

December 11, 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 40.6(a) Notification Regarding the Amendment of the “Will the CPI increase by more than <percent>?” Contract

Dear Sir or Madam,

Pursuant to Section 5c(c) of the Commodity Exchange Act and Section 40.6(a) of the regulations of the Commodity Futures Trading Commission, KalshiEX LLC (Kalshi) hereby notifies the Commission that it is self-certifying the “Will the CPI increase by more than <percent>?” contract (Contract). The Contract is intended to be listed over the period of a year. At issuance, contracts will be issued for each month of 2022. After January 2022 has passed, the Exchange will list a Contract corresponding to January 2023. The Exchange may list additional contracts with different <percent> levels for a given <month> according to changes in forecasts. The Contract’s terms and conditions (Appendix A) includes the following strike conditions:

- **<percent> (the amount that CPI will change)**
- **<month> (the month whose CPI the Contract will turn on)**

The amendments are as follows:

1. The Underlying was separated from Instructions on how to access the Underlying. This is to make sure that the Underlying is not tied to a particular website style, URL, or format.
2. The listing cycle, as noted above, was changed from a single month to cover months one year in advance. This was done to provide Members with more long-term hedging opportunities.
3. A sentence was added to the Payout Criterion to clarify that, if no data is available on the Expiration Date at the Expiration time, the market resolves to No.
4. The Last Trading Date is now the day of the scheduled data release rather than the day before, to better reflect the timing of the data release.
5. The Last Trading Time is now 8:25 AM rather than 7:00 PM, to better reflect the timing of the data release, which occurs at 8:30 AM.
6. The Expiration Date is now the sooner of the data release for <month> and one week following the scheduled date. This is intended to prevent any risk of a data release not occurring promptly.
7. The Expiration Time is now 10:00 AM rather than 3:00 PM, to return Members’ funds faster.
8. The Settlement date has been changed to no later than the day following Expiration rather than strictly the day following Expiration, to return Members’ funds faster.

Along with this letter, Kalshi submitted the following documents:

- A clean copy of the amended parts of the originally filed Contract (Introduction and Contract Terms and Conditions, as well as Appendix A); and

- A redline showing the amendments.

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>.

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

Rule 40.2 New Contract Submission: How much will CPI increase?

December 11, 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 “How much will CPI increase?” contract is a contract relating to percentage increases in the value of the Consumer Price Index (“CPI”) several months in the future. The Contract will allow market participants to hedge the risk of an increase of inflation over the medium to long-term. 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. After 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 value of the seasonally adjusted Consumer Price Index for All Urban Consumers (CPI-U) for the statistical period of <month> increases by more than <percent>, 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.

## APPENDIX A – CONTRACT TERMS AND CONDITIONS

### TERMS OF CONTRACTS TRADED ON KALSHI

**Official Product Name: How much will CPI increase?**

**Ticker and Rulebook: CPI**

**Scope:** These rules shall apply to the contract referred to as CPI.

**Underlying:** The Underlying for this Contract is the signed one-month percent change in the seasonally adjusted Consumer Price Index for All Urban Consumers (CPI-U) published by the Bureau of Labor Statistics (“BLS”). Revisions to the Underlying made after Expiration will not be accounted for in determining the Expiration Value.

**Instructions:** The Underlying can be accessed at <https://www.bls.gov/cpi/>. A schedule of release dates is available on the BLS website ([https://www.bls.gov/schedule/news\\_release/cpi.htm](https://www.bls.gov/schedule/news_release/cpi.htm)), and the data is released at 8:30am ET. Each month’s report is available at the following stable URL, which automatically displays the latest available report:

<https://www.bls.gov/news.release/pdf/cpi.pdf>. The Underlying is typically listed in the first sentence of the first page of the monthly report under the heading “CONSUMER PRICE INDEX-[Month/Year]”. For example, in the CPI report for June 2021, the first sentence is “the Consumer Price Index for All Urban Consumers (CPI-U) increased 0.9 percent in June on a seasonally adjusted basis...” so 0.9 percent would be the Expiration Value for the month of June 2021. Historical reports from prior months are available on the Bureau of Labor Statistics website at the following link: <https://www.bls.gov/bls/news-release/cpi.htm>. If you select the year in question, links to CPI reports from months in that year will be displayed. 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 Bureau of Labor Statistics.

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

**Issuance:** The Contract is intended to be issued twelve months in advance of <month> ending. At issuance, contracts will be issued for each month of 2022. After January 2022 has passed, the Exchange will list a Contract corresponding to January 2023. The Exchange may list additional contracts with different <percent> levels for a given <month> according to changes in forecasts.

**Percent:** Kalshi may list LTCPI contracts with <percent> levels that fall within an inclusive range between a maximum value of 10% and a minimum value of 0% at consecutive increments

of .01%. Due to the potential for variability in the Underlying, the Exchange may modify <percent> levels in response to suggestions by Members.

**Month:** <month> refers to a calendar month specified by Kalshi. Kalshi may list LTCPI contracts corresponding to different statistical periods of <month>, ranging from January to December.

**Payout Criterion:** The Payout Criterion for this Contract encompasses the Expiration Values that are strictly greater than <percent>. If no data is available on the Expiration Date at the Expiration time, the market resolves to No.

**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 for the Contract will be the day of the scheduled data release for <month>. The Last Trading Time will be 8:25 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 first 10:00 AM ET following data being released for <month>, or one week following the date data is scheduled to be released for <month>.

**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 for the statistical period of <month> 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.