCE	39
RULE 6.2 SETTLING CONTRACT TRADES	40
RULE 6.3 SETTLEMENT	40
RULE 6.4 SETTLING MEMBER WITHDRAWAL REQUESTS	40
CHAPTER 7 MARKET OUTCOME REVIEW AND ADJUSTMENTS NECESSITATED BY MATERIAL CHANGES IN THE UNDERLYING	41
RULE 7.1 THE MARKET OUTCOME REVIEW PROCESS	41
RULE 7.2 CONTRACT MODIFICATIONS	41
CHAPTER 8 INVESTMENT OF MEMBER ACCOUNT FUNDS	42
RULE 8.1 INVESTMENT OF MEMBER ACCOUNT FUNDS	42
CHAPTER 9 DISCIPLINE AND RULE ENFORCEMENT	42
RULE 9.1 MONITORING THE MARKET	42

RULE 9.2 INVESTIGATIONS, HEARINGS, AND APPEALS	43
RULE 9.3 SETTLEMENT OF INVESTIGATIONS	46
RULE 9.4 NOTICE AND PUBLICATION OF DISCIPLINARY ACTION	47
RULE 9.5 PENALTIES	47
RULE 9.6 SUMMARY SUSPENSION	48
RULE 9.7 REPRESENTATION BY COUNSEL	49
RULE 9.8 REPORTING VIOLATIONS TO THE COMMISSION	49
CHAPTER 10 - ARBITRATION	50
RULE 10.1 GENERAL	50
RULE 10.2 FAIR AND EQUITABLE ARBITRATION PROCEDURES	50
RULE 10.3 WITHDRAWAL OF ARBITRATION CLAIM	51
RULE 10.4 PENALTIES	51
RULE 10.5 ARBITRATION PANEL	52
CHAPTER 11 LIMITATION OF LIABILITY; TIME PERIOD IN WHICH TO BRING ACTIONS; GOVERNING LAW	52
RULE 11.1 PROPERTY RIGHTS	52
RULE 11.2 SIGNATURES	54
RULE 11.3 LIMITATION OF LIABILITY	54
CHAPTER 12 COMMISSION REGULATIONS THAT HAVE BEEN ADAPTED TO BE PART OF THE RULES	55
RULE 12.1 ACTIVITIES OF SELF-REGULATORY ORGANIZATION EMPLOYEES AND GOVERNING MEMBERS WHO POSSESS MATERIAL, NON-PUBLIC INFORMATION (ADAPTED FROM COMMISSION REGULATION 1.59)	55
RULE 12.2 SERVICE ON SELF-REGULATORY ORGANIZATION GOVERNING BOARDS OR COMMITTEES BY PERSONS WITH DISCIPLINARY HISTORIES (ADAPTED FROM COMMISSION REGULATION 1.63)	56
RULE 12.3 VOTING BY INTERESTED MEMBERS OF SELF-REGULATORY ORGANIZATION GOVERNING BOARDS AND VARIOUS COMMITTEES (ADAPTED FROM COMMISSION REGULATION 1.69)	57
CHAPTER 13 TERMS OF CONTRACTS TRADED ON KALSHI	60
RULE 13.1 TERMS THAT ARE UNIFORM ACROSS CONTRACTS	60

CHAPTER 1 DEFINITIONS

When used in this Rulebook the following terms shall have the respective meanings as follows:

“Affiliate” means, with respect to any Person, any Person who, directly or indirectly, Controls, is Controlled by, or is under common Control with, such other Person.

“Appeal Committee” means a committee of the Board to consider appeals under Chapter 9 .

“Applicable Law” means, with respect to any Person, any statute, law, regulation, rule or ordinance of any governmental or self-regulatory authority applicable to such Person, including the CEA and CFTC Regulations, and state regulations where applicable.

“Board” means the Board of Directors of Kalshi, which manages the Company and is constituted from time to time in accordance with the Operating Agreement.

“CFTC” or “Commission” means the U.S. Commodity Futures Trading Commission or any successor regulatory body.

“CFTC Regulations” means the rules and regulations promulgated by the CFTC, as amended.

