

**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 RAINHOU contract is a contract relating to the amount of precipitation in Houston. 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.

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 Appendix B.

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.

Relevant Contract Terms and Conditions: The Contract operates similar to the other binary contracts that the Exchange is self-certifying for trading. In particular, 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. While trading on the contract is open, Members are able to adjust their positions and trade freely. Once trading on the contract has closed, the market is settled by the Exchange and the long position holders and short position holders are paid according to the outcome of the market. In this case, “long position holder” refers to a Member who purchased the “Yes” side of the contract and “short position holder” refers to a Member who purchased the “No” side of the contract. Depending on the outcome of the market, as determined by the Exchange, one of two payout processes is triggered. If the Market Outcome is “Yes”, meaning that the number of inches of precipitation recorded for the statistical period of <date> for

Houston is strictly <greater than/lesser than> <inches>, then the long position holder is paid an absolute amount proportional to the size of their position and the short position holder receives no payment. Otherwise, if the Market Outcome is “No” then the short position holder is paid an absolute amount proportional to the size of their position and the long position holder receives no payment. Further specification of the circumstances that would trigger a settlement in the “Yes” direction 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 REGULATION 40.2, 17 C.F.R. § 40.2**

Based on the above analysis, the Exchange certifies that:

- the Contract is consistent with, and in accordance with the Core Principles of Section 5 of the Commodity Exchange Act, and the CFTC's rules and regulations; and 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: 08/26/21

Attachments:

Appendix A - Contract Terms and Conditions

Appendix B (Confidential) - Further Considerations

Appendix C (Confidential) - Price Reporting Agency

Appendix D (Confidential) - Compliance with Core Principles

Contract: RAINHOU

Scope: These rules shall apply to the contract referred to as RAINHOU

Underlying: The Underlying for this Contract is the precipitation recorded for the specified <date> published in the National Weather Service’s (“NWS”) Daily Climate Report for Houston-Hobby, Texas which can be accessed here: <https://www.weather.gov/wrh/Climate?wfo=> , select the tab of “Observed Weather”, selecting “Houston-Hobby, TX”. Scroll down to the report corresponding to the day after <date>.. Specifically, it is in the section labeled “Precipitation” in a column titled “Observed Value” and row titled “Yesterday” (such that it corresponds to <date>). Precipitation is reported in inches. As stated on the NWS website, “These data are preliminary” and “are subject to revision.”

Data that is revised past the Expiration Date and Expiration time of the contract will not be used to determine the Expiration Value of the Contract. Revisions made during the statistical period or the period between the Last Trading Date and Time and Expiration Date and Expiration time may be taken into account in settling the contract. If the aforementioned section for the most recently published NWS Daily Climate Report for the day after <date> does not have the row “Yesterday” and instead says “Today”, the Underlying is in the most recently published NWS Daily Climate Report for the day after <date> which has a row labeled “Yesterday” in the aforementioned section (and the Underlying is documented in the manner described above). In the event that no such section from the day after <date> is available, the Underlying is in the most recent published report (that is published by Expiration) from <date> in the section labeled “Precipitation” in a column titled “Observed Value” and row titled “Today”.

Source Agency: The Source Agency is the National Weather Service.

Type: The type of Contract is a Binary Contract.

Issuance: The Issuance of this contract will be in accordance with the information outlined in the “Listing Cycle” section of the Contract Specifications table. The Contract is based on the outcome of a recurrent data release which is issued on a daily basis. Thus, Contracts will generally be issued on a daily basis. The Issuance of the initial contract will be on or after August 18, 2021. After the initial contract, subsequent contracts will generally be issued daily to reflect the release schedule of the National Weather Service.

Inches: Kalshi may list RAINHOU contracts with <inches> levels that fall within an inclusive range between a maximum value of 100 inches and a minimum value of 0 inches at consecutive increments of .01 inches. Due to the potential for variability in the Underlying, the Exchange may modify <inches> levels in response to suggestions by Members.

Date: <date> refers to a date specified by Kalshi. Kalshi may list contracts corresponding to different statistical periods of <date>, ranging from August 18, 2021 to January 1, 2023.

Payout Criterion: The Payout Criterion encompasses the Expiration Values that are strictly <greater than/less than> <inches>.

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 is the day after the Issuance of the Contract. The Last Trading time is 11:59pm ET.

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 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 two days after the Issuance of the Contract.

Expiration Time: Unless otherwise noted by the Exchange and indicated on the Exchange website, the Expiration Time of the Contract shall be 10:00am 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