

**KalshiEX LLC**  
**Rule 40.2 New Contract Submission: TOKMED**  
**8/1/2021**

August 1, 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 TOKMED Contract, relating to the number of Olympic medals awarded at the 2020 Tokyo Olympics

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 TOKMED contract (Contract) to be listed for trading on Kalshi and effective on August 3, 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

## **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 TOKMED contract is a contract relating to the impact of COVID-19 on the Tokyo Olympic Games. The global coronavirus pandemic has cast uncertainty on how the 2021 Tokyo Summer Olympics will play out. The contract is designed to enable market participants whose businesses, operations or careers are affected by the occurrence of the Olympic Games to mitigate the commercial risks associated with the cancellation or postponement of their events. 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 Olympic Games are foundational to the American sports ecosystem. The opening ceremonies for the 2016 Rio Summer Olympics drew 26.5 million U.S. viewers.<sup>1</sup> During the 2018 Pyeongchang Winter Olympics, NBC sold \$900 million worth of ads.<sup>2</sup> Hundreds of American athletes spend their lives preparing for the Olympics. The cancellation or postponement of events at the Tokyo Olympics not only deeply affects the athletes who planned to participate, but has downstream effects on sports equipment manufacturers and suppliers, training facilities, merchandise companies, social media influencers, and sports leagues. This Contract allows affected individuals and entities to hedge the economic risk associated with the cancellation of the Olympic Games.

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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<sup>1</sup> <https://www.statista.com/statistics/287966/olympic-games-tv-viewership-worldwide/>

<sup>2</sup> <https://www.usatoday.com/story/sports/olympics/2018/02/26/2018-winter-olympics-ratings-down-nearly-17-sochi-nbc/373859002/>

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.

**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 less than <number> Olympic medals have been awarded, 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 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](mailto:ProductFilings@kalshi.com).



By: Eliezer Mishory

Title: Chief Regulatory Officer

Date: 8/1/2021

**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

**Contract:** TOKMED-<xxx>

**Scope:** These rules shall apply to the contract referred to as TOKMED-001 (“Contract”), relating to the number of medals awarded at the 2020 Tokyo Olympics.

**Underlying:** The Underlying for this Contract is the number of medals awarded at the Tokyo Olympics, as documented on the Olympics.com medal standings: <https://olympics.com/tokyo-2020/olympic-games/en/results/all-sports/medal-standings.htm>. In particular, the Underlying is the sum of the numbers in the “Total” column of the Olympic Medal Count table. While the medal standings are typically updated at approximately the same time as the medal awarding ceremonies, the Contract resolves only based on the medal standings reported on Olympics.com, not whether a medal has been awarded at a ceremony. For example, if athletes were awarded medals in an official Olympic ceremony before Expiration but the medal standings were only updated to reflect the awarding of those medals after Expiration, the number of medals reported by the medal standings is used to resolve the Contract. Revisions after Expiration will not be taken into account.

**Source Agency:** The Source Agency is the International Olympic Committee (“IOC”).

**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 Contract is not based on the outcome of a recurrent data release. The Issuance of the initial contract will be on or after August 3, 2021.

**<number>:** Kalshi may list TOKMED-<xxx> contracts with <number> levels that fall within an inclusive range between a maximum value of 1500 and a minimum value of 0 at consecutive increments of 1. Due to the potential for variability in the Underlying, the Exchange may modify <number> levels in response to suggestions by Members.

**Payout Criterion:** The Payout Criterion encompasses the Expiration Values that are strictly less than <number>.

**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 for the Contract is August 7, 2021. The Last Trading Time for the Contract is 11:59pm ET on the Last Trading Date. No trading in the Contract shall occur after its Last Trading Date and 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 9, 2021.

**Expiration time:** The Expiration time of the Contract shall be 5:00pm 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 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. 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.