

8/29/2021

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 SF SCHL 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 SF SCHL contract (Contract) to be listed for trading on Kalshi and effective on Tuesday, August 31 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
Rule 40.2 New Contract Submission: SFSCHL
San Francisco Public School Reopenings
8/29/2021

**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 SFSCHL Contract is a contract relating to whether San Francisco public schools will be fully reopened. In the 2020-2021 school year, millions of students could not return to their public schools due to risks of Covid spread. While most districts have announced that they plan to fully reopen in the fall for the 2021-2022 school year, there is fear that lagging vaccination rates among adults, the inability for students under the age of 12 to get a vaccine, and surging prevalence of the Delta variant may cause some districts to change their mind. 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 effect of school closures would be enormous. Besides the potential for learning loss, the disruption to the lives of parents (whose ability to work full-time may be impaired depending on the availability of childcare) is immense. These parents, along with others directly affected by the decision such as teachers, remote learning specialists and child care providers, may thus wish to utilize the Contract to hedge their exposure to this decision.

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 San Francisco Unified School District public schools are fully reopened, 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.



By: Eliezer Mishory
Title: Chief Regulatory Officer
Date: 8/29/2021

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: SF SCHL

Contract: SFSCHL

Scope: These rules shall apply to the contract referred to as SFSCHL.

Underlying: The Underlying for this Contract is the reopening plan of the San Francisco Unified School District as posted on the website available here: <https://www.sfusd.edu/>. The exact URL endings may change depending on the format of the announcement. The current status of the reopening plans are available here: <https://www.sfusd.edu/about-sfusd/sfusd-news/current-news-sfusd>.

Revisions to the Underlying made after Expiration will not be accounted for in determining the Expiration Value.

Source Agency: The Source Agency is the San Francisco Unified School District (“SFUSD”) website.

Type: The type of Contract is a Binary Contract.

Issuance: The Issuance of the initial Contract will be on or after 8/28/2021. 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.

Payout Criterion: The Payout Criterion for the Contract encompasses the Expiration Values that contain an announcement or other documentation that SFUSD public schools are fully open at the Expiration time on the Expiration Date. For the purposes of this Contract, the criteria for “fully open” are as follows: instruction must be available (1) in-person, (2) for generally all students from grades Kindergarten to 12th grade (for details on individual school closures, see below), (3) full-time, and (4) five days a week. Further specification of these criteria is available below. The Contract resolves using the most recent reopening plan. As of August 29, the reopening plan meets the criteria for a YES resolution.

The criteria for “fully open” can still be met even if an individual school closes due to an outbreak of COVID-19, so long as the closures are not broad-based. Broad-based school closures are defined as closures that affect at least all public schools even if they don’t affect special schools (such as magnet, charter, vocational or special-needs schools), affect an entire grade set of schools (e.g. high schools), or some combination thereof (e.g. non-special high schools).

Criterion 1 (“in-person”) means that an in-person option must be available for students, not that no remote option is available. Schools offering a remote option does not mean that instruction is

not available in-person. The Market can still resolve to YES if there is a remote option for teachers, so long as students can still attend in person.

Criterion 2 (“for generally all students from grades Kindergarten-12th grade”) means that any closure that applies district-wide across a given grade level or levels results in the contract resolving to NO. For example, a policy where all public high school students in San Francisco Unified School District are remote means the contract resolves to NO. Closures that affect only Pre-K do not affect the resolution of the contract.

Criterion 3 (“full-time”) does not apply to before- and after-school programs. Cancellation of those programs does not affect the resolution of the market. However, if school days are shortened explicitly due to COVID-19, then the contract resolves to NO.

Any closures unrelated to COVID-19 (including, but not limited to, closures due to inclement weather, holidays, labor strikes even if demands are related to COVID-19 protocols, or teacher administrative days) do not affect the resolution of the contract.

The Expiration Value will be checked at the Expiration time on the Expiration Date. Conditions met prior to the Expiration time on the Expiration Date that are no longer operative at the Expiration time on the Expiration Date do not affect the resolution of the Contract. An announcement of a future closure--whether conditional or absolute--that has not gone into effect at the Expiration Date does not affect the resolution of the Contract.

An example of the most recent announcement (as of August 29, 2021) is included below, which would resolve to YES:

SFUSD Opens to Full In-Person Learning for 2021-2022 School Year

Press Release

San Francisco (August 16, 2021) - The San Francisco Unified School District (SFUSD) has resumed in-person learning full time at all schools, five days a week. SFUSD has put in place [safety standards and protocols](#) at every campus to welcome students back for the 2021-22 school year.

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 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: Unless otherwise noted by the Exchange and indicated on the Exchange website, the Expiration Date of the Contract shall be October 15, 2021.

Expiration time: Unless otherwise noted by the Exchange and indicated on the Exchange website, 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 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.