

10/25/2021

**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 WTAX 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 WTAX 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: WTAX**  
**Wealth Tax**  
**10/25/2021**

**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 WTAX Contract is a contract relating to whether the United States will impose a new tax on wealth or unrealized capital gains. 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.

A proposed wealth tax was the subject of much debate during the 2020 Democratic Party. During negotiations for the current Build Back Better bill, U.S. Treasury Secretary Janet Yellen floated the idea of a tax on unrealized capital gains, though she insisted that was not tantamount to a wealth tax<sup>1</sup>. Such a tax might have dramatic implications in terms of revenue raised, reduction in income inequality and decreases in aggregate investment. As such, the hedging potential for the contract is vast.

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.

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<sup>1</sup><https://www.wsj.com/articles/tax-on-billionaires-unrealized-gains-will-likely-be-in-budget-package-democrats-say-11635096384>

**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 a bill has become law after Issuance and before <date> that imposes a new tax on wealth or unrealized capital gains, 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: Eliezer Mishory  
Title: Chief Regulatory Officer  
Date: 10/25/2021

**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: WTAX**

## WTAX

**Scope:** These rules shall apply to the WTAX contract.

**Underlying:** The Underlying for this Contract is the text of bills that have become law after Issuance and before <date> according to Congress.gov. Revisions to the Underlying made after Expiration will not be accounted for in determining the Expiration Value.

**Instructions:** For the list of bills that have become law, go to <https://www.congress.gov/search?q=%7B%22congress%22%3A%5B%22117%22%5D%2C%22source%22%3A%22all%22%2C%22bill-status%22%3A%22law%22%7D> . The date of passage should be available next to the label “Latest Action”. The text of the bill is available by clicking on the bill title and then clicking on the “Text” tab. 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 Library of Congress.

**Type:** The type of Contract is a Binary Contract.

**Issuance:** The Issuance of the initial Contract will be on or after October 27, 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.

**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 15, 2021 to December 31, 2024.

**Payout Criterion:** The Payout Criterion for the Contract encompasses the Expiration Values that include a new tax on unrealized capital gains or wealth for individuals and/or married couples filing jointly. Some definitions and clarifications are included below:

- The tax need not take effect before <date> to be encompassed in the Payout Criterion.
- The tax need not tax all unrealized capital gains or wealth to be encompassed in the Payout Criterion. For example, a new tax that meets the other criteria that is restricted only to individuals with more than \$50 million in capital assets may be encompassed in the Payout Criterion. In addition, the tax may exclude some assets based on their value, like assets worth less than \$50,000.
- New taxes on specific manifestations of unrealized capital gains or wealth are encompassed in the Payout Criterion (for example, a tax that applies only on one asset

class such as equity holdings or real property). The new tax may allow individuals or married couples filing jointly to subtract unrealized capital losses from their unrealized capital gains before calculating their tax liability and still be encompassed in the Payout Criterion.

- Taxes that are triggered exclusively by death and/or transfer of capital assets (e.g. estate taxes, gift taxes) are not encompassed in the Payout Criterion.
- A tax on the “net worth” or “net value of taxable assets” of individuals or married couples filing jointly is encompassed in the Payout Criterion. Increases in the current capital gains tax rate, which requires a realization event, is not encompassed in the Payout Criterion. The distinction between an eligible tax on wealth or unrealized capital gains and an ineligible capital gains tax is that the taxable “net worth” and “net value of taxable assets” are based on the value of the taxpayers’ assets or net asset holdings, and are not triggered based on the sale of those assets or holdings.

An example of a bill that, if it became law after Issuance and before <date>, would satisfy the Payout Criterion is S.510 from the 117th Congress<sup>2</sup>.

**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 one day after <date>.

**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 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

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<sup>2</sup> <https://www.congress.gov/bill/117th-congress/senate-bill/510/text>



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.