July 6, 2023

**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 core inflation be <above/below/between> <percent> this year?" 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 core inflation be <above/below/between> <percent> this year?" contract (Contract). The Exchange intends to list the contract on an annual basis. The initial iteration will be listed corresponding to 2023. Later iterations will be listed after the release of the data for September, and will correspond to the next calendar year. The Exchange may add new strike values of <percent> as market conditions change. The Contract's terms and conditions (Appendix A) includes the following strike conditions:

- **<above/below/between>**
- **<percent>** (the target core CPI growth)
- **<year>** (the target year)

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,

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

KalshiEX LLC

KalshiEX LLC
**Official Product Name: Will core inflation be <above/below/between> <percent> this year?**
**Rulebook: ACPICORE**
**Kalshi Contract Category: Economic/Demographic Data – U.S. Government**
**Annual core CPI**
**July 6, 2023**

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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 core inflation be <above/below/between> <percent> this year?" Contract is a contract relating to the annual core inflation rate in 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.

The consumer price index (CPI) is the most common metric of measuring inflation. Inflation is an economic phenomenon whereby the value of money is reduced. "Core" inflation is a version of the index that strips out more volatile energy and commodity prices.

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 $7,000,000 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 U.S. core CPI change in <year> is <above/below/between> <percent>, 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: July 6, 2023

**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 core inflation be <above/below/between> <percent> this year?**
**Rulebook: ACPICORE**

# ACPICORE

**Scope:** These rules shall apply to this contract.

**Underlying:** The Underlying for this Contract is the 12-month percent change in the Consumer Price Index for All Urban Consumers: All Items less food and energy, before seasonal adjustment, according to the Bureau of Labor Statistics for <year>. Revisions to the Underlying made after Expiration will not be accounted for in determining the Expiration Value.

**Instructions:** The Underlying can be accessed at https://www.bls.gov/cpi/. A schedule of release dates is available on the BLS website (https://www.bls.gov/schedule/news_release/cpi.htm), and the data is released at 8:30am ET. Each month's report is available at the following stable URL, which automatically displays the latest available report: https://www.bls.gov/news.release/pdf/cpi.pdf. For example, for the <year> of 2022, the value would be found in the CPI report for December 2022 (which will be released in January 2023), in the sentence "The all items index less food and energy rose (x) percent over the last 12 months" It is not the "average inflation rate" over the year. Please also note that this value may slightly differ from FRED's core CPI series modified with "percent change from year ago" due to the different way the two sources treat seasonal adjustment. Historical reports from prior months are available on the Bureau of Labor Statistics website at the following link: https://www.bls.gov/bls/news-release/cpi.htm. 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 Bureau of Labor Statistics.

**Type:** The type of Contract is an Event Contract.

**Issuance:** The Contract is based on the outcome of a recurrent data release. Contract iterations will be issued on a recurring basis, and future Contract iterations will generally correspond to a given calendar year. The Exchange may add new strike values of <percent> as market conditions change.

**<percent>:** Kalshi may list iterations of the Contract with <percent> levels that fall within an inclusive range between 0 and 50 at consecutive increments of 0.1. Due to the potential for variability in the Underlying, the Exchange may modify <percent> levels in response to suggestions by Members.

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

**Payout Criterion:** The Payout Criterion for the Contract encompasses the Expiration Values that are <above/below/between> <percent>. If the value of <above/below/between> is "between", then <percent> shall be a pair of percentages, and an Expiration Value that is greater than or equal to the lower value of the percent pair and less than or equal to the greater value of the percent pair are encompassed in the Payout Criterion.

**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 $7,000,000 per Member.

**Last Trading Date:** The Last Trading Date of the Contract will be the day that the data for the last month of <year> is expected to be released. The Last Trading Time will be 8:25 AM.

**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 the data for the last month of <year>, or fourteen days following the BLS-scheduled release of the data for the last month of <year>.

**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.