KalshiEX LLC
~~Rule 40.2 New Contract Submission: “~~Official Product Name: Will average gas prices be higher than <price~~>?”~~>?
~~Kalshi Rule 100.28~~
~~07/28/21~~
Ticker: GAS
Kalshi Contract Category: Econ/demographic measure (U.S. Data)
Gas prices
12/11/2021

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 “Will average gas prices be higher than <price>?” Contract is a contract relating to the average gas price ~~of gas on~~for a given ~~date~~week. 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.

Gas prices are a major expense for hundreds of millions of Americans, and a core input into the prices of many other goods and services, such as food and heating. This contract is designed to hedge against an increase in prices of gasoline.

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 ~~average~~the price of gas ~~prices on~~for the week ending <date> ~~are higher than~~is above <price>, 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.

APPENDIX A – CONTRACT TERMS AND CONDITIONS

TERMS OF CONTRACTS TRADED ON KALSHI

~~**Rule 100.28**~~

~~**Contract: “**~~**Official Product Name: Will average gas prices be higher than <price**~~**>?”**~~**>?**
Ticker and Rulebook: GAS

GAS

Scope: These rules shall apply to ~~the~~this contract~~ referred to as "Will average gas prices be higher than <price>?"~~.

Underlying: The Underlying for this Contract is ~~contained in the~~ the price per gallon in the United States for All Grades - Conventional Areas for the week ending <date> according to the Weekly Retail Gasoline and Diesel Prices table published by the ~~EIA and~~Energy Information Administration. Revisions after Expiration will not be accounted for in determining the Expiration Value.

Instructions: The data is available ~~here:~~at https://www.eia.gov/dnav/pet/PET_PRI_GND_DCUS_NUS_W.htm~~. In~~ and contained in the "Weekly Retail Gasoline and Diesel Prices" table ~~ensure that the~~. Make sure "Area" is set to "U.S." and "Period" is set to "Weekly~~." The~~". These instructions on how to access the Underlying~~, specifically, is the data point in the row titled "All Grades - Conventional Areas" and in the column for~~ are provided for convenience only and are not part of the ~~specified <date>. Revisions after Expiration will not be accounted for in determining the Expiration Value~~binding Terms and Conditions of the Contract. They may be clarified at any time.

Source Agency: The Source Agency is the ~~U.S.~~ Energy Information ~~Agency~~Administration ("EIA").

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 weekly basis. Thus, Contract iterations will be issued on a recurring basis, and ~~future~~after the initial Contract, iterations will generally be posted each week and correspond to the next week. The Exchange will ~~publish all available contract weeks on its website. The Issuance of the initial Contract will be on or after July 30, 2021. After the initial Contract, future Contracts will be issued~~also issue longer-dated contracts out in ~~a manner which reflects the weekly~~order to facilitate longer-term hedging. This schedule ~~of Weekly Retail Gasoline data releases.~~ is elucidated further in the introductory letter.

Price: Kalshi may list ~~"Will average gas prices be higher than <price>?" contracts~~iterations of the contract with <price> levels that fall within an inclusive range between a maximum value of 50 and a minimum value of 0 at consecutive increments of 0.001. Due to the potential for variability in the Underlying, the Exchange may modify <price> levels in response to suggestions by Members.

~~**Date:**~~**<date>**: <date> refers to a calendar date specified by Kalshi. Kalshi may list ~~contracts~~iterations of the Contract corresponding to different statistical periods of <date~~>, ranging from July 30, 2021~~>.

<expo_date>: <expo_date> refers to ~~January 1, 2023.~~ a calendar date specified by Kalshi. Kalshi may list iterations of the Contract corresponding to different statistical periods of <expo_date>.

Payout Criterion: The Payout Criterion for the Contract encompasses the Expiration Values that are strictly greater than <price>.

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: ~~Unless otherwise noted by the Exchange and indicated~~ The Last Trading Date of the Contract will be on the ~~Exchange website,~~day of the ~~Last Trading Date for~~expected release of the ~~Contract will be the same day as the Expiration Date.~~data, which (excluding holidays) are generally on Mondays and corresponding to <date>. The Last Trading Time ~~will~~shall be ~~5:00pm ET~~4:59 PM.

Settlement Date: The Settlement Date of the initial iteration 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:** Unless otherwise noted by the Exchange and indicated on the Exchange website, the Expiration Date of the Contract shall be the earlier of the next release date of the Weekly Retail Gasoline and Diesel Prices data and 14 days after the Issuance of the Contract iteration. The next release date can be found at the bottom of the following link: https://www.eia.gov/dnav/pet/PET_PRI_GND_DCUS_NUS_W.htm. The data are typically released on Mondays around 5:00 PM ET, with the exception of government holidays, when the data are released on Tuesdays.~~

Expiration Date: The Expiration Date of the Contract shall be the sooner of the first 10:00 AM ET following the release of the data, or <expo_date>.

Expiration time: The Expiration time of the initial Contract iteration shall be 10:~~00pm~~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 <date>~~ as documented by the Source Agency on the Expiration Date at the Expiration time. If data for the week ending <date> is not reported by ~~Expiration~~<expo_date>, then the Expiration Value is zero.

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.