“Commodity Exchange Act” or “CEA” means the Commodity Exchange Act, as amended from time to time.

“Contract” means any contract, agreement, or transaction approved for trading on Kalshi pursuant to these Rules.

“Contract Market” has the meaning set forth in CFTC Regulation § 1.3(h).

“Contract Specifications” means, with respect to any Contract, the rules or other trading protocols containing specifications for such Contract, as adopted, amended, supplemented or otherwise modified from time to time by the Company.

“Derivatives Clearing Organization” has the meaning set forth in Section 1a(15) of the CEA.

“Director” means any member of the Board.

“Disciplinary Panel” means the panel appointed by the Board at the recommendation of the Chief Compliance Officer to act in an adjudicative role and fulfill various adjudicative responsibilities and duties described in Chapter 9.

“Emergency” means the occurrences or circumstances which, in the opinion of the Board, require immediate action, and which threaten, or may threaten, the fair and orderly trading in, or the settlement or integrity of, any Contract, including, without limitation, the following:

- (1) any activity that manipulates or attempts to manipulate a Contract on Kalshi
- (2) any circumstance that may materially affect the performance of a Contract, including failure to clear and any failure of the payment systems;
- (3) any action taken by any domestic or foreign regulatory, self-regulatory, judicial, arbitral, or governmental (whether national, state or municipal) or quasi-governmental authority, or any agency, department, instrumentality, or sub-division thereof; or other Person exercising, or entitled to exercise any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power; or any other Contract Market, Derivatives Clearing Organization, board of trade, or other exchange or trade association (foreign or domestic) that may have a direct impact on trading on Kalshi or the settlement legality or enforceability of any Contract;
- (4) any actual, attempted or threatened corner, squeeze, congestion, manipulative activity or undue concentration of positions in a Contract;
- (5) any circumstance that may have a severe, adverse effect upon the functions and facilities of Kalshi, including, but not limited to, acts of God, fire, flood or other natural disasters, bomb threats, acts of terrorism or war, severely inclement weather, or failure or malfunction of all or a portion of the Kalshi Platform, or other system breakdowns or interruptions such as power, computer, communication or transportation systems or the Internet;
- (6) the bankruptcy or insolvency of any Derivatives Clearing Organization or the imposition of any injunction or other restraint by any government agency, clearing house, court or arbitrator upon a Derivatives Clearing Organization which may affect the ability of a Derivatives Clearing Organization to trade in or perform on a Contract;
- (7) any circumstance in which it appears to the Board that a Derivatives Clearing Organization or any other Person:
 - (i) has failed to perform on a Contract;
 - (ii) is insolvent; or
 - (iii) is in a financial or operational condition or is conducting business such that the Derivatives Clearing Organization or Person cannot be permitted to continue in business without jeopardizing the safety of Customer funds, Members, Kalshi or the Derivatives Clearing Organization;

- (8) any circumstance which may have a material impact on the reliability or transparency of the Underlying related to a Contract; or
- (9) any other unusual, unforeseeable or adverse circumstance as determined by the Company.

“Expiration” means the time on the Expiration Date established pursuant to these Rules at which a Contract expires and the Expiration Value of that Contract is determined.

“Expiration Date” means the date established by these Rules on which the Expiration Value of each Contract is determined.

“Expiration Value” means the rate, level, amount, measure, or other value of the Underlying at Expiration.

“Government Agency” means any governmental entity (including the United States, a State, or a foreign government).

“Kalshi” or “Company” means KalshiEX LLC, or any successor thereto.

“LedgerX” means LedgerX LLC, or its successor, a registered Derivatives Clearing Organization.

“Market Outcome” means the result of the Contract. If the Expiration Value is encompassed within the Payout Criterion, then the “Market Outcome” is YES. Otherwise, the “Market Outcome” is NO.

“Material Relationship” has the meaning attributed to such term in Rule 2.2(g).

“Member” means any Person who is authorized to access or utilize Kalshi and is bound by these Rules as they may be amended from time to time.

“Member Account” means an account carried by Kalshi’s Derivatives Clearing Organization partner, LedgerX, on behalf of a Member.

“Officer” has the meaning attributed to such term in Rule 2.3.

