

8/23/2021

**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 TAPER 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 TAPER contract (Contract) to be listed for trading on Kalshi and effective on 8/25/2021 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: TAPER  
Federal Reserve Treasury Purchases  
8/23/2021

**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 TAPER Contract is a contract relating to the planned amount of Treasury purchases over a given monthly period by the Federal Reserve. Such information is closely linked to the Federal Reserve's monetary policy stance, with greater purchases often implying a looser monetary policy than otherwise. 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.

This information is highly valuable to financial institutions, as the size of asset purchases directly affects the cost of purchase in the treasury market, which has over \$11 trillion in issuance<sup>1</sup>. Asset purchases also directly affect the cost of borrowing in the multi-trillion-dollar federal funds market<sup>2</sup>,

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.

---

<sup>1</sup> <https://www.sifma.org/resources/research/us-treasury-securities-statistics/>

<sup>2</sup> <https://www.clevelandfed.org/en/newsroom-and-events/publications/economic-commentary/2017-economic-commentaries/ec-201707-the-federal-funds-market-since-the-financial-crisis.aspx#:~:text=It%20consists%20of%20%242.46%20trillion,trillion%20in%20mortgage%2Dbacked%20securities.>

**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 Federal Reserve's planned purchases for <monthly period> is <greater than/less than> <value>, 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).

  
\_\_\_\_\_

By: Eliezer Mishory  
Title: Chief Regulatory Officer  
Date: 8/23/2021

**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: TAPER**

**Contract: TAPER**

**Scope:** These rules shall apply to the TAPER contract.

**Underlying:** The Underlying for this Contract is the amount representing the Federal Reserve Bank of New York’s Trading Desk’s (“Desk”) plans for Treasury purchases for <monthly period> and available at <https://www.newyorkfed.org/markets/domestic-market-operations/monetary-policy-implementation/treasury-securities/treasury-securities-operational-details#monthly-details> . To find the value, navigate to the table that is below the paragraph reading “Operation Announcements and Results”. The Underlying is the monthly dollar value following the word “approximately” in the column reading “Planned Purchase Amounts” in the row whose value under the column head “Period” corresponds to the appropriate period. Revisions to the Underlying made after Expiration will not be accounted for in determining the Expiration Value. Please note that the Underlying is not the actual results of the purchases but instead planned purchases. As a result, the Underlying uses the word “Approximately” because it is sometimes impossible for the Desk to purchase discrete quantities of Treasuries in exact dollar quantities--they may be off by a few dollars or cents. Please note that the Underlying is the monthly period value, even if the period does not cover a full month.

We have included below an example of the underlying:

PURCHASE PERIOD DETAILS		CURRENT SCHEDULE		
PERIOD	PLANNED PURCHASE AMOUNT	TENTATIVE SCHEDULE	RESULTS	NEXT SCHEDULE RELEASE
8/13/2021 - 9/14/2021	The Desk plans to purchase approximately \$80 billion over the monthly period from 8/13/21 to 9/14/21.	<a href="#">Schedule</a>	To be released	9/14/2021, 3:00 p.m.
7/15/2021 - 8/12/2021	The Desk plans to purchase approximately \$80 billion over the monthly period from 7/15/21 to 8/12/21.	<a href="#">Schedule</a> <a href="#">PDF</a>	<a href="#">Results</a> <a href="#">EXCEL</a>	
6/14/2021 - 7/14/2021	The Desk plans to purchase approximately \$80 billion over the monthly period from 6/14/21 to 7/14/21.	<a href="#">Schedule</a> <a href="#">PDF</a>	<a href="#">Results</a> <a href="#">EXCEL</a>	

In the above example, the Underlying for the monthly period beginning August 13, 2021 is 80 billion. In the below example, the Underlying for the monthly period beginning September 15, 2020 is 80 billion, even though the current schedule period was not a full month.

9/29/2020 - 10/14/2020	The Desk plans to purchase approximately \$80 billion over the monthly period from 9/15/20 to 10/14/20. The Desk's current schedule covers purchases from 9/29/20 to 10/14/20.	<a href="#">Schedule</a> <a href="#">PDF</a>	<a href="#">Results</a> <a href="#">EXCE</a>
9/15/2020 - 9/28/2020	The Desk plans to purchase approximately \$80 billion over the monthly period from 9/15/20 to 10/14/20. The Desk's current schedule covers purchases from 9/15/20 to 9/28/20.	<a href="#">Schedule</a> <a href="#">PDF</a>	<a href="#">Results</a> <a href="#">EXCE</a>

**Source Agency:** The Source Agency is the Federal Reserve Bank of New York.

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

**Issuance:** The Contract is based on the outcome of a recurrent data release, which is issued on a monthly period basis. Thus, Contract iterations will be issued on a recurring basis, and future Contract iterations will generally correspond to the next month. The Exchange will publish all available contract monthly periods on its website. The Issuance of the initial Contract will be on or after August 23, 2021. However, in emergency situations, the Federal Reserve may issue data releases on a shorter time period (and will announce the start of those periods in advance). Kalshi may issue contracts to mirror the Federal Reserve periods.

**<value>:** Kalshi may list iterations of the Contract with <value> levels of US dollars that fall within an inclusive range between a maximum value of 0 and a minimum value of 1,000,000,000,000 at consecutive increments of 1,000,000. Due to the potential for variability in the Underlying, the Exchange may modify <value> levels in response to suggestions by Members.

**Monthly Period:** <monthly period> refers to a monthly period specified by Kalshi. Kalshi may list iterations of the Contract corresponding to different statistical periods of <monthly period>, ranging from September 14, 2021 to September 30, 2024. Please note: the Federal Reserve's periods tend to run from mid-month to mid-month, however in some circumstances they may last as short as two weeks. For our terminology, we may refer to the month using the day that the monthly period starts on. For example, the period of August 13, 2021 to September 14, 2021 may be referred to as "the period beginning August 13, 2021". Since we will be using the Federal Reserve's schedule, some monthly periods may not last a full 30 or 31 days.

**Payout Criterion:** The Payout Criterion for the Contract encompasses the Expiration Values that are strictly <greater/less> than <value>.



**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 will be the day corresponding to the end of the <monthly period>. The Last Trading Time will be 10:00 PM.

**Settlement Date:** Unless otherwise noted by the Exchange and indicated on the Exchange website, 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 the day following the end of <monthly period>. For example, the Expiration Date of the initial Contract will be September 15, 2021 because the relevant <monthly period> (i.e. the relevant Federal Reserve period) ends September 14, 2021.

**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 for the statistical period of <monthly period> as documented by the Source Agency on the Expiration Date at the Expiration time. Please note that <monthly period> does not refer to a calendar month but instead to a monthly period whose end-date will be noted in the section containing the Underlying.

**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.