

October 18, 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 GSTORM 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 GSTORM contract (Contract).

Along with this letter, Kalshi submitted 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,

Elie Mishory
Chief Regulatory Officer
KalshiEX LLC
emishory@kalshi.com

KalshiEX LLC
New Contract Submission: GSTORM
Geomagnetic Storms
October 18, 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 GSTORM Contract is a contract relating to the presence of geomagnetic storms. Geomagnetic storms occur when the Sun emits large amounts of particles towards the Earth that interact with the Earth's magnetic field. 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.

Geomagnetic storms carry great economic consequences. Past storms have caused widespread blackouts and equipment failures, particularly for power stations, GPS satellite communications, telecommunication systems and aircraft navigation systems. Geomagnetic storms in the 21st century have remained relatively mild, but even such mild storms have caused billions of dollars worth of damage. Some of the larger storms of the 20th and 19th centuries, were they to occur today, would cause hundreds of billions if not trillions in economic loss.

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. 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. 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 the maximum planetary K-index recorded between Issuance and <date> (inclusive) is greater than or equal to <value>, 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: October 18, 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: GSTORM

GSTORM

Scope: These rules shall apply to the GSTORM contract.

Underlying: The Underlying for this Contract is the maximum Planetary K-index as reported by the Space Weather Prediction Center of the National Oceanic and Atmospheric Administration. Revisions to the Underlying made after Expiration will not be accounted for in determining the Expiration Value.

Instructions: The repository of Solar and Geophysical Activity Survey is available here: <https://services.swpc.noaa.gov/text/daily-geomagnetic-indices.txt> This will contain information for the last 30 days. Navigate to the columns under the header “Estimated Planetary” and “K-indices” (not the column labelled A). An example is shown below. The red box has been added by the Exchange to highlight the set of Planetary K-indices for the period between 2021-09-01 and 2021-09-30. The blue box has been added by the Exchange to highlight the maximum value in the set.

```

:Product: Daily Geomagnetic Data          DGD.txt
:Issued: 2130 UT 30 Sep 2021
#
# Prepared by the U.S. Dept. of Commerce, NOAA, Space Weather Prediction Center
# Please send comment and suggestions to SWPC.Webmaster@noaa.gov
#
#           Last 30 Days Daily Geomagnetic Data
#
#           Middle Latitude           High Latitude           Estimated
#           - Fredericksburg -       ---- College ----       --- Planetary ---
#           # Date                   A     K-indices           A     K-indices           A     K-indices
2021 09 01      6  2 2 2 2 2 1 1 1      12  1 1 3 5 3 3 0 0      5  2 1 1 2 1 1 0 0
2021 09 02      3  1 0 0 1 2 1 1 1      5  0 1 0 3 3 1 1 0      4  1 1 1 1 2 1 1 0
2021 09 03      6  0 1 2 3 2 2 1 2      20  1 1 3 6 5 2 0 1      6  1 1 2 3 2 2 1 2
2021 09 04      5  1 1 2 1 2 2 1 2      6  1 1 2 4 2 0 0 1      5  2 1 2 2 1 1 1 2
2021 09 05      8  2 3 2 2 3 1 1 1      10  1 1 2 3 5 1 0 0      6  2 3 1 2 2 1 0 1
2021 09 06      8  2 3 1 2 3 2 1 2      3  1 1 0 2 1 2 0 1      6  2 3 1 2 1 1 1 2
2021 09 07     10  0 1 2 3 2 1 3 4      7  1 0 3 4 1 0 2 1      8  1 1 2 3 2 2 3 3
2021 09 08     14  4 2 3 4 3 2 2 1      33  2 2 6 6 6 1 1 1     14  4 2 3 4 3 2 2 1
2021 09 09      7  1 2 1 2 2 2 3 2      3  0 1 2 2 1 0 0 1      6  1 2 2 2 1 1 1 2
2021 09 10      9  1 2 2 2 2 2 2 4      6  1 3 3 0 0 1 1 2      9  1 2 2 1 1 1 3 4
2021 09 11      8  4 0 1 1 2 2 2 2      5  3 1 1 1 2 0 1 1      7  3 1 2 1 1 1 2 2
2021 09 12      6  1 1 2 2 2 2 1 2      14  0 1 2 5 5 1 1 1      6  1 1 2 2 2 2 1 2
2021 09 13      7  1 1 3 1 3 2 1 2      13  0 0 3 5 4 2 1 2      9  1 1 3 2 3 2 1 3
2021 09 14      5  2 0 1 2 2 2 2 0      8  1 0 2 3 4 1 2 1      6  2 0 2 2 2 2 2 1
2021 09 15      6  1 2 2 2 2 1 1 2      12 -1 3 3 4 3 1 1 1      6  2 2 2 2 1 1 1 2
2021 09 16      3  0 1 1 1 2 1 1 1      9  2 3 3 3 2 1 0 2      3  1 2 1 0 1 1 1 1
2021 09 17     19  2 3 1 3 2 2 5 5      32  2 3 3 6 6 3 3 4     24  2 4 1 4 2 3 5 5
2021 09 18     14  3 4 4 3 3 1 1 1      16  2 4 4 5 3 1 0 0     11  3 4 3 3 2 1 0 1
2021 09 19      2  1 0 0 1 2 1 1 0      5  1 2 3 3 1 0 0 0      3  1 0 0 1 1 0 1 0
2021 09 20      4  1 0 0 2 2 2 1 1      3  1 1 2 2 1 0 0 1      3  1 1 0 1 1 1 0 1
2021 09 21      6  2 0 1 1 2 2 2 3      6  1 1 1 1 2 3 2 2      8  3 0 1 1 1 3 2 3
2021 09 22     11  3 2 4 3 2 2 1 2      24  3 2 6 5 4 3 0 1     12  4 2 4 3 1 1 1 2
2021 09 23     10  2 3 4 2 2 2 2 1      16  1 2 5 5 3 1 1 0     11  3 3 4 2 2 2 2 1
2021 09 24      6  2 2 2 1 1 3 1 1      8  2 2 3 1 1 3 2 1      8  3 2 2 1 1 3 1 1
2021 09 25      7  2 2 2 2 1 2 2      9  2 2 3 4 1 1 1 1      7  2 3 2 2 1 1 1 2
2021 09 26      2  0 0 0 1 1 1 1 0      1  0 0 1 0 0 0 0 1      3  1 0 0 1 0 0 1 1
2021 09 27      6  2 2 1 1 2 2 1 2      5  2 1 0 3 1 0 1 2      7  3 2 2 1 1 2 1 3
2021 09 28      9  1 2 2 2 2 3 3      12  1 1 2 5 2 3 2 1     10  2 2 2 3 2 2 3 3
2021 09 29      4  0 0 1 2 2 1 2 2      7  0 0 0 3 4 2 1 1      5  1 0 1 2 2 1 2 1
2021 09 30     -1  1 1 1 2 1 2 3-1     -1  2 0 1 1 1 2 3-1      8  2 1 1 1 1 2 4-1