“Order” means either a bid or an offer for a Contract.

“Outcome Review Committee” means a committee of the Board to determine Market Outcomes in accordance with Chapter 7.

“Oversight Panel” means any panel, or any subcommittee thereof, authorized by Kalshi to recommend or establish policies or procedures with respect to Kalshi’s surveillance, compliance, rule enforcement, or disciplinary responsibilities.

“Payout Criterion” of a Contract means the Expiration Value or set of Expiration Values that will cause that Contract to pay a Settlement Value to the holder of a long position in such Contract. The holder of a position in a Contract that receives a Settlement Value is considered to be “in-the-money” while the holder of a position in a Contract that does not receive a Settlement Value is considered to be “out-of-the-money”.

“Person” means a natural person or entity.

“Platform” means the Kalshi electronic trade execution system that is used for trading Contracts, including any licensed software that is a part thereof from time to time, and any successor electronic trading system thereto.

“Position Limit” means the maximum loss that can be incurred as a result of a position in a Contract that is allowed to be held or controlled by one Member as prescribed by Kalshi and/or the Commission.

“Public Director” means an individual with the qualifications set forth in Rule 2.2(g).

“Regulatory Agency” means any governmental or self-regulatory authority applicable to Kalshi, including the CFTC and applicable foreign regulators.

“Regulatory Oversight Committee” means the committee of the Board constituted in accordance with Rule 2.6.

“Rulebook” or “Rules” means the Kalshi Rulebook, interpretations, orders, resolutions, advisories, notices, statements of policy, decisions, manuals, and directives of the Company or LedgerX.

“Self-Regulatory Organization” shall, unless otherwise provided, have the meaning set forth in CFTC Regulation § 1.3(ee) and, in addition, shall include a Contract Market, Derivatives Clearing Organization, and registered futures association.

“Settlement” means payment to Members who have the right to receive money pursuant to a Contract, held until Expiration.

“Settlement Date” means the date on which Settlement occurs.

“Settlement Value” means the amount which the holder of a Contract may receive for a Contract held until Expiration.

“Source Agency” means the agency that publishes the Underlying and/or Expiration Value for any Contract.

“Trade” or “Transaction” means any purchase or sale of any Contract on Kalshi, either directly or indirectly.

“Underlying” means the index, rate, risk, measure, instrument, differential, indicator, value, contingency, occurrence, or extent of an occurrence the Expiration Value of which determines whether a Contract is in-the-money.

CHAPTER 2 MARKET GOVERNANCE

RULE 2.1 OWNERSHIP

KalshiEX LLC (“Kalshi” or the “Company”) is a Delaware limited liability company. The management and operation of Kalshi is governed by the Operating Agreement and the Rules. Member status does not confer any equity interest or voting rights in the Company.

RULE 2.2 BOARD OF DIRECTORS

The Board has the power to manage and direct Kalshi including but not limited to the power to define the standards for membership in Kalshi and the power to amend, adopt, or repeal these Rules, and the power to oversee the business conduct of Members and impose penalties for violation of these Rules.

- (a) The Board shall manage the day to day business operations of the Company. The Board has the power and authority to call for review, and to affirm, modify, suspend or overrule, any and all decisions and actions of standing committees or special committees of the Board or any panel of the Officers related to the day to day business operations of the Company.
- (b) The chief executive officer of Kalshi shall serve as chairman of the Board.
- (c) Any authority or discretion by the Rules vested in any Officer or delegated to any committee or subcommittee shall not be construed to deprive the Board of such authority or discretion and, in the event of a conflict, the determination of the matter by the Board shall prevail. This does not apply to the Outcome Review Committee.

