

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 – Immediate Account Funding

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 (“Kalshi” or “Exchange”) hereby notifies the Commission that it intends to adopt an “immediate account funding program” (“Program”). The Exchange intends to implement the program on or around January 4, 2022, pending operational readiness, as the Program will take substantial engineering to implement. Kalshi’s Program is substantially similar to the real time account funding program that the exchange then known as HedgeStreet first implemented in 2005 and is still currently in effect.

Description of the Program

Kalshi’s Program will allow members to access recently deposited funds for immediate trading which will increase liquidity and orderliness on the market and will also enhance access to the market. Currently, when a member deposits funds there can be a lag between when the deposit is made and when the funds are made available to the member for trading. The amount of lag time will be increased if the deposit is made on a weekend or bank holiday when banks are closed (Kalshi is open for trading on weekends and on holidays). Members have identified the lag time as an impediment to accessing the markets. The Program will address this issue by eliminating the lag time for a portion of members’ deposits by making funds available for trading after the member completes a deposit. The amount of the Program available for a member is as follows:

- New members - up to \$150.
- Existing members in good standing (which means that the member has not violated Kalshi rules and has previously deposited funds and traded) - up to the greater of \$250 and 60% of the value of the member’s positions on Kalshi (valued at the last traded price. Members can find the value of their positions on each member’s portfolio page), capped at \$1,000.
- These amounts are the maximum amounts that will be available to a member under the Program. They are not “per deposit”. At any point in time, the maximum amount under the Program cannot exceed \$150 for a new member and \$1,000 for an existing member in good standing.

Immediate Account Funding is offered as a convenience to Kalshi’s members and may not always be available. It is offered to members at Kalshi’s discretion and Kalshi reserves the right to adopt lower limits, which will be noted on its website. Factors that Kalshi will consider in implementing limits to the amount of the Program include the amount of Immediate Account Funding that is currently in use, as well as market conditions. The Program limits will generally apply equally and in general all new members will be eligible for Immediate Account Funding up to the new member limit, and existing members up to the existing member limit. However, depending on a member’s

situation, such as past deposit issues, alerts Kalshi might receive from background checks, or prior history of Kalshi rule violations, Kalshi reserves the right to restrict the member's Program level or prohibit the Program altogether.

When a member goes to make a deposit to the member's Kalshi account, Kalshi will display the amount of the deposit that will be available for immediate trading under the Program prior to completing the deposit. That way, members will be aware of the amount that they will have available under the Program prior to making the deposit.

Background

Kalshi contracts are cleared by FTX (formerly known as LedgerX). The current Order of Registration for FTX provides that "LedgerX is permitted to clear, in its capacity as a DCO, fully collateralized futures, options on futures, and swaps. A contract cleared by LedgerX will be considered fully collateralized if LedgerX holds, at all times, funds sufficient to cover the maximum possible loss a counterparty could incur upon liquidation or expiration of the contract, in the form of the required payment." In other words, FTX must hold, at all times, 100% of the necessary collateral to cover the maximum potential loss of all members prior to execution of the trade. FTX performs a "cap check" at the time a member submits an order to Kalshi and will only accept the order if sufficient funds exist in that member's account to fully collateralize the order, if filled. Additionally, Kalshi maintains a cushion of excess funds with FTX to ensure that the positions on Kalshi are, at all times, fully collateralized.

Kalshi's Program will not introduce new financial risk into the Exchange and clearinghouse. Kalshi performs banking due diligence prior to accepting deposits and has had zero instances of a deposit failing due to insufficient funds in the member's account. Additionally, Kalshi will continue to maintain its current procedures to ensure trades are fully collateralized. Kalshi will continue to maintain excess funds in its segregated account with FTX and will cap-check all orders when they are submitted. Kalshi will maintain a fund with 150% of the anticipated daily amount of the Program and will replenish the fund to 150% when it hits 130%. Kalshi will monitor the fund's level in real-time. Kalshi's KYC program prevents account activation until the identity of the applicant has been verified.

Compliance with Core Principles

Kalshi has identified the following Designated Contract Market Core Principles and Commission Regulations as potentially being impacted by the Program:

Core Principle 11 Financial Integrity of Transactions: This Principle requires the DCM establish and maintain appropriate minimum financial standards for its members and non-intermediated market participants. Kalshi currently requires its members to maintain sufficient funds in their accounts in order to fully collateralize any order submitted if executed. This requirement will not change with the implementation of the Program, as a member is only able to trade after making a deposit and cannot trade with funds greater than the amount deposited. Kalshi will also have the ability to restrict or remove the Program as necessary to provide for the financial integrity of its transactions.

Additionally, this Principle requires the DCM have in place effective systems and controls to facilitate financial risk management. Kalshi currently cap-checks a member's account prior to accepting an order to ensure that the order will be fully collateralized if executed. This cap-check will not change with the implementation of the Program. Additionally, Kalshi maintains a fund with FTX in the event a member's deposit does not successfully clear. Kalshi will maintain a fund with 150% of the anticipated daily amount of the Program and will replenish the fund to 150% when it hits 130%. Kalshi will monitor the fund's level in real-time.

Core Principle 12 Protection of Markets and Market Participants: This Principle requires the DCM to have and enforce rules that protect the market and its participants from abusive practices including fraudulent, non-competitive, or unfair actions and provide a competitive, open and efficient market and mechanism for executing transactions. Kalshi currently has in place a KYC Program to verify the identity of each applicant before that applicant can become a member and make a deposit to the Exchange. These controls will not change with the implementation of the Program. The implementation of the Program will encourage a competitive, open and efficient market as it will allow Kalshi members to access their own funds for trading as their need arises without the time lag currently in place.

Compliance with CFTC Regulation 39.12 and CFTC Regulation 39.13: CFTC regulations require that “a derivatives clearing organization shall ensure that it possesses the ability to manage the risks associated with discharging the responsibilities of the derivatives clearing organization through the use of appropriate tools and procedures.” Kalshi requires full collateralization for all trades made by members. Under the Program, Kalshi will maintain a fund with 150% of the anticipated daily amount of the Program, and will replenish the fund to 150% when it hits 130% in order to cover the full collateralization requirement, thus ensuring that all trades are fully collateralized even in the contingency that members’ funds fail to clear. Kalshi will monitor the fund’s level in real-time.

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 clean copy of this submission was 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
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