March 3, 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 inflation be <above/below> <percent> in <area>?" 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 inflation be <above/below> <percent> in <area>?" contract (Contract). The Exchange intends to list the contract on an annual basis. The annual contract will be the "base" mode and will be issued for many major countries. The quarterly contracts will be used in cases where inflation in the country is particularly notable and changing rapidly, such as hyper-inflation. The Contract's terms and conditions (Appendix A) includes the following strike conditions:

- **<period>** (period of evaluation, e.g. 2022:Q2 or "2022")
- **<expo_date>** (the last possible expiration date)
- **<percent>** (the target value)
- **<area>** (the country of evaluation)
- **<above/below>**

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.

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Sincerely,

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

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KalshiEX LLC
Official Product Name: Will inflation be <above/below> <percent> in <area>?
Rulebook: WCPI
Kalshi Contract Category: Economic/Demographic measure – U.S. Government Data
Global Inflation
March 3, 2022

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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

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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 inflation be <above/below> <percent> in <area>?" Contract is a contract relating to the rate of change in the Consumer Price Index in various countries around the world. 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.

Many countries have recently been facing large amounts of inflation. Turkey's annual inflation topped 21% in November 2021.[1] Other major countries have less high, but still notable levels. India's inflation is at roughly 4.5%[2] and Brazil's tops 10%[3].

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.

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[1] https://fred.stlouisfed.org/series/TURCPIALLMINMEI
[2] https://fred.stlouisfed.org/series/INDCPIALLMINMEI
[3] https://fred.stlouisfed.org/series/BRACPIALLMINMEI

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 inflation in <area> is <above/below> <percent> for <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.

Eliezer Mishory
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By: Eliezer Mishory
Title: Chief Regulatory Officer
Date: March 3, 2022

<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: Will inflation be <above/below> <percent> in <area>?
**Rulebook: WCPI**

WCPI

Scope: These rules shall apply to this contract.

Underlying: The Underlying for this Contract is the percent change in the Consumer Price Index for all items in <area> for <period> according to the Federal Reserve Economic Data (FRED) service of the Federal Reserve Bank of St. Louis. The value is rounded to 5 decimal points. Revisions to the Underlying made after Expiration will not be accounted for in determining the Expiration Value.

Instructions: Go to https://fred.stlouisfed.org/categories/32266 for the list of all the CPI series that FRED has. The relevant series will read: "Consumer Price Index: All Items for <area>" or "Consumer Price Index of All Items in <area>". Examples include https://fred.stlouisfed.org/series/DEUCPIALLMINMEI for Germany or https://fred.stlouisfed.org/series/TURCPIALLMINMEI for Turkey. On the right-side, click "Edit Graph". If <period> is "the year ending in [some month or quarter], then change "Units" to "Percent Change from Year Ago". If <period> is just a year (e.g. "2022"), then that is equivalent to "the year ending in December 2022".

For example, suppose <area> was "Turkey" and <period> was "the year ending November 2021". The value of the Underlying, as shown below, is 21.31253%.
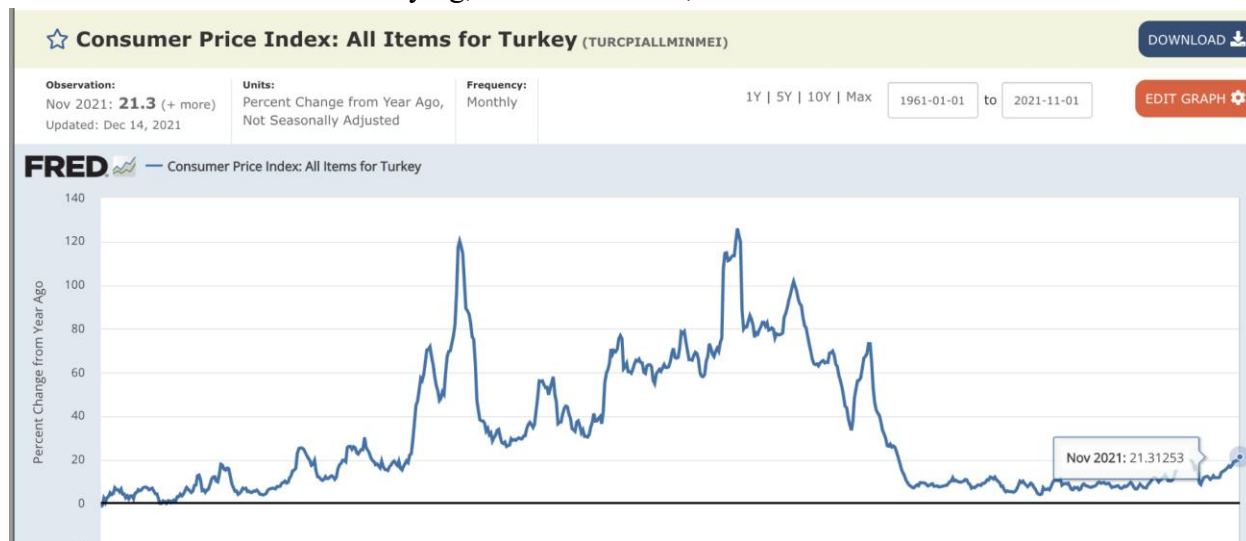
These instructions on how to access the Underlying are provided for convenience only and are not part of the binding Terms and Conditions of the Contract. They may be clarified at any time.

Source Agency: The Source Agency is the Federal Reserve Bank of St. Louis.

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 monthly basis. Contract iterations will be issued on a recurring basis, and future Contract iterations will generally correspond to the next year.

\<percent\>: Kalshi may list iterations of the Contract with \<percent\> levels that fall within an inclusive range between 0 and 1,000,000% at consecutive increments of 0.0001. Due to the potential for variability in the Underlying, the Exchange may modify \<percent\> levels in response to suggestions by Members. The value of the Underlying is rounded to five places after the decimal.

\<period\>: Kalshi may list iterations of the contract with \<period\> variables that correspond to a collection of calendar months(s)/year(s).

Area: \<area\> refers to a geographical unit whose data is reported by FRED. Some examples of countries reported by FRED include the People's Republic of China, India, the United States of America, Brazil, Turkey, Germany, France, UK, Japan, Australia, South Korea, Indonesia, Italy, South Africa, Mexico, Russia, and Canada. It also includes agglomerations of countries such as the Euro Area.

\<date\>: \<date\> refers to a calendar date specified by Kalshi. Kalshi may list iterations of the Contract corresponding to different statistical periods of \<date\>.

\<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\>.

Payout Criterion: The Payout Criterion for the Contract encompasses the Expiration Values that is strictly \<above/below\> \<percent\>.

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 day prior to the expected release of the data in \<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 first 10:00 AM following the release of the data for all of \<period\>, 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.