- (d) A majority of the Directors serving on the Board, including at least one Public Director, shall constitute a quorum for the transaction of business of the Board. At all times when the Board is conducting business at a meeting of the Board, a quorum of the Board must be present at such meeting, and the Board may act only by the decision of a majority of the Directors constituting a quorum of the Board by vote at a meeting, by unanimous written consent without a meeting, or as otherwise set forth in the Operating Agreement.
- (e) The Board shall comprise the number of Directors set forth in the Operating Agreement and shall include Public Directors as no less than 35% of the Board, at all times. Each Director (including Public Directors) shall be appointed in accordance with the Operating Agreement and shall serve until his or her successor is duly appointed, or until his or her earlier resignation or removal, with or without cause.
- (f) Each Director is entitled to indemnification pursuant to the Operating Agreement with respect to matters relating to the Company.
- (g) To qualify as a Public Director, an individual must be found, by the Board and on the record, to have no Material Relationship, as defined below, with the Company. The Board must make such a finding at the time the Public Director is elected and as often as necessary in light of all circumstances relevant to such Public Director, but in no case less than annually. A Material Relationship is one that reasonably could affect the independent judgment or decision-making of the Director. The Board need not consider previous service as a Director of the Company to constitute a Material Relationship. A Director shall be considered to have a Material Relationship with the Company if any of the following circumstances exist or have existed within the past year:
 - (1) Such Director is or was an Officer or an employee of the Company, or an officer or an employee of an Affiliate of the Company;
 - (2) Such Director is or was a Member, or an officer or director of a Member; or
 - (3) Such Director, or a firm with which the Director is an officer, director, or partner, receives more than \$100,000 in combined annual payments from Kalshi, or any Affiliate thereof, for legal, accounting, or consulting services.
- (h) If any immediate family of a Director are found to have a Material Relationship, then such Material Relationship will be determined to apply to the Director.
- (i) The Board shall have procedures, as may be adopted by the Board from time to time, to remove a Director where the conduct of such Director is likely to be prejudicial to the sound and prudent management of the Company.

(j) The Board shall review its performance and that of its individual directors annually.

RULE 2.3 OFFICERS

- (a) The Board shall appoint a Chief Executive Officer, Chief Operating Officer, Chief Compliance Officer, and other such officers of Kalshi as it may deem necessary or appropriate from time to time (collectively, the “Officers”).
- (b) Any Officer may also be a director, officer, partner or employee of the Company or of any of its Affiliates, subject to disclosure and resolution of conflicts of interest.
- (c) The Officers shall have such powers and duties in the management of the Company as the Board may prescribe from time to time, subject to any limitations set forth in the Operating Agreement.
- (d) Each Officer is entitled to indemnification pursuant to the Operating Agreement with respect to matters relating to the Company.

RULE 2.4 RESTRICTIONS ON WHO MAY BE MEMBERS OF THE BOARD, MEMBERS OF COMMITTEES , OR TEN PERCENT OR GREATER OWNERS

- (a) An individual may not serve as a Director or Officer, serve on a committee or subcommittee established by the Board, including the Disciplinary Panel, or hold a 10% or greater ownership interest in the Company, if the individual:
 - (1) Within the prior three years has been found, by a final decision of a court of competent jurisdiction, an administrative law judge, the CFTC, or any Self-Regulatory Organization, to have committed a disciplinary offense;
 - (2) Within the prior three years has entered into a settlement agreement in which any of the findings or, in the absence of such findings, any of the acts charged included a disciplinary offense;
 - (3) Is currently suspended from trading on a Designated Contract Market or a Swap Execution Facility, is suspended or expelled from membership in a Self-Regulatory Organization, is serving any sentence of probation, or owes any portion of a fine or penalty imposed pursuant to either: a finding by final decision of a court of competent jurisdiction, an administrative law judge, the CFTC or any Self-Regulatory Organization that such person committed a disciplinary offense; or a settlement agreement in which any of the findings or, in the absence of such findings, any of the acts charged included a disciplinary offense;
 - (4) Is currently subject to an agreement with the CFTC or Self-Regulatory Organization not to apply for registration with the CFTC or for membership in the Self-Regulatory Organization;

- (5) Is currently, or within the past three years has been, subject to a revocation or suspension of registration by the CFTC, or has been convicted within the past three years of any of the felonies listed in Section 8a(2)(D)(ii) through (iv) of the CEA;
- (6) Is currently subject to a denial, suspension or disqualification from serving on a disciplinary panel, arbitration panel or governing board of any self-regulatory organization as that term is defined in Section 3(a)(26) of the Securities Exchange Act of 1934; or
- (7) Is subject to a statutory disqualification pursuant to Section 8a(2) of the CEA.

