January 25, 2022

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 – CFTC Regulation 40.2(a) Notification Regarding the Initial Listing
of the "What will the exchange rate of <currency> be?" Contract

Dear Sir or Madam,

Pursuant to Section 5c(c) of the Commodity Exchange Act and Section 40.2(a) of the regulations of the Commodity Futures Trading Commission, KalshiEX LLC (Kalshi) hereby notifies the Commission that it is self-certifying the "What will the exchange rate of <currency> be?" contract (Contract). The Exchange intends to list the contract at weekly intervals. For currencies that have little short-term volatility because of government control (e.g. the Chinese yuan), the duration will be annual. The Exchange will issue new iterations of the Contract at 10:00 AM on the day of the Expiration of the previous iteration(s) of the contract corresponding to the same currency. At launch, the Exchange will list contracts relating to the values of the euro, peso, and yuan. The Contract's terms and conditions (Appendix A) includes the following strike conditions:

- **<above/below>**
- **<currency> (the currency in question)**
- **<count> (the currency ratio)**
- **<date> (the target date)**

Along with this letter, Kalshi submitted the following documents:

- A concise explanation and analysis of the Contract;
- Certification;
- Appendix A with the Contract's Terms and Conditions;
- Confidential Appendices with further information; and
- A request for FOIA confidential treatment.

If you have any questions, please do not hesitate to contact me.

Sincerely,

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

KalshiEX LLC
Official Product Name: What will the exchange rate of <currency> be?
Ticker: FOREX
Kalshi Contract Category: Economic/Demographic Measure -- U.S. Government
Foreign Exchange Rates
January 25, 2022

CONCISE EXPLANATION AND ANALYSIS OF THE PRODUCT AND ITS COMPLIANCE WITH APPLICABLE PROVISIONS OF THE ACT, INCLUDING CORE PRINCIPLES AND THE COMMISSION'S REGULATIONS THEREUNDER

Pursuant to Commission Rule 40.2(a)(3)(v), the following is a concise explanation and analysis of the product and its compliance with the Act, including the relevant Core Principles, and the Commission's regulations thereunder.

I.   Introduction

The "What will the exchange rate of <currency> be?" Contract is a contract relating to the value of the U.S. dollar's exchange rate with other currencies. After careful analysis, Kalshi (hereafter referred to as "Exchange") has determined that the Contract complies with its vetting framework, which has been reviewed by the CFTC and formed part of the Exchange's application for designation as a Contract Market ("DCM") that was approved by the Commission.

The foreign exchange rate of the U.S. dollar to other currencies is a highly salient issue to contemporary businesses. Modern firms produce goods and services with incredibly complex supply chains, often across dozens of different countries.

Further information about the Contract, including an analysis of its risk mitigation and price basing utility, as well as additional considerations related to the Contract, is included in Confidential Appendices B, C, and D.

Pursuant to Section 5c(c) of the Act and CFTC Regulations 40.2(a), the Exchange hereby certifies that the listing of the Contract complies with the Act and Commission regulations under the Act.

General Contract Terms and Conditions: The Contract operates similar to other binary contracts that the Exchange lists for trading. The minimum price fluctuation is $0.01 (one cent). Price bands will apply so that Contracts may only be listed at values of at least $0.01 and at most $0.99. Further, the Contract is sized with a one-dollar notional value and has a minimum price fluctuation of $0.01 to enable Members to match the size of the

contracts purchased to their economic risks. The Exchange has further imposed position limits (defined as maximum loss exposure) of $25,000 USD on the Contract. As outlined in Rule 5.12 of the Rulebook, trading shall be available at all times outside of any maintenance windows, which will be announced in advance by the Exchange. Members will be charged fees in accordance with Rule 3.6 of the Rulebook. Fees are charged in such amounts as may be revised from time to time to be reflected on the Exchange's Website. Additionally, as outlined in Rule 7.2 of the Rulebook, if any event or any circumstance which may have a material impact on the reliability or transparency of a Contract's Source Agency or the Underlying related to the Contract arises, Kalshi retains the authority to designate a new Source Agency and Underlying for that Contract and to change any associated Contract specifications after the first day of trading. That new Source Agency and Underlying would be objective and verifiable. Kalshi would announce any such decision on its website. All instructions on how to access the Underlying are non-binding and are provided for convenience only and are not part of the binding Terms and Conditions of the Contract. They may be clarified at any time. Furthermore, the Contract's payout structure is characterized by the payment of an absolute amount to the holder of one side of the option and no payment to the counterparty. During the time that trading on the Contract is open, Members are able to adjust their positions and trade freely. After trading on the Contract has closed, the Expiration Value and Market Outcome are determined. The market is then settled by the Exchange, and the long position holders and short position holders are paid according to the Market Outcome. In this case, "long position holders" refers to Members who purchased the "Yes" side of the Contract and "short position holders" refers to Members who purchased the "No" side of the Contract. If the Market Outcome is "Yes," meaning that the exchange rate of <currency> with the U.S. dollar is <above/below> <count> on <date>, then the long position holders are paid an absolute amount proportional to the size of their position and the short position holders receive no payment. If the Market Outcome is "No," then the short position holders are paid an absolute amount proportional to the size of their position and the long position holders receive no payment. Specification of the circumstances that would trigger a Market Outcome of "Yes" are included below in the section titled "Payout Criterion" in Appendix A.

