

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 ONRRP 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 ONRRP contract (Contract) to be listed for trading on Kalshi and effective on Wednesday, August 25 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: ONRRP**  
**Repo Volume**  
**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 ONRRP Contract is a contract relating to the aggregated daily value of reverse repurchase agreements made by the Federal Reserve. Reverse repurchase agreements (RRPs) are a frequently-used facility by the Federal Reserve to temporarily alter the amount of reserves in the financial system. They involve the trading desk of the Federal Reserve Bank of New York (“Desk”) “lending” qualified counterparties an asset (usually a Treasury or a mortgage-backed security) on the agreement that the Desk will repurchase the agreement at a specified later date. Use of the facility started spiking in late winter 2021 and now routinely sets new records for total volume. 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 overnight reverse repurchase agreement facility is a critical component of the multi-trillion dollar federal funds market. It is also essential to money market funds and other financial institutions seeking a place to park their cash to avoid sharply negative real returns.

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 total value of reverse repurchase agreements reported by the Federal Reserve Bank of New York during Temporary Open Market Operations exceeds <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: August 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: ONRRP**

**Contract: ONRRP**

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

**Underlying:** The Underlying for this Contract is the aggregated daily value of reverse repurchase agreements reported by the Federal Reserve Bank of New York during Temporary Open Market Operations. The value is available at:

<https://fred.stlouisfed.org/series/RRPONTTLD> . The Underlying is the value on the chart associated with <date>. To view as a spreadsheet, one can click Download in the top right corner. Please note that the value on the page is in billions of dollars. An additional note: the Underlying is the value published by the Federal Reserve of St. Louis's Federal Reserve Economic Data series (FRED) which uses data from the Federal Reserve Bank of New York. FRED is the primary public-facing data repository for the Federal Reserve System. FRED uses Deal Date, not Maturity Date when calculating total value for a given date. Should the relevant FRED data not be available for <date> on the Expiration Date at the Expiration Time, we shall consult the Federal Reserve Bank of New York's website, available here:

<https://apps.newyorkfed.org/markets/autorates/tomo-results-display?SHOWMORE=TRUE&startDate=01/01/2000&enddate=01/01/2000>. We will then sum the Total Amount Accepted for those data items whose Deal Dates correspond with <date>. Revisions to the Underlying made after Expiration will not be accounted for in determining the Expiration Value.

**Source Agency:** The Source Agencies are the Federal Reserve Bank of St. Louis and 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 daily basis. Thus, Contract iterations will be issued on a recurring basis, and future Contract iterations will generally correspond to the next day. The Exchange will publish all available contract days on its website. The Issuance of the initial Contract will be on or after August 25, 2021. Please note that the word "days" generally excludes weekends and federal holidays.

**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 10,000,000,000,000 and a minimum value of 0 at consecutive increments of 1,000,000,000. Due to the potential for variability in the Underlying, the Exchange may modify <value> levels in response to suggestions by Members.

**Day:** <day> refers to a calendar day specified by Kalshi. Kalshi may list iterations of the Contract corresponding to different statistical periods of day, ranging from August 25, 2021 to December 31, 2023.

**Payout Criterion:** The Payout Criterion for the Contract encompasses the Expiration Values that strictly exceed <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 same day as the Expiration Date. The Last Trading Time will be the same as the Expiration time.

**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 after <date>, which . For example, the Expiration Date of the initial Contract will be August 27, 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 <date> 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. 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.