For purposes of this Rule 2.4(a), the terms “disciplinary offense,” “final decision” and “settlement agreement” have the meaning given those terms in CFTC Regulation 1.63(a).

- (b) Any Director, Officer, member of a committee established by the Board and any individual nominated to serve in any such role, shall immediately notify the Chief Executive Officer if such individual is subject to one or more of the criteria in Rule 2.4(a). Prior to nomination to the Board, each individual shall certify that he or she is not disqualified pursuant to Rule 2.4(a). Upon appointment, each Director, Officer, and a member of a committee shall provide to the Company, where applicable, changes in registration information within 30 days and certification of compliance accordingly. The Company shall verify information supporting Board compliance with eligibility criteria.
- (c) To serve as a Director, an individual must possess the ability to contribute to the effective oversight and management of the Company, taking into account the needs of the Company and such factors as the individual’s experience, perspective, skills and knowledge of the industry in which the Company operates.
- (d) A Director or Officer must meet any qualifications set forth from time to time in the Operating Agreement and these Rules.
- (e) An individual may not serve on any Disciplinary Panel, arbitration panel, or the Appeals Committee during any proceeding affecting or concerning such individual, to be determined in a reasonable manner by the Company.
- (f) If the Company determines that an individual subject to this Rule 2.4 no longer meets the criteria set forth in Rule 2.4(a), the Company shall inform the CFTC of such determination. The Company shall provide to the CFTC, upon request, an individual’s certification of compliance with the criteria set forth in Rule 2.4(a).

RULE 2.5 COMMITTEES AND SUBCOMMITTEES

- (a) The Board may create, appoint Directors to serve on, and delegate powers to, committees and subcommittees. There shall be a Regulatory Oversight Committee, Disciplinary Panel, Outcome Review Committee, and Appeals Committee. The Board shall designate the chairperson of each such committee.
- (b) Each committee and subcommittee shall assist in the supervision, management and control of the affairs of the Company within its particular area of responsibility, subject to the authority of the Board.
- (c) Subject to the authority of the Board, each committee and subcommittee shall determine the manner and form in which its proceedings shall be conducted. A majority of the members serving on a committee or subcommittee, including at least one Public Director, shall constitute a quorum for the transaction of business of a committee or subcommittee. Each committee and subcommittee may act only by the decision of a quorum, by vote at a meeting or by unanimous written consent without a meeting.

RULE 2.6 REGULATORY OVERSIGHT COMMITTEE

- (a) The Regulatory Oversight Committee shall be a standing committee of the Board consisting of only Public Directors, as appointed from time to time. No less than two Public Directors shall serve on the Regulatory Oversight Committee.
- (b) Each member of the Regulatory Oversight Committee shall serve for a term of one calendar year from the date of his or her appointment or for the remainder of his or her term as a Public Director, and until the due appointment of his or her successor, or until his or her earlier resignation or removal, with or without cause, as a member of the Regulatory Oversight Committee or as a Public Director. A member of the Regulatory Oversight Committee may serve multiple terms.
- (c) The Regulatory Oversight Committee shall oversee the Company's regulatory program on behalf of the Board. The Board shall delegate sufficient authority, dedicate sufficient resources, and allow sufficient time for the Regulatory Oversight Committee to fulfill its mandate. The Regulatory Oversight Committee shall make such recommendations to the Board that will, in its judgment, best promote the interests of the Company. The Regulatory Oversight Committee shall also have such other powers and perform such other duties as set forth in the Rules and as the Board may delegate to it from time to time.

