May 22, 2024

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 <month> be <above/below/between> <count> degrees?" 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 the average temperature anomaly in <month> be <above/below/between> <count> degrees?" contract (Contract). The Exchange intends to list the contract on a monthly basis. The Contract's terms and conditions (Appendix A) includes the following strike conditions:

- **<month>** (the target month)
- **<count>** (the target temperature anomaly)
- **<above/below/between>**

Along with this letter, Kalshi submits 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,

Xavier Sottile
Head of Markets
KalshiEX LLC
xsottile@kalshi.com

KalshiEX LLC
Official Product Name: Will the average temperature anomaly in <month> be <above/below/between> <count> degrees?
Rulebook: HMONTHRANGE
Kalshi Contract Category: Weather/Climate
Month Heat
May 22, 2024

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 the average temperature anomaly in <month> be <above/below/between> <count> degrees?" Contract is a contract relating to the average temperature anomaly globally in a given month. After careful analysis, Kalshi (hereafter referred to as "Exchange") has determined that the Contract complies with its vetting framework.

During the 20th century, Earth's average temperature increased by approximately 2°F. Such temperature increases, though they may seem small, have already affected our world: glaciers have melted, sea levels have risen, and heat waves have grown more intense.[1] The Intergovernmental Panel on Climate Change ("IPCC"), a consortium of over 1,300 scientists from around the world, has projected a temperature increase of anywhere from 2.5 to 10°F during the 21st century.[2] The magnitude of the increase, however, will determine the future effects of climate change—including whether sea levels will rise by one foot or eight feet, how often the South is hit by extreme heat waves, how bad droughts are in the Southwest, and how severe wildfires are in California. This Contract allows individuals and corporations to hedge the economic risks associated with the pace of global warming, including the risk of flooding, wildfires, and extreme weather.

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.

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[1] https://climate.nasa.gov/effects/
[2] Id

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 event 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. A new Source Agency can be added via a Part 40 amendment. 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 average temperature anomaly in <month> is <above/below/between> <count> degrees Celsius, 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.

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By: Xavier Sottile
Title: Head of Markets
Date: May 22, 2024

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

Official Product Name: Will the average temperature anomaly in <month> be <above/below/between> <count> degrees?
Rulebook: HMONTHRANGE

HMONTHRANGE

Scope: These rules shall apply to this contract.

Underlying: The Underlying for this Contract is the average global land and ocean temperature anomaly for <month>. Revisions to the Underlying made after Expiration will not be accounted for in determining the Expiration Value.

Instructions: Monthly global temperature anomalies are available at https://www.ncdc.noaa.gov/cag/global/time-series. Please navigate to the link, select "1-month" from the dropdown menu next to "Timescale". Select the month in question from the dropdown menu next to "Month". Select "Global" in the dropdown menu next to "Region". Choose "Land and Ocean" from the dropdown menu next to "Surface". Then click "Plot". Make sure the end year is the year of the month in question. The value of the Underlying will be in the column named "Anomaly" in the row with the year of the month in question. 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 National Oceanic and Atmospheric Administration.

Type: The type of Contract is an Event Contract.

Issuance: The Contract is based on the outcome of a recurrent data release, which is issued on a monthly basis. Thus, Contract iterations will be issued on a recurring basis, and future Contract iterations will generally correspond to the next month.

<month>: <month> refers to a specific <month> specified by Kalshi. Kalshi may list iterations of the Contract corresponding to variations of <date>.

<count>: Kalshi may list iterations of the Contract with <count> levels that fall within an inclusive range between 0.00 and 5.00 at consecutive increments of <0.01>.

Payout Criterion: The Payout Criterion for the Contract encompasses the Expiration Values that the temperature anomaly in <month> is <above/below/between> <count> degrees Celsius. If the value of <above/below/between> is "between", then <count> shall be a pair of values and the Payout Criterion encompasses Expiration Values that are greater than or equal to the lesser of the pair, and less than or equal to the greater of the pair.

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 strike, per Member.

Last Trading Date: The Last Trading Date of the Contract will be the day prior to the release of data for <month>. The Last Trading Time will be 11:59 PM ET.

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 ET following the release of data for <month> <year> or three months after the Last Trading 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.