

06/30/2022

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 the Bureau of Reclamation projection for the start of <year> Lake Mead water level be <feet> or below?” 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 Bureau of Reclamation projection for the the start of <year> Lake Mead water level be <feet> or below?” contract (Contract). The Exchange intends to list the contract on an annual basis. The Contract’s terms and conditions (Appendix A) includes the following strike conditions:

- <year>
- <expo_date>
- <feet> (target threshold)

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,

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

KalshiEX LLC

Official Product Name: Will the Bureau of Reclamation projection for the start of <year> Lake Mead water level be <feet> or below ?

Rulebook: CORIVER

Kalshi Contract Category: Weather/Climate

2-4 word title

06/30/2022

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 the Bureau of Reclamation projection for the start of <year> Lake Mead water level be <feet> or below ? Contract is a contract relating to projections of the U.S. Bureau of Reclamation towards the Lake Mead water levels. 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.

Lake Mead is the reservoir on the Colorado River that is formed by the Hoover Dam. When water levels drop, that means less water can flow through the turbines of the dam, producing less electricity (and, of course, decreased electrical production raises the equilibrium price of electricity in the broader dispatch region). Bureau of Reclamation projections have a particular importance. The 2019 Colorado River Drought Contingency Plan established planned water cuts to the states of the Lower Colorado River Basin (Nevada, Arizona, California) should the Bureau of Reclamation project water levels below certain thresholds in their August 24-month studies.

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 Bureau of Reclamation, in their August 24-month study, projects that the water level at the start of <year> in Lake Mead to be at or below <feet>, 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

By: Eliezer Mishory

Title: Chief Regulatory Officer

Date: 06/30/2022

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 the Bureau of Reclamation projection for the start of <year>
Lake Mead water level be <feet> or below?”**

Rulebook: CORIVER

CORIVER

Scope: These rules shall apply to this contract.

Underlying: The Underlying for this Contract is the projections in feet of Lake Mead’s reservoir elevation, according to the Bureau of Reclamation’s August 24-month study reports. The projection for the end of December shall be considered the projection for the start of the following year. Revisions to the Underlying made after Expiration will not be accounted for in determining the Expiration Value.

Instructions: To access, go to <https://www.usbr.gov/uc/water/crsp/studies/>. An example from 2021 is https://www.usbr.gov/uc/water/crsp/studies/24Month_08.pdf. In the following example, since the end-of-December 2021 projection is 1065.85 (see highlight below), the value for <year> 2022 would be 1065.85.

OPERATION PLAN FOR COLORADO RIVER SYSTEM RESERVOIRS											
August 2021 24-Month Study											
Most Probable Inflow*											
Hoover Dam - Lake Mead											
		Glen Release (1000 Ac-Ft)	Side Inflow Glen to Hoover (1000 Ac-Ft)	Evap Losses (1000 Ac-Ft)	Total Release (1000 Ac-Ft)	Total Release (1000 CFS)	SNWP Use (1000 Ac-Ft)	Downstream Requirements (1000 Ac-Ft)	Bank Storage (1000 Ac-Ft)	Reservoir Elev End of Month (Ft)	EOM Storage (1000 Ac-Ft)
*	Aug 2020	833	69	72	847	13.8	36	850	673	1084.04	10349
H	Sep 2020	602	56	59	646	10.9	28	651	668	1083.21	10279
	WY 2020	8230	863	553	8263		255	8267			
I	Oct 2020	640	35	43	730	11.9	21	734	661	1081.88	10167
S	Nov 2020	640	56	42	714	12.0	11	718	656	1081.07	10100
T	Dec 2020	719	59	37	497	8.1	8	500	671	1083.72	10322
O	Jan 2021	763	72	30	593	9.6	11	616	683	1085.95	10510
R	Feb 2021	675	55	28	574	10.3	8	581	690	1087.26	10622
I	Mar 2021	700	33	31	945	15.4	15	936	675	1084.39	10378
C	Apr 2021	628	36	38	1057	17.8	22	1056	647	1079.30	9953
A	May 2021	624	28	43	1086	17.7	27	1077	616	1073.50	9480
L	Jun 2021	651	-13	51	956	16.1	33	945	592	1068.77	9102
*	Jul 2021	767	93	63	862	14.0	30	854	586	1067.65	9014
	Aug 2021	801	81	67	752	12.2	35	752	588	1067.98	9040
	Sep 2021	623	71	55	669	11.2	31	669	584	1067.25	8983
	WY 2021	8230	606	529	9435		252	9436			
	Oct 2021	480	58	40	596	9.7	25	596	576	1065.78	8867
	Nov 2021	500	71	40	624	10.5	13	624	570	1064.50	8768
	Dec 2021	600	67	34	513	8.3	8	513	577	1065.85	8873
	Jan 2022	723	95	28	531	8.6	11	531	592	1068.81	9105
	Feb 2022	639	97	26	610	11.0	9	610	597	1069.89	9191
	Mar 2022	675	111	29	909	14.8	16	909	587	1067.89	9033
	Apr 2022	601	81	36	964	16.2	18	964	567	1063.84	8717
	May 2022	599	50	41	946	15.4	21	946	545	1059.44	8380
	Jun 2022	628	29	48	906	15.2	30	906	525	1055.34	8073
	Jul 2022	709	64	59	798	13.0	35	798	518	1053.83	7962
	Aug 2022	758	81	63	766	12.5	36	766	516	1053.51	7939
	Sep 2022	568	71	51	682	11.5	32	682	508	1051.90	7820

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 U.S. Bureau of Reclamation.

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

<feet>: Kalshi may list iterations of the Contract with <feet> levels that fall within an inclusive range between 0 and 3000 at consecutive increments of 0.1. Due to the potential for variability in the Underlying, the Exchange may modify <feet> levels in response to suggestions by Members.

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

<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 are at or below <feet>.

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 same as the Expiration Date. The Last Trading Time will be the same as the Expiration Time.

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 the Bureau of Reclamation August 24-month study in the year prior to <year>, 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.