- (d) The Regulatory Oversight Committee shall appoint individuals to the Disciplinary Panel in accordance with these Rules, Applicable Law and the composition requirements of the Disciplinary Panel. The Committee shall appoint at least one person who would not be disqualified from serving as a Public Director.
- (e) The Regulatory Oversight Committee shall prepare an annual report that assesses the Company's self-regulatory program for the Board and the CFTC. The annual report sets forth the regulatory program's expenses, describes its staffing and structure, catalogues disciplinary actions taken during the year, and reviews the performance of the Disciplinary Panel, as provided in Exhibit B to Part 38 of the CFTC Regulations
- (f) Without limiting the generality of the foregoing, the Regulatory Oversight Committee shall have the authority to:
 - (1) Monitor the regulatory program of the Company for sufficiency, effectiveness, and independence;
 - (2) Oversee all facets of the regulatory program, including trade practice and market surveillance; audits, examinations, and other regulatory responsibilities with respect to Members (including ensuring compliance with financial integrity, financial reporting, sales practice, recordkeeping, and other requirements); and the conduct of investigations;
 - (3) Review the size and allocation of the regulatory budget and resources; and the number, hiring, termination, and compensation of regulatory personnel;
 - (4) Supervise the Chief Compliance Officer of the Company, who will report directly to the Regulatory Oversight Committee;
 - (5) Recommend changes that would ensure fair, vigorous, and effective regulation; and
 - (6) Review all regulatory proposals prior to implementation and advise the Board as to whether and how such changes may impact regulation.

RULE 2.7 DISCIPLINARY PANEL, APPEALS COMMITTEE, AND OUTCOME REVIEW COMMITTEE

- (a) The Disciplinary Panel shall be:
 - (1) A standing committee consisting of at least three members, including at least one person who would not be disqualified from serving as a Public Director. No member of the Disciplinary Panel shall also be a member of the Company's compliance staff or any person involved in adjudicating any other stage of the same proceeding. The Board may establish more than one Disciplinary Panel. The Regulatory Oversight Committee will appoint individuals for membership on the Disciplinary Panel. Each Disciplinary Panel shall include members with sufficient differing

experience and Member interests so as to ensure fairness and to prevent special treatment or preference for any Person.

- (2) Responsible for conducting hearings, rendering decisions, and imposing sanctions with respect to any Disciplinary Action. The Disciplinary Panel shall also have such other powers and perform such other duties as set forth in the Rules and as the Board may determine from time to time.
- (b) Each member of the Disciplinary Panel shall serve for a term of one calendar year from the date of his or her appointment, and until the due appointment of his or her successor, or until his or her earlier resignation or removal, with or without cause, as a member of the Disciplinary Panel. A member of the Disciplinary Panel may serve for multiple terms.
- (c) The Appeals Committee shall be:
- (1) A standing committee consisting of at least three members of the Board. The members of the Appeals Committee and its Chairperson shall be appointed by the Chairperson of the Board, provided that, at all times the Appeals Committee shall include at least one Public Director.
 - (2) Responsible for conducting hearings of appeals of decisions of the Disciplinary Panel, rendering decisions of such appeals, and imposing sanctions with respect to such appeals. The Appeals Committee shall also have such other powers and perform such other duties as set forth in these Rules and as the Board may determine from time to time.
- (d) Each member of the Appeals Committee shall serve for a term of one calendar year from the date of his or her appointment or, if shorter, for the remainder of his or her term as a Public Director, as applicable, until the due appointment of his or her successor, or until his or her earlier resignation or removal, with or without cause, as a member of the Appeals Committee or as a Public Director. A member of the Appeals Committee may serve multiple terms.
- (e) The Outcome Review Committee shall be:
- a. A standing committee consisting of three members who are appointed by the Regulatory Oversight Committee. At least two of the members must be Public Directors. Members of the Regulatory Oversight Committee may also concurrently serve on the Outcome Review Committee.
 - b. Responsible for determining Market Outcomes as provided in Rule 7.1.
- (f) Each member of the Outcome Review Committee shall serve for a term of one calendar year from the date of his or her appointment or, if shorter, for the remainder of his or her term as a Public Director, as applicable, until the due appointment of his or her successor, or until his or her earlier resignation or removal, with or without cause, as a member of the Outcome Review Committee or as a Public Director. A member of the Outcome Review Committee may serve multiple terms.

