

August 10, 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 HURFL 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 HURFL contract (Contract) to be listed for trading on Kalshi and effective on August 12, 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

New Contract Submission: HURFL

Will a Tropical Storm/Hurricane Warning be issued for Miami-Dade County?

August 10, 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 HURFL Contract is a contract relating to whether a hurricane or tropical storm will hit Miami-Dade County. 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 the last five years, Atlantic hurricanes have inflicted over \$393 billion worth of damage in the United States.<sup>1</sup> Tropical storms and hurricanes can disrupt essential services and utilities like hospitals, water lines, and electricity, displace individuals, destroy homes, and lower property values of affected areas. Climate change may, scientists report, both increase the frequency of tropical cyclones and increase their severity. “Since 1975,” a 2013 study concludes, “there has been a substantial and observable regional and global increase in the proportion of Cat[egory] 4-5 hurricanes of 25-30 percent per °C of anthropogenic (human-caused) global warming.”<sup>2</sup> The Contract allows affected individuals, businesses, and other investors to hedge the risk that a hurricane or tropical storm poses to their livelihood.

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://weather.com/safety/hurricane/news/2021-04-28-hurricanes-united-states-toll-last-five-years>

<sup>2</sup> Holland, G., Bruyère, C.L. Recent intense hurricane response to global climate change. *Clim Dyn* 42, 617–627 (2014). <https://doi.org/10.1007/s00382-013-1713-0>

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, including regulations under the Act.

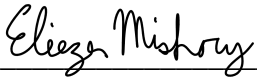
**General Contract Terms and Conditions:** The Contract operates similar to other binary contracts that the Exchange lists for trading. The minimum price fluctuation is \$0.01 (one cent). Price bands will apply so that Contracts may only be listed at values of at least \$0.01 and at most \$0.99. Further, the Contract is sized with a one-dollar notional value and 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 a <tropical storm/hurricane> warning has been issued for Miami-Dade County, 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](mailto:ProductFilings@kalshi.com).

  
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By: Eliezer Mishory  
Title: Chief Regulatory Officer  
Date: 08/10/2021

**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**

**[Contract: HURFL]**

## Contract: HURFL

**Scope:** These rules shall apply to the HURFL Contract

**Context:** This contract concerns whether a <tropical storm/hurricane> warning will be issued for Miami-Dade County.

**Underlying:** The Underlying for this Contract is the National Oceanic and Atmospheric Administration’s Current Watches, Warnings or Advisories for Miami-Dade County, available at <https://alerts.weather.gov/cap/wwaatmget.php?x=FLC086&y=1>. Changes to the Underlying after Expiration will not be accounted for in determining the Expiration Value.

**Source Agency:** The Source Agency is the National Oceanic and Atmospheric Administration (“NOAA”).

**Type:** The type of Contract is a Binary Contract.

**Issuance:** The Issuance of the initial Contract will be on or after August 12, 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.

**<tropical storm/hurricane>:** Kalshi may list HURFL contracts with <tropical storm/hurricane> levels of either <hurricane> or <tropical storm>.

**Payout Criterion:** The Payout Criterion for the Contract encompasses the Expiration Values that include a Warning entitled “<Tropical Storm/Hurricane> Warning” that is in effect at the Expiration time on the Expiration Date. Warnings that are expired by the Expiration time on the Expiration Date are not encompassed in the Payout Criterion. See below for an example of a Tropical Storm Warning for Suffolk County. Expiration Values that contain Warnings for only part of the county (e.g., for Coastal Miami Dade County) are encompassed in the Payout Criterion. However, warnings for other counties in the state (e.g., a “Hurricane Local Statement” that notes a <Tropical Storm/Hurricane> Warning is in place for other counties in the state) are not relevant to determining the Market Outcome.

<b>Tropical Storm Warning</b> <b>Issued: July 08 at 5:22PM EDT</b> <b>Expiring: until further notice</b> <b>Areas affected:Northwest Suffolk</b>	<b>Urgency:</b> Expected <b>Status:</b> Actual
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**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 day after Issuance and the Last Trading Time for the Contract is 8:00pm 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:** Unless otherwise noted by the Exchange and indicated on the Exchange website, the Expiration Date of the Contract shall be the same day as the Last Trading Date.

**Expiration time:** Unless otherwise noted by the Exchange and indicated on the Exchange website, 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 (i.e., the watches, warnings, and advisories issued for Miami-Dade County) as documented by the Source Agency on 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.