

KalshiEX LLC

Rule 40.2 Official Product Name: How much will it rain in New York City?

Ticker: RAINNYC

Kalshi Contract Category: Weather/Climate

New York City Precipitation Rain

09/0212/11/2021

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 RAINNYC~~ The “How much will it rain in New York City?” contract is a contract relating to the amount of precipitation in New York City. 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.

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 number of inches of precipitation recorded for the statistical period of <date> for New York City is strictly ~~<greater than>~~*less than* <inches> , 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

Contract Official Product Name: How much will it rain in New York City?

Ticker and Rulebook: RAINNYC

Contract: RAINNYC

Scope: These rules shall apply to the contract referred to as RAINNYC

Underlying: The Underlying for this Contract is the number of inches of precipitation recorded for the specified <date> published in the National Weather Service’s (“NWS”) Daily Climate Report for Central Park, New York City, New York. Data that is revised past the Expiration Date and Expiration time of the contract will not be used to determine the Expiration Value of the Contract.

Instructions: Please navigate to <https://www.weather.gov/wrh/Climate?wfo=okx> , select the tab of “Observed Weather”, selecting “Central Park NY”. Scroll down to the report ~~corresponding to the day afterfor~~ <date>. Specifically, it is in the section labeled “Precipitation” in a column titled “Observed Value” ~~and row titled “Yesterday” (such that it corresponds to <date>).~~ Precipitation is reported in inches. As stated on the NWS website, “These data are preliminary” and “are subject to revision.”

Revisions made during the statistical period or the period between the Last Trading Date and Time and Expiration Date and Expiration time may be taken into account in determining the contract. If the aforementioned section for the most recently published NWS Daily Climate Report for the day after <date> does not have the row “Yesterday” and instead says “Today”, navigate to the most recently published NWS Daily Climate Report for the day after <date> which has a row labeled “Yesterday” in the aforementioned section (and the Underlying is documented in the manner described above). In the event that no such section from the day after <date> is available, navigate to the most recent published report (that is published by Expiration) from <date> in the section labeled “Precipitation” in a column titled “Observed Value” and row titled “Today”.

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 National Weather Service.

Type: The type of Contract is a Binary Contract.

Issuance: The ~~Issuance of this contract will be in accordance with the information outlined in the “Listing Cycle” section of the Contract Specifications table. The~~ Contract is based on the outcome of a recurrent data release which is issued on a daily basis. Thus, Contracts will generally be issued on a daily basis. ~~The Issuance of the initial contract will be on or after~~

~~September 4, 2021. After the initial contract, subsequent contracts will generally be issued daily to reflect the release schedule of the National Weather Service.~~

Inches: Kalshi may list RAINNYC contracts with <inches> levels that fall within an inclusive range between a maximum value of 100 inches and a minimum value of 0 inches at consecutive increments of .01 inches. Due to the potential for variability in the Underlying, the Exchange may modify <inches> levels in response to suggestions by Members.

Date: <date> refers to a date specified by Kalshi. Kalshi may list contracts corresponding to different statistical periods of <date>, ~~ranging from September 4, 2021 to January 1, 2023.>.~~

Payout Criterion: The Payout Criterion encompasses the Expiration Values that are strictly ~~<greater than~~ less than <inches>.

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 is ~~the day after the Issuance of the Contract.<date>.~~
The Last Trading time is 11:59pm ET.

Settlement Date: The Settlement Date of the Contract shall be no later than the day after the Expiration Date unless Market Outcome is under review pursuant to Rule 7.1.

Expiration Date: The Expiration Date of the Contract shall be ~~two days after the Issuance of the Contract~~ the sooner of the first 10:00 AM ET after the release of the data for <date>, or one week after <date>.

Expiration Time: The Expiration Time of the Contract shall be 10:00am 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

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.

