

July 19, 2021

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 total credit card debt 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 total credit card debt contract (Contract) to be listed for trading on Kalshi and effective on Wednesday, July 21, 2021 for trading on that date.

Along with this letter, Kalshi submitted the following documents:

- A concise explanation and analysis of the Contract;
- The Contract's specifications;
- 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

Rule 40.2 New Contract Submission: “Will total US credit card debt be above <dollar amount>?”

07/19/2021

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 Regulation 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 total US credit card debt be above <dollar amount>?” contract is a contract relating to the total amount of credit card debt in the United States. This number is relevant to banks and credit card providers that provide consumer leverage, in addition to regulators analyzing systemic risk in the financial system. 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 amount of credit card debt in the economy is a relevant indicator of the amount of consumer leverage present in the economy. The Contract will allow financial corporations to better plan lending decisions and give policymakers more information regarding trends in systemic risks in the economy.

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 Appendix B.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.2(a), the Exchange hereby certifies that the listing of the Contract complies with the Act, including regulations under the Act.

Relevant Contract Terms and Conditions: The Contract operates similar to the other binary contracts that the Exchange is self-certifying for trading. In particular, 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. While trading on the contract is open, Members are able to adjust their positions and trade freely. Once trading

on the Contract has closed, the market is settled by the Exchange and the long position holders and short position holders are paid according to the outcome of the market. In this case, “long position holder” refers to a Member who purchased the “Yes” side of the contract and “short position holder” refers to a Member who purchased the “No” side of the contract. Depending on the outcome of the market, as determined by the Exchange, one of two payout processes is triggered. If the Market Outcome is “Yes”, meaning that total US credit card debt for the statistical period of <quarter> is strictly greater than <dollar amount>, then the long position holder is paid an absolute amount proportional to the size of their position and the short position holder receives no payment. Otherwise, if the Market Outcome is “No”, then the short position holder is paid an absolute amount proportional to the size of their position and the long position holder receives no payment. Further specification of the circumstances that would trigger a Market Outcome of “Yes” are included below and in the section titled “Payout Criterion” in Appendix A.

Contract Specifications:

Underlying	The total amount of US credit card debt reported by the Federal Reserve Bank of New York at https://www.newyorkfed.org/microeconomics/hhdc/background.html . Future revisions after Expiration will not be accounted for in determining the Expiration Value.
Payout Criterion	The Payout Criterion encompasses the Expiration Values strictly greater than <dollar amount>.
Contract Size	The Exchange takes the view that maximizing the commercial usefulness of any product dictates that the contract size should conform to commercial norms. Therefore, as with other similar contracts offered by the Exchange, the Contract is sized with a one-dollar notional value to enable Members to match the size of the contracts purchased to their economic risks.
Listing Cycle	For contracts whose Expiration Value is based on the outcome of recurrent data releases, Contract iterations will be listed consistently by a time period corresponding to the cadence of Underlying data releases. For contracts whose Expiration Value is not based upon the outcome of recurrent data releases, Contract iterations will be listed on an as-needed basis at the discretion of the Exchange and corresponding to the risk management needs of Members. The Contract is not based on the outcome of a recurrent data release. The first trading day for the contract will be July 21, 2021.
Tick Size	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. A minimum price fluctuation of \$0.01 is the standard tick size on the Exchange.

<p>Position Limit</p>	<p>The Exchange has imposed position limits (defined as maximum loss exposure) of \$25,000 USD on the Contract.</p>
<p>Trading Hours</p>	<p>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.</p>
<p>Fees</p>	<p>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.</p>
<p>Contract Modifications</p>	<p>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.</p>

**CERTIFICATIONS PURSUANT TO SECTION 5c OF THE COMMODITY
EXCHANGE ACT, 7 U.S.C. § 7A-2 AND COMMODITY FUTURES TRADING
COMMISSION REGULATION 40.2, 17 C.F.R. § 40.2**

Based on the above analysis, the Exchange certifies that:

- the Contract is consistent with, and in accordance with the Core Principles of Section 5 of the Commodity Exchange Act, and the CFTC's rules and regulations; and 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: 07/19/2021

Attachments:

Appendix A - Contract Terms and Conditions

Appendix B (Confidential) - Further Considerations

Appendix C (Confidential) - Price Reporting Agency

Appendix D (Confidential) - Compliance with Core Principles

APPENDIX A – CONTRACT TERMS AND CONDITIONS

TERMS OF CONTRACTS TRADED ON KALSHI

Rule 100.22

Contract: “Will total US credit card debt be above <dollar amount>?”

Scope: These rules shall apply to the contract referred to as “Will total US credit card debt be above <dollar amount>?”.

Underlying: The Underlying for this Contract is the total amount of US credit card debt reported by the Federal Reserve Bank of New York’s Household Debt and Credit Report. The report is prepared each quarter, and the PDF version of the report for the latest quarter is available for download on the Household Debt and Credit Report’s homepage in the “Reports and Data” section under the heading “Reports” at the following link:

<https://www.newyorkfed.org/microeconomics/hhdc/background.html>. The Underlying is contained in the report’s downloadable Excel spreadsheet, which is located in the same section of the website as the PDF report. On the Excel spreadsheet, navigate to the sheet titled “Page 3 Data” and the latest value for total credit card debt will be listed under the column titled “Credit Card” for the quarter and year in question. Note that the values are listed in trillions of dollars. The Underlying can also be accessed graphically by clicking on “View Interactive Chart” under the “Reports and Data” section. Navigate to the second displayed graph (titled “Non-Housing Debt Balance”) and hover to the far right of the graph over the line marked “Credit Card” to find the displayed value for credit card debt for the latest quarter. Historical Household Debt and Credit Report data is available under “Archive” on the following page: <https://www.newyorkfed.org/microeconomics/hhdc/background.html>.

Source Agency: The Source Agency is the Federal Reserve Bank of New York (“FRBNY”).

Type: The type of Contract is a Binary Contract.

Issuance: The Issuance of this contract will be in accordance with the information outlined in the “Listing Cycle” section of the Contract Specifications table. The Issuance of the initial contract will be on July 21, 2021.

Dollar Amount: Kalshi may list “Will total US credit card debt be above <dollar amount>?” contracts with <dollar amount> levels that fall within an inclusive range between a maximum value of \$10 trillion and a minimum value of \$0 at consecutive increments of \$1. Due to the

potential for variability in the Underlying, the Exchange may modify <dollar amount> levels in response to suggestions by Members.

Quarter: <quarter> refers to a quarter specified by Kalshi. Kalshi may list “Will total US credit card debt be above <dollar amount>?” contracts corresponding to different statistical periods of <quarter>, ranging from Quarter 1 to Quarter 4.

Payout Criterion: The Payout Criterion encompasses the Expiration Values strictly greater than <dollar amount>.

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: Unless otherwise noted by the Exchange and indicated on the Exchange website, the Last Trading Date for 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 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 August 3, 2021.

Expiration time: The Expiration time of the Contract shall be 9:00pm ET.

Settlement Value: The Settlement Value for this Contract is \$1.00.

Expiration Value: The Expiration Value is the value of the Underlying for the statistical period of <quarter> 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.