August 19, 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 HURSZ 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 HURSZ contract (Contract) to be listed for trading on Kalshi and effective on August 21, 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: HURSZ
Hurricane Size
August 19, 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 HURSZ Contract is a contract relating to whether a given named storm will reach certain thresholds for sustained wind speed. 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.[1] 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."[2] Naturally, the larger the size of the hurricane, the larger the economic impact. The Contract allows affected individuals, businesses, and other investors to hedge the risk that a hurricane or tropical storm poses to their livelihood.

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[1] https://weather.com/safety/hurricane/news/2021-04-28-hurricanes-united-states-toll-last-five-years

[2] 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

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, 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 storm <name> has reached <tropical storm/hurricane category number> 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

By: Eliezer Mishory
Title: Chief Regulatory Officer
Date: 08/19/2021

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: HURSZ

Contract: HURSZ

Scope: These rules shall apply to the HURSZ Contract

Underlying: The Underlying for this Contract is the maximum sustained winds for a storm <name> from the National Oceanic and Atmospheric Administration's National Hurricane Center available at https://www.nhc.noaa.gov/ . For a given storm, scroll down to the storm <name> section. On the left-hand sidebar in that section, there is a miles per hour value following the phrase "Max sustained" which is the Underlying. 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's ("NOAA") National Hurricane Center.

Type: The type of Contract is a Binary Contract.

Issuance: The Issuance of the initial Contract will be on or after August 21, 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 category number>: Kalshi may list HURSZ contracts with <tropical storm/hurricane category number> levels of either <hurricane category number> from 1 through 5 or <tropical storm>. For example, <tropical storm/hurricane category number> could take the value "Hurricane Category Two", or "tropical storm".

<name>: <name> refers to a name specified by Kalshi. Kalshi may list iterations of the Contract corresponding to different variations of <name> from the list of NOAA Atlantic Tropical Storm names found here: https://www.nhc.noaa.gov/aboutnames.shtml .

Payout Criterion: The Payout Criterion for the Contract encompasses the Expiration Values that contain a value that is greater than or equal to the threshold for <tropical storm/hurricane category number>.

If the target is <hurricane category number>, the thresholds are determined using the Saffir-Simpson Hurricane Scale as available on the National Weather Service's (NWS) website here: https://www.weather.gov/mfl/saffirsimpson .

- The threshold for Category 1 is sustained wind speeds of at least 74 miles per hour
- The threshold for Category 2 is sustained wind speeds of at least 96 miles per hour
- The threshold for Category 3 is sustained wind speeds of at least 111 miles per hour

- The threshold for Category 4 is sustained wind speeds of at least 130 miles per hour
- The threshold for Category 5 is sustained wind speeds of at least 157 miles per hour

If the target is <tropical storm> the threshold is sustained wind speeds of at least 39 miles per hour.

As noted below, the Expiration Value consists of a set of “checked” values of the Underlying at 1:00pm ET every day from Issuance up to and including the Expiration Date, and again at the Expiration time, so the Underlying need not be greater than or equal to the threshold for <tropical storm/hurricane category number> at the Expiration time on the Expiration Date to resolve to YES so long as it has previously reached or exceeded that threshold at any given check after Issuance.

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 four days 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: The Expiration Date of the Contract shall be the same day as the Last Trading Date.

Expiration time: 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 a set containing the values of the Underlying for each day at 1:00pm ET on each day from Issuance up to and including the Expiration Date, and the value at the Expiration time on the Expiration Date, as documented by the Source Agency.

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