

February 14, 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 “Will consumption of Donda 2 be over <count>?” 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 consumption of Donda 2 be over <count>?” contract (Contract). The Exchange intends to list the Contract with a target <period> of its expected release date (February 22, 2022), and then on a weekly basis following the album’s launch. The Contract’s terms and conditions (Appendix A) includes the following strike conditions:

- <count> (the target consumption)
- <period> (the target consumption period)

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: Will consumption of Donda 2 be over <count>?

Rulebook: DONDA2

Kalshi Contract Category: Entertainment/Popular Culture

Donda 2 consumption

February 14, 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 consumption of *Donda 2* be over <count>?” Contract is a contract relating to consumption of *Donda 2*, a new album scheduled to be released by rapper Kanye West. 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.

Kanye West’s last album, *Donda*, was released on August 29, 2021. On January 27, 2022, Kanye announced on Instagram that a sequel album, called *Donda 2*, would be released on February 22nd, 2022.¹

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

¹ <https://ew.com/music/kanye-west-donda-2-release-date-future-executive-producer/>

\$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 consumption of Donda 2 is greater than <count> in <period>, 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: February 14, 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 E (Confidential) - Agreement with Source Agency

APPENDIX A – CONTRACT TERMS AND CONDITIONS

TERMS OF CONTRACTS TRADED ON KALSHI

Official Product Name: Will consumption of Donda 2 be over <count>?

Rulebook: DONDA2

DONDA2

Scope: These rules shall apply to this contract.

Underlying: The Underlying for this Contract is consumption, and the release date, of the first Kanye West album released on or after February 16, 2022 as reported by MRC Data. An album must include at least four songs that have not been featured on previous Kanye West albums. Consumption will be measured in albums sold, including track-equivalent albums (using digital tracks) and on-demand streaming track equivalents (premium streams, ad-supported streams). This does not include programmed streams or video streams. Consumption is only included if it is on, or after, the day of the album's release date according to the Source Agency. Revisions to the Underlying made after Expiration will not be accounted for in determining the Expiration Value.

Source Agency: The Source Agency is MRC Data.

Type: The type of Contract is a Binary Contract.

Issuance: Before the album's launch, the Contract will be issued with a target <period> of the scheduled release date, February 22nd, 2022. If the album is not released on that date, it will be issued on an ongoing basis at the discretion of the Exchange with <period> corresponding to expected release dates. If there are no expected release dates, the Exchange will list it on a monthly basis until the end of 2022. Following the album's release, 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 the first four weeks following the album's launch. Those weeks will correspond to the global music tracking week, which begins on Friday and ends on Thursday.

<count>: Kalshi may list iterations of the Contract with <count> levels that fall within an inclusive range between 0 and 10,000,000 at consecutive increments of 1. Due to the potential for variability in the Underlying, the Exchange may modify <count> levels in response to suggestions by Members.

<period>: <period> refers to a calendar date or set of dates specified by Kalshi. Kalshi may list iterations of the Contract corresponding to different statistical periods of <period>. Before the album's release, <period> will correspond to individual days that are potential release dates of the album. After the album's release, <period> will correspond to the tracking week described in Issuance. For example, if the album is released on February 22, 2022, then the first iteration issued following release will have <period> corresponding to the tracking week ending Thursday, February 24, 2022.

Payout Criterion: The Payout Criterion for the Contract encompasses the Expiration Values that consumption is greater than <count> for <period>.

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 will be the final day of <period>. The Last Trading Time will be 11:59 PM.

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 sooner of the date of the first 10:00 AM following the release of data for <period>, and two weeks following the last date in <period>.

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.