CERTIFICATIONS PURSUANT TO SECTION 5c OF THE COMMODITY EXCHANGE ACT, 7 U.S.C. § 7A-2 AND COMMODITY FUTURES TRADING COMMISSION RULE 40.2, 17 C.F.R. § 40.2

Based on the above analysis, the Exchange certifies that:

- ❏ The Contract complies with the Act and Commission regulations thereunder.
- ❏ This submission (other than those appendices for which confidential treatment has been requested) has been concurrently posted on the Exchange's website at https://kalshi.com/regulatory/filings.

Should you have any questions concerning the above, please contact the exchange at ProductFilings@kalshi.com.

Eliezer Mishory

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By: Eliezer Mishory
Title: Chief Regulatory Officer
Date: January 25, 2021

<u>Attachments:</u>

Appendix A - Contract Terms and Conditions

Appendix B (Confidential) - Further Considerations

Appendix C (Confidential) - Source Agency

Appendix D (Confidential) - Compliance with Core Principles

APPENDIX A – CONTRACT TERMS AND CONDITIONS

TERMS OF CONTRACTS TRADED ON KALSHI

Official Product Name: What will the exchange rate of <currency> be?
Ticker and Rulebook: FOREX

FOREX

Scope: These rules shall apply to this contract.

Underlying: The Underlying for this Contract is the exchange rate of <currency> with the U.S. dollar for <date> according to the Federal Reserve's H.10 weekly release. Revisions to the Underlying made after Expiration will not be accounted for in determining the Expiration Value.

Instructions: The H.10 weekly release containing the Underlying can be found at https://www.federalreserve.gov/releases/h10/current/default.htm. The Underlying is the number at the intersection of a given date in the column for the relevant <currency>. Data is not released for federal holidays. Data is typically released for a given workweek the Monday following that week at roughly 4:15 PM ET. If Monday is a federal holiday, then the data is released Tuesday. These instructions on how to access the Underlying are provided for convenience only and are not part of the binding Terms and Conditions of the Contract. They may be clarified at any time.

Source Agency: The Source Agency is the Federal Reserve System.

Type: The type of Contract is a Binary Contract.

Issuance: The Contract is based on the outcome of a recurrent data release, which is issued on a weekly basis. Thus, Contract iterations will be issued on a recurring basis, and future Contract iterations will generally correspond to the next week. For contracts which have little short-term volatility because of government currency controls (e.g. the Chinese yuan), the Contract will have an annual duration. Contracts will typically be released on Tuesday mornings following the data release on Monday. If there is federal holiday on Monday, the data is released on Tuesdays; consequently, new contract iterations would be listed on Wednesday (conditional on a data release).

<count>: Kalshi may list iterations of the Contract with <count> at consecutive increments of 0.0001. Due to the potential for variability in the Underlying, the Exchange may modify <count> levels in response to suggestions by Members. <count> will be measured as it is on the website of the Federal Reserve's H.10 report under 'Current Release' at the time of the contract's issuance. For most currencies, this is rates in currency units per U.S. dollar; however, for some, it is measured as U.S. dollars per currency unit.

<currency>: Kalshi may list iterations of the Contract with <currency> values corresponding to those listed in the Federal Reserve's H.10 weekly report. At Issuance, the Exchange will list contracts on the euro, the peso, and yuan.

<date>: <date> refers to a calendar date specified by Kalshi. Kalshi may list iterations of the Contract corresponding to different statistical periods of <date>. It will generally correspond to the last day of a given trading week (Friday). For the initial Contract, <date> will be the second Friday after Issuance. When federal holidays fall on a Friday, it will correspond to the day before (Thursday). If there is a federal holiday for both Thursday and Friday (such as Christmas Eve and Christmas), then <date> will be the following Friday (11 days after Monday).

Payout Criterion: The Payout Criterion for the Contract encompasses the Expiration Values that contain a value that the foreign exchange rate for <currency> with the U.S. dollar is <above/below> <count> for <date>. If no data is available on the Expiration Date at the Expiration time, then the market resolves to No.

Minimum Tick: The Minimum Tick size for the referred Contract shall be $0.01.

Position Limit: The Position Limit for the $1 referred Contract shall be $25,000 per Member.

Last Trading Date: The Last Trading Date of the initial iteration of the Contract will be the Monday following <date>, unless that Monday is a federal holiday, when it will be the Tuesday following <date>. The Last Trading Time will be 4:10 PM ET.

Settlement Date: The Settlement Date of the initial iteration of the Contract shall be no later than the day after the Expiration Date, unless the Market Outcome is under review pursuant to Rule 7.1.

Expiration Date: The Expiration Date of the Contract shall be the sooner of the first 10:00 AM ET following the release of data for <date> or two weeks following <date>.

Expiration time: The Expiration time of the initial Contract iteration shall be 10:00 AM ET.

Settlement Value: The Settlement Value for this Contract is $1.00.

Expiration Value: The Expiration Value is the value of the Underlying as documented by the Source Agency on the Expiration Date at the Expiration time.

Contingencies: Before Settlement, Kalshi may, at its sole discretion, initiate the Market Outcome Review Process pursuant to Rule 6.3(c) of the Rulebook. Additionally, as outlined in Rule 7.2 of the Rulebook, if any event or any circumstance which may have a material impact on the reliability or transparency of a Contract's Source Agency or the Underlying related to the Contract arises, Kalshi retains the authority to designate a new Source Agency and Underlying for that Contract and to change any associated Contract specifications after the first day of

trading.