RULE 2.8 EMERGENCY RULES

- (a) Kalshi may adopt emergency Rules in response to the emergencies that are described in paragraph (c) of this Rule. In the event of one of those emergencies, the Board or at least two members of the management team may, without giving prior notice to, or securing prior approval from the Commission, adopt a temporary emergency rule to address the emergency. Adoption of a temporary emergency rule requires the CEO's approval. Adoption of a temporary emergency rule by the management team requires the written authorization and acknowledgement of two members of the management team, indicating the emergency action to be taken and the reasons for that action, before the action is taken.
- (b) Any temporary emergency rule adopted under this Rule may authorize Kalshi to act as the Board or management team deems necessary or appropriate to meet the emergency, and those actions may adversely affect the ability to trade on the Platform. Therefore, the chance of an emergency is one of the risks that Members should consider when deciding whether to trade on the Platform.
- (c) For the purposes of this Rule, an "emergency" is
 - (1) Any activity that manipulates or attempts to manipulate a Contract on the Platform;
 - (2) Any circumstance that may materially affect the performance of the Contracts traded on Kalshi;
 - (3) Any action taken by the United States, any foreign government, any state or local governmental body, any other contract market or board of trade, or any other exchange, market, facility, or trade association (foreign or domestic) that may have a direct impact on trading on Kalshi;
 - (4) Any circumstances that may have a severe, adverse impact upon the physical functions of Kalshi including, for example, natural disasters such as fire or flood, terrorist acts such as bomb threats, physical plant breakdowns such as plumbing, heating, or air conditioning problems, system breakdowns such as power, telephony, cable, trading systems, or computer systems failures or interruptions to communications, the network, or the Internet;
 - (5) The imposition of any injunction or other restraint by any government agency, court, or arbitrator that may affect the ability of a Member to perform on Contracts;
 - (6) Any circumstance in which it appears that a Kalshi Member or any other person is in such operational condition, or is conducting business in such a manner, that such person cannot be permitted to continue in business without jeopardizing the safety of Kalshi Members or Kalshi itself; and
 - (7) Any other unusual, unforeseeable, and adverse circumstance which, in the opinion of the governing board, requires immediate action and threatens or may threaten such things as the fair and orderly trading in, or the liquidation of or delivery pursuant to Contracts traded on Kalshi.

- (d) If deemed necessary to combat perceived market threats caused by an emergency, a Kalshi official authorized to do so may suspend trading on the Platform during the duration of the emergency or take any other action that the official thinks is necessary or appropriate. The official will order an end to the action taken in response to the emergency as soon as the official determines that the emergency has sufficiently abated to permit the Platform to function properly. Reasonable actions resulting under this Rule include but are not limited to:
- (1) Modification to limits on positions;
 - (2) Reduction of positions and exposure by participating Members to certain Contracts;
 - (3) Cancellation of a Contract and the return of any funds paid to enter Trades on the Contract;
 - (4) Extension/shortening of expiration and/or closing date;
 - (5) Suspension and curtailing of trading; and
 - (6) Changing a Contract's terms and conditions and/or specifications.
- (e) Kalshi will make every effort practicable to notify the Director of the Division of Market Oversight, his delegates, and/or other persons designated by the Commission's Regulations that Kalshi intends to implement, modify, or terminate a temporary emergency rule pursuant to Rule 2.4(a) or an action in response to an emergency pursuant to Rule 2.4(d) prior to the implementation, modification, or termination of the rule or action. If it is not possible to notify the Commission prior to the implementation, modification, or termination of the rule or action, Kalshi will notify the Commission of the implementation, modification, or termination of the rule or action at the earliest possible time, and in no event more than 24 hours after implementation, modification, or termination.
- (f) Any time that Kalshi takes action in response to an emergency, either under Rule 2.4(a) or Rule 2.4(d), Kalshi shall publish a notice of such action on its website, notify Members through the API, and notify Members via email. Kalshi will likewise document its decision-making process and reasons for taking emergency action.

RULE 2.9 VOTING BY INTERESTED BOARD MEMBERS

Core Principle 16 of Section 5(d) of the Commodity Exchange Act ("CEA") requires that contract markets have adequate procedures to prevent conflicts of interest. In this regard, Kalshi has adopted provisions of Commission Regulation 1.69 as Rules provided herein. Commission Regulation 1.69 prohibits a member of the Board or any disciplinary or oversight committee or subcommittee from taking part in any deliberations or voting on any matter in which the board, committee, or subcommittee member has an interest or has a relationship with a named party in interest. Regulation 1.69 also requires disclosure by Board, committee, or subcommittee members of interests and relationships in certain circumstances. Consequently, Board, committee, and subcommittee members shall not deliberate or vote on any matter in which the Board, committee, or subcommittee member has an interest or has a

relationship with a named party in interest and shall disclose such interests in accordance with Regulation 1.69.

