October 18, 2024

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 "Will the U.S. government debt as a percentage of gross domestic product be <above/below/between> <percent> <before/in> <quarter>?" 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), a registered DCM, hereby notifies the Commission that it is self-certifying the "Will the U.S. government debt as a percentage of gross domestic product be <above/below/between> <percent> <before/in> <quarter>?" contract (Contract). The Contract will initially be listed on October 21, 2024. The Exchange intends to list the contract on a custom basis. The Contract's terms and conditions (Appendix A) includes the following strike conditions:

- **<quarter>** (the target fiscal quarter)
- **<percent>** (the target level of government debt as a percent of GDP)
- **<before/in>**
- **<above/below/between>**

Along with this letter, Kalshi submits the following documents:

- A concise explanation and analysis of the Contract;
- 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,

Xavier Sottile
Head of Markets
KalshiEX LLC
xsottile@kalshi.com

KalshiEX LLC
Official Product Name: "Will the U.S. government debt as a percentage of gross domestic product be <above/below/between> <percent> <before/in> <quarter>?"
Rulebook: DEBT
Kalshi Contract Category: Economic/Demographic Measure -- U.S. Government
US debt
October 18, 2024

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 (discussed in Appendix D), and the Commission's regulations thereunder.

I. Introduction

The "Will the U.S. government debt as a percentage of gross domestic product be <above/below/between> <percent> <before/in> <quarter>?" Contract is a contract relating to U.S. federal government debt.

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 event 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. 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, if they are charged, are charged in such amounts as may be revised from time to time to be reflected on the Exchange's Website. A new Source Agency can be added via a Part 40 amendment. All instructions on how to access the Underlying are non-binding and are provided for convenience only and are not part of the binding Terms and Conditions of the Contract. They may be clarified at any time. 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. The Expiration Value and Market Outcome are determined at or after Market Close. 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 an event occurs that is encompassed within the Payout Criterion, 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.

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By: Xavier Sottile
Title: Head of Markets
Date: October 18, 2024

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

Official Product Name: "Will the U.S. government debt as a percentage of gross domestic product be <above/below/between> <percent> <before/in> <quarter>?"
Rulebook: DEBT

DEBT

Scope: These rules shall apply to this contract.

Underlying: The Underlying for this Contract is the total public debt (not seasonally adjusted) as a percent of gross domestic product (seasonally adjusted annual rate). This will be calculated by dividing the total public debt in a given quarter, in dollars, over gross domestic product in a given quarter, in dollars. Revisions to GDP (or public debt) will be taken into account in this calculation. Revisions to the Underlying made after Expiration will not be accounted for in determining the Expiration Value.

Instructions: The Underlying can be found at: https://www.fiscal.treasury.gov/reports-statements/treasury-bulletin/ (total public debt) and https://www.bea.gov/data/gdp/gross-domestic-product (GDP). For public debt, select the current Treasury bulletin release and choose "Federal Debt". In the resulting document, the value used to calculate the Underlying is "Public Debt Securities" under "Amount outstanding" for the last month in <quarter>. As of June 6, 2024, this value was $34,586,533,000 for Q1 2024. For GDP, go to the current release and under "Related Materials" select "Full Release and Tables". Table 3, "Gross Domestic Product: Level and Change from Preceding Period" contains the value. As of June 6, 2024, this value was $28,255,900,000 for Q1 2024. As of June 6, 2024, for Q1 2024, the Underlying number was 122.404%. These instructions on how to access the Underlying are provided for convenience only and are not part of the binding Terms and Conditions of the Contract. They may be clarified at any time.

Source Agency: The Source Agencies are the U.S. Department of the Treasury and the U.S. Bureau of Economic Analysis.

Type: The type of Contract is an Event Contract.

Issuance: The Contract is based on the outcome of a recurrent data release, which is issued on a quarterly basis. Thus, Contract iterations will be issued on a recurring basis, and future Contract iterations will generally correspond to the next quarter.

<percent>: Kalshi may list iterations of the Contract with <percent> levels that fall within an inclusive range between 0 and 100,000% at consecutive increments of <0.00001>. Due to the potential for variability in the Underlying, the Exchange may modify <percent> levels in response to suggestions by Members.

<quarter>: <quarter> refers to a fiscal quarter specified by Kalshi. Kalshi may list iterations of the Contract corresponding to variations of <quarter>.

<before/in>: <before/in> refers to whether the Contract will pay out based on whether a given threshold is hit by the Underlying after Issuance and before <quarter> (<before>) or in a given quarter (<in>).

Payout Criterion: The Payout Criterion for the Contract encompasses the Expiration Values that are <above/below/between> <percent> <before/in> <quarter>. If the value of <above/below/between> is "between", then <percent> shall be a pair of values, and an Expiration Value that is greater than or equal to the lower value of the value pair and less than or equal to the greater value of the value pair is encompassed in the Payout Criterion. If no data is available for <quarter> on the Expiration Date at the Expiration Time, then the most recent quarter with available data will be used.

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 strike, per Member.

Last Trading Date: The Last Trading Date of the Contract will be the sooner of the first 10:00 AM ET following the occurrence of an event encompassed by the Payout Criterion or the release of the first available data (e.g. the advance estimate of GDP) for <quarter>. The Last Trading Time will be 10:00 AM ET.

Settlement Date: The Settlement Date of the Contract shall be no later than 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 sooner of the date of the first 10:00 AM ET following the occurrence of an event encompassed by the Payout Criterion, the release of the data for <quarter>, or one quarter after the expected release of the data.

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 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.