7/28/2021

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 Will the Senate pass a bipartisan infrastructure bill before <date> 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 Senate pass a bipartisan infrastructure bill before <date> contract
(Contract) to be listed for trading on Kalshi and effective on Friday, July 30 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 the Senate pass a bipartisan infrastructure bill before <date>?
Kalshi Rule 100.29
7/28/2021

**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 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 Senate pass a bipartisan infrastructure bill before <date> Contract is a contract relating to the passage of a bipartisan infrastructure bill by the U.S. Senate. There has been considerable discussion about the Senate passing a bill spending hundreds of billions of dollars on roads, bridges, power infrastructure, water infrastructure, and broadband telecom. 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.

In late June, President Joseph R. Biden announced that representatives from the Democratic and Republican parties had reached an agreement on a framework that would spend over $1.2 trillion over 8 years on a variety of infrastructure projects, including roads, bridges, passenger and freight rail, and more.[1] Since then, the parties have engaged in much discussion about the precise nature of the spending, with pay-fors and total spending being a particular sticking point. After a cloture vote on Wednesday, July 21, failed to reach the requisite 60 votes[2], it is now unclear whether any final deal will ultimately be reached.

The Contract is constructed such that only an eligible bill that addresses infrastructure is encompassed in the Payout Criterion. To qualify as an eligible bill, the bill in question must clear at least sixty votes in the U.S. Senate (thus guaranteeing at least one vote from

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[1] https://www.whitehouse.gov/briefing-room/statements-releases/2021/06/24/fact-sheet-president-biden-announces-support-for-the-bipartisan-infrastructure-framework/
[2] https://www.cbsnews.com/news/senate-bipartisan-infrastructure-bill-vote/

each party), must primarily address the question of domestic infrastructure by authorizing spending to at least three of the following: roads, bridges, rail, broadband, public transit, power infrastructure or water infrastructure (thus excluding non-infrastructure bills) and must have expected outlays greater than $600 billion (thus excluding small bipartisan bills that touch upon infrastructure).

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. 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 Senate has passed a bipartisan infrastructure bill before <date>, 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: 7/28/2021

<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

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APPENDIX A – CONTRACT TERMS AND CONDITIONS

TERMS OF CONTRACTS TRADED ON KALSHI

Rule 100.29

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Contract: "Will the Senate pass a bipartisan infrastructure bill before <date>?"

Scope: These rules shall apply to this contract.

Underlying: The Underlying for this Contract is bills that have passed the Senate, as captured by Congress.gov's legislation tracker (available at https://www.congress.gov/search?q=%7B%22source%22%3A%22legislation%22%7D) and the CBO's Cost Estimates (available at https://www.cbo.gov/cost-estimates). In particular, the Contract will be resolved depending on four conditions. The first is the bill's "Tracker," which reports whether the bill has "Passed House," "Passed Senate," "Became Law," and so on as well as the date of passage. The second is the number of votes in favor of the passage of the bill, which can be found in the "Actions" tab of the Congress.gov's webpage for the bill in question. The specific action will read approximately: "Passed/agreed to in Senate: Passed Senate by Yea-Nay Vote. X - Y"; the number of votes in favor of the bill is the "X" number (passing by unanimous consent, agreed to without objection or passing via voice vote is sufficient to fulfill this criteria). The third condition is the bill's total spending for 2021-2031 as reported by the CBO's most recent cost estimate for the bill (as defined by the greater of the Contract Authority and Budget Authority of bill). If the CBO has not scored the bill or the totals are not available, we shall consult the complete text of the bill as available on the Congress.gov legislation tracker and if not available, we shall consult the text of the bill as available on the appropriate committee webpage. The fourth condition is that the bill must primarily address domestic infrastructure, which is determined by examining the complete text of the bill under the Text tab of the Congress.gov legislation tracker, as outlined in the Payout Criterion below. If not available, we shall consult the text of the bill on the appropriate committee webpage. Revisions after Expiration will not be accounted for in determining the Expiration Value.

Source Agency: The Source Agencies are the Library of Congress and the Congressional Budget Office ("CBO").

Type: The type of Contract is a Binary Contract.

Issuance: The Issuance of the initial Contract will be on or after July 27, 2021. After the initial Contract, 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.

Payout Criterion: The Payout Criterion for the Contract encompasses the Expiration Values that include a bill that meets the following four conditions: first, Congress.gov's legislation tracker records that it has "Passed Senate" before <date>; second, that at least sixty Senators voted to pass the bill, as recorded in the "Actions" section of the Congress.gov legislation tracker (passing by unanimous consent, agreed to without objection or passing via voice vote is sufficient to fulfill this criteria); third, the CBO's most recent cost estimate for the bill estimates that the bill's total spending for the period 2021-2031 is strictly greater than $600 billion (in the absence of relevant CBO scoring, the text of the bill must, in the view of the Exchange, authorize spending in excess of $600 billion of funding between 2021-2031); and fourth, to constitute an infrastructure bill, the bill must primarily address the topic of domestic infrastructure, including allocating money to at least three of the following: roads, bridges, rail, broadband, public transit, power infrastructure or water infrastructure as determined by the text of the bill.

Date: <date> refers to a date specified by Kalshi. Kalshi may list contracts corresponding to different statistical periods of <date>, ranging from July 26, 2021 to January 1, 2023.

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 day 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: Unless otherwise noted by the Exchange and indicated on the Exchange website, the Expiration Date of the Contract shall be August 12, 2021.

Expiration time: The Expiration time of the Contract shall be 8:00 PM ET.

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

Expiration Value: The Expiration Value is the value of the Underlying (i.e. all bills listed on Congress.gov with the status of "Passed the Senate"), as documented by the Source Agency, that

passed the Senate after the time of Issuance and before the Expiration time on the Expiration Date.

Contingencies: Before Settlement, Kalshi may, at its sole discretion, initiate the Market Outcome Review Process pursuant to Rule 6.3(c) of the Rulebook.