```

Should data not be available at that location and for data more than 30 days prior, go to ftp.swpc.noaa.gov/pub/indices/old_indices/. Download the file then open the file with the path YYYYQ[Q#]_DGD.txt. For example, for days in 2021Q3, it would be 2021Q3_DGD.txt. The value is the columns under “Estimated Planetary” and “K-indices” (not the column labeled A).

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 Agency is the Space Weather Prediction Center of the National Oceanic and Atmospheric Administration.

Type: The type of Contract is a Binary Contract.

Issuance: The Contract is based on the outcome of a recurrent data release, which is issued on a minute-by-minute basis. Thus, Contract iterations will be issued on a recurring basis, and future Contract iterations will generally correspond to the next two weeks. The Issuance of the initial Contract will be on or after October 20, 2021.

<value>: Kalshi may list iterations of the Contract with <value> levels that fall within an inclusive range between a maximum value of <9> and a minimum value of <0> at consecutive increments of <1>. Due to the potential for variability in the Underlying, the Exchange may modify <value> levels in response to suggestions by Members.

Date: <date> refers to a calendar <date> specified by Kalshi. Kalshi may list iterations of the Contract corresponding to different statistical periods of <date>, ranging from November 1, 2021 to December 31, 2024.

Payout Criterion: The Payout Criterion for the Contract encompasses the Expiration Values that are greater than or equal to <value>.

The Exchange may also use the geomagnetic storm scale on the NOAA website to represent <value>. The conversion between the K-Index and the NOAA Geomagnetic Storm Level is below (and available at <https://www.swpc.noaa.gov/sites/default/files/images/u2/TheK-index.pdf>)

Kp-index	NOAA Space Weather Scale Geomagnetic Storm Level
Kp=5	G1
Kp=6	G2
Kp=7	G3
Kp=8	G4
Kp=9	G5

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 of the initial iteration of 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: The Settlement Date of the initial iteration 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 first day following <date> that is neither a federal holiday nor a weekend.

Expiration time: The Expiration time of the initial Contract iteration 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 for the statistical period between Issuance and <date> (inclusive) 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.