

January 31, 2022

SUBMITTED VIA CFTC PORTAL

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

Re: KalshiEX LLC – CFTC Regulation 40.2(a) Notification Regarding the Initial Listing of the “Will <person> be the next Supreme Court justice?” 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 “Will <person> be the next Supreme Court justice?” contract (Contract). The Contract is intended to be listed when Supreme Court vacancies arise or are expected, and duration generally will correspond to the remainder of a presidential term. The initial contract will cover the period until January 20, 2025. The key strike variables in this contract are:

- <person> (Supreme Court justice candidate)
- <date> (the target date)
- <expo_date> (the last possible expiration 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

New Contract Submission: Will <person> be the next Supreme Court justice?

Rulebook: SCOURT

Kalshi Contract Category: Political Decision

SCOTUS Justice

January 31, 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 “Will <person> be the next Supreme Court justice?” Contract is a contract relating to a potential new member of the Supreme Court of the United States. 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.

There are nine members of the Supreme Court of the United States (SCOTUS). Six of those justices have been appointed by Republican Presidents and three by Democratic Presidents. President Donald Trump had three justices appointed in his four year term (Gorsuch, Barrett and Kavanaugh), while Presidents George W. Bush and Barack Obama each had two in their eight-year terms (Alito and Roberts for Bush and Sotomayor and Kagan for Obama). Considering the impact that the Supreme Court has on the economic activities of American life, President Joe Biden getting the opportunity to nominate a new justice subsequently confirmed by the Senate would have sizable and predictable economic consequences.

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 <person> is the first person to be successfully confirmed as a new Supreme Court justice and that they have been confirmed by <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.



By: Eliezer Mishory
Title: Chief Regulatory Officer
Date: January 31, 2022

Attachments:

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: Will <person> be the next Supreme Court justice?

Rulebook: SCOURT

SCOURT

Scope: These rules shall apply to this contract.

Underlying: The Underlying for this Contract is nominations to the position of Associate Justice or Chief Justice of the Supreme Court of the United States that are confirmed by the Senate between Issuance and <date> according to Congress.gov. Revisions to the Underlying made after Expiration will not be accounted for in determining the Expiration Value.

Instructions: Nominations can be found at

<https://www.congress.gov/search?q=%7B%22congress%22%3A%5B%22117%22%5D%2C%22source%22%3A%22nominations%22%7D>. An example of a nomination to the Supreme Court that was confirmed by the Senate (for Associate Justice Amy Coney Barrett) is here:

<https://www.congress.gov/nomination/116th-congress/2252?q=%7B%22search%22%3A%5B%22amy+coney+barrett%22%2C%22amy%22%2C%22coney%22%2C%22barrett%22%5D%7D&s=5&r=1>.

The relevant line reads “Confirmed by the Senate” and is preceded by a date. 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 Library of Congress.

Type: The type of Contract is a Binary Contract.

Issuance: The Exchange will list Contracts when Supreme Court vacancies arise. This does not necessarily mean a vacancy must exist, but rather, also when one is expected, such as when a sitting Justice announces their retirement.

Date: <date> refers to a calendar date specified by Kalshi. Kalshi may list iterations of the Contract corresponding to different statistical periods of <date>. <date> will correspond to the end of presidential terms. The initial Contract shall have a target date of January 20, 2025, corresponding to the scheduled end of the current presidential term.

Expo_date: <expo_date> refers to a calendar date specified by Kalshi. Kalshi may list iterations of the Contract corresponding to different statistical periods of <expo_date>. It is strictly after <date>.

Person: <person> refers to a potential candidate for the positions of Associate Justice or Chief Justice of the Supreme Court of the United States. The Exchange shall use mainstream reporting to determine likely candidates.

Payout Criterion: The Payout Criterion for the Contract encompasses the Expiration Values that <person> is the first individual confirmed by the Senate in the period between Issuance and <date> for the position of Associate Justice or Chief Justice of the Supreme Court of the United States.

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 Contract shall be the earliest of the first 10:00 AM following the next successful confirmation of an individual to the position of Associate Justice or Chief Justice of the Supreme Court of the United States, or 11:59 PM ET on <date>.

Settlement Date: The Settlement Date 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 earliest of the first 10:00 AM following the next successful confirmation of an individual to the position of Associate Justice or Chief Justice of the Supreme Court of the United States, the first 10:00 AM following Congress.gov updating for <date>, or <expo_date>.

Expiration time: The Expiration time of the Contract 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.