RULE 2.10 INDEMNIFICATION OF DIRECTORS, OFFICERS, AND OTHERS

- (a) Kalshi will indemnify, to the full extent authorized by law, any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative in nature, by reason of the fact that such person is or was a director, officer, employee, or agent of Kalshi or is or was serving at the request of Kalshi as a director, officer, employee, or agent of Kalshi against expenses, including attorneys' fees, judgments, fines, and amounts paid in connection with such action, suit, or proceeding.
- (b) Indemnification shall not be deemed exclusive of any other rights to which a person may be entitled under any agreement or as a matter of law or otherwise.
- (c) Kalshi may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, or agent of Kalshi against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not Kalshi would have the power to indemnify such person against such liability under the provisions of this Rule.
- (d) Notwithstanding the above, no person shall be indemnified from liability for fraud, bad faith, willful misconduct, or gross negligence. Further, no person shall be indemnified against a civil penalty imposed by the Commission under Section 6b of the CEA.

RULE 2.11 PROHIBITION ON USE OF MATERIAL, NON-PUBLIC INFORMATION

- (a) Commission Regulation 1.59 prohibits employees and members of the Board from using or disclosing material, nonpublic information gained through their employment or board service in certain circumstances. This Rule prohibits the use and disclosure forbidden by Commission Regulation 1.59. In this regard, Kalshi has adopted provisions of Regulation 1.59 as a Rule of Kalshi in Chapter 11 of these Rules.
- (b) No member of the Board or any committee established by the Board or these Rules will use or disclose material, nonpublic information obtained as a result of participation on the Board or such committee for any purpose other than the performance of official duties as a board or committee member.

- (c) No employee, consultant, or member of the Board or any committee of Kalshi will disclose to any other person material, nonpublic information obtained as a result of such person’s employment for purposes inconsistent with such person’s official duties.
- (d) No employee, consultant, or member of the Board or any committee of Kalshi will trade for such person’s account, or for or on behalf of any other account, in any commodity interest on the basis of any material, non-public information obtained through special access related to the performance of such person’s duties as an employee, consultant, or member of the Board or committee.
- (e) No Member who inadvertently or otherwise comes into possession of any material, non-public information held by Kalshi or any employee, consultant, or member of the Board or any committee of Kalshi gained through their employment by or service to Kalshi will disclose to anyone such material, non-public information or trade for such person’s account, or for or on behalf of any other account, in any commodity interest on the basis of such material, nonpublic information.
- (f) For purposes of this Rule, the terms “material information,” “nonpublic information,” “linked exchange”, “commodity interest,” and “related commodity interest” have the same meanings as they do in Commission Regulation 1.59.
- (g) Any director, officer, or employee of Kalshi who violates any provision of this Rule will be required to indemnify Kalshi for any losses, damages, or costs caused by that violation.

RULE 2.12 LIMITATION ON TRADING BY AFFILIATES

The Company, pursuant to approval by the Board, permits an affiliated entity (the “Affiliate”) to participate on its Platform, subject to the following provisions:

- (a) The Affiliate is a Member of the Platform.
- (b) The Company has ensured the Affiliate does not have access to the Company’s material non-public information, and the Company ensures the Affiliate’s access to information is limited to public information available to all Members. (The provision of information to common directors of the Company, any affiliate or the holding company shall not constitute a violation of this proscription.) The Company ensures the Affiliate maintains operational independence from the Company. Operational independence means that the Affiliate member must:
 - a. Have and maintain operations, including servers, databases, accounts, tools, software, and development tooling, separate from the Company;
 - b. Have no access to Company operations;
 - c. Be subject to all of the rules in this Rulebook, including the rules regarding Membership (see Chapter 3);