

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 <state> shift <to/from> <political party> by <above/below/between> <percent> in the 2024 U.S. presidential election compared to 2020?” 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 <state> shift <to/from> <political party> by <above/below/between> <percent> in the 2024 U.S. presidential election compared to 2020?” 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:

- <state> (the target U.S. state)
- <to/from>
- <political party> (the target political party)
- <above/below/between>
- <percent> (the target change)

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 <state> shift <to/from> <political party> by <above/below/between> <percent> in the 2024 U.S. presidential election compared to 2020?”

Rulebook: POPVOTESTATESHIFT

Kalshi Contract Category: **Commodity** ▾

Vote shifts

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 E), and the Commission's regulations thereunder.

### **I. Introduction**

The “Will <state> shift <to/from> <political party> by <above/below/between> <percent> in the 2024 U.S. presidential election compared to 2020?” Contract is a contract relating to states changing their political valence.

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](mailto: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) - Trading Prohibitions

Confidential appendices

**APPENDIX A – CONTRACT TERMS AND CONDITIONS**

**Official Product Name: “Will <state> shift <to/from> <political party> by <above/below/between> <percent> in the 2024 U.S. presidential election compared to 2020?”**

**Rulebook: POPVOTESTATESHIFT**

## POPVOTESTATESHIFT

**Scope:** These rules shall apply to this Contract.

**Underlying:** The Underlying for this Contract is the margin of victory/loss for <political party> in <state> in the 2020 and 2024 United States presidential elections. If <political party> wins the popular vote in a state in a given year, its margin of victory/loss will be calculated by: [(total votes of <political party>) minus (total votes of second place)] divided by total votes, expressed as a percentage, and rounded to two decimal points. If <political party> loses the popular vote in a state in a given year, its margin of victory/loss will be calculated by: [(total votes of <political party>) minus (total votes of winner)] divided by total votes, expressed as a percentage, and rounded to two decimal points. Total votes will be according to the states' and DC's most recent certificates of ascertainment of the 2024 presidential election results as of the date of the joint session of Congress following the 2024 election. If multiple certificates of ascertainment are sent to Congress, the one they count will be used. If Congress rejects all certificates of ascertainment for a given state, then the most recently issued one will be used. Votes will be attributed to a person's national party affiliation when they are also nominated by an additional party. Revisions to the Underlying made after Expiration will not be accounted for in determining the Expiration Value.

**Source Agency:** The Source Agencies are <state> and the United States Congress.

**Type:** The type of Contract is an Event Contract.

**Issuance:** The Contract will be issued once.

**<political party>:** Kalshi may list iterations of the Contract with <political party> values that refer to an American political party. Kalshi will initially list iterations of the Contract with "The Democratic Party" and "The Republican Party" as <political party> values. "Independent" may also be a value of <political party>. If the value of <political party> is "Independent", then the individual in question will be specified. When attributing candidate votes to a party, this Contract refers to the candidate's nomination status nationally; e.g. if Kamala Harris is nominated by the Democratic Party for the Presidency, and Minnesota lists her as being part of the Minnesota Democratic–Farmer–Labor Party, she will still be considered a member of the Democratic Party for this purpose.

**<percent>:** Kalshi may list iterations of the Contract with <percent> levels that fall within an inclusive range between a maximum value of 100.00% and a minimum value of 0.00% at consecutive increments of 0.01%. Due to the potential for variability in the Underlying, the Exchange may modify <percent> levels in response to suggestions by Members.



<state>: <state> refers to an American state.

**Payout Criterion:** The Payout Criterion for the Contract encompasses the Expiration Values that a <state> has shifted <to/from> <party> by <above/below/between/exactly> <percent>. If the value of <to/from> is <to>, this means that the margin of victory/loss for the <party> that won <state> in 2020 increased by <above/below/between> <percent> in 2024. If the value of <to/from> is <from> that means that the margin of victory/loss for the <party> that won <state> in 2020 decreased by <above/below/between> <percent> in 2024. If the value of <above/below/between/at least> is “between”, then <percent> shall be a pair of percentage points, and an Expiration Value that is greater than or equal to the lower value of the percent pair and less than or equal to the greater value of the percent pair are encompassed in the Payout Criterion.

For the avoidance of doubt, when describing the shift in margin of victory/loss between 2020 and 2024, the Contract will refer to the shift as a difference between the two percentages. (E.g., if a party won a popular vote with a margin of victory of 5% in 2020 and 4% in 2024, this Contract will refer to that shift as -1%, and not -20%).

**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 as follows:

- The Position Limit for Individuals and Entities shall be \$3,000,000 per strike, per Member
- The Position Limit for Eligible Contract Participants (“ECP”) shall be \$50,000,000 per strike, per Member

**Last Trading Date:** The Last Trading Date of the Contract will be the same as the Expiration Date. The Last Trading Time will be the same as the Expiration Time.

**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 for any party or six months after the popular vote for the Presidency in 2024.

**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.

## **APPENDIX B – TRADING PROHIBITIONS**

In addition to the general prohibition against trading on material nonpublic information, the Exchange will be instituting additional prohibitions for trading the POPVOTESTATEMOV contract. The following individuals will be prohibited from trading:

- Holders of federal and statewide public office.
- Paid campaign staffers on Presidential campaigns.
- Anyone working in a vote-tallying capacity, or who has the potential ability to observe official vote counts before they are public.
- Third-party vendors and contractors (and employees thereof) of Presidential campaigns.
- Paid employees of Democratic and Republican Party organizations, such as the Democratic Congressional Campaign Committee or the Republican National Committee.
- Paid employees of Political Action Committees (PACs) and “Super PACs” (independent expenditure only political committees).
- Paid employees of major polling organizations. This prohibition does not apply to all employees of an organization that contains a polling division (e.g. the prohibition does not apply to all employees of Quinnipiac University despite the presence of Quinnipiac University’s polling division). The Exchange shall determine which polling organizations constitute “major” and may modify that determination at any time, and will post publicly a list of those organizations on its website.
- Employees of Decision Desks at major media organizations (including, but not necessarily exclusive to, Fox News, ABC News, AP, CNN, CBS News, Decision Desk HQ and NBC News). The Exchange shall determine which media organizations constitute “major” and may modify that determination at any time, and will post publicly a list of those organizations on its website.
- All staff of the U.S. House of Representatives and its members.
- All staff of the U.S. Senate and its members.
- All staff of the Office of the President of the United States
- All staff of the Office of the Vice President of the United States
- All staff of the U.S. Supreme Court and its Justices
- Any foreign national. This is defined as an individual who is: (1) not a citizen of the United States and (2) not lawfully admitted for permanent residence (as defined in 8 U.S.C. § 1101(a)(20)); or a foreign principal, as defined in 22 U.S.C. § 611(b). Section 611(b) defines a foreign principal to include a foreign government or political party; or a partnership, association, corporation, organization, or other combination of persons organized under the laws of a foreign country or whose principal place of business is in a foreign country.