December 16, 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 "Will a paid parental leave law become law?" 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 "Will a paid parental leave law become law?" contract (Contract). Contract is
intended to be listed for one to three month durations. The Contract's terms and conditions (Appendix A)
includes the following strike conditions:
- **<date>** (target date)
- **<expo_date>** (last possible expiration date)

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: Will a paid parental leave law become law?
Ticker: PLEAVE
Kalshi Contract Category: Political Decision
Parental Leave
December 16, 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 a paid parental leave law become law?" Contract is a contract relating to whether a paid parental leave bill will become law. 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.

The United States is the wealthiest country on Earth without a paid parental leave law. As such, many Democrats have been pushing to include a paid family leave component in the upcoming Build Back Better bill (also frequently referred to as the reconciliation bill). The provision has been repeatedly added and removed as negotiations develop. This contract allows individuals who have exposure to this to hedge against the possibility such a bill does or does not become law.

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 a paid parental leave bill (please see definitions in Appendix A) becomes law between Issuance and <date>, 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: December 16, 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

Official Product Name: Will a paid parental leave bill become law?
Ticker and Rulebook: PLEAVE

PLEAVE

Scope: These rules shall apply to the PLEAVE contract.

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

Instructions: Bills that have become law are available at: 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 text of the bill is accessible by clicking on the bill and clicking on the tab that says "Text". 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 intended duration of each contract is one to three months.

Date: <date> refers to a calendar date specified by Kalshi. Kalshi may list iterations of the Contract corresponding to different statistical periods of <date>.

Expo_date: <expo_date> refers to 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 include a bill that enacts a paid parental leave law.

A bill enacts paid parental leave if:
1. It entitles the caregivers of children to take leave while receiving monetary compensation from the government and/or their employer in order to provide for their child. The program must condition its compensation on taking leave. The program may take the form of government reimbursement of private plans and may be subject to state buy-in.
2. The bill may restrict the payments or eligibility of the program to those in certain income groups, or to those in certain companies (e.g. companies with more than 50 employees), or in certain states, or to those who have worked for a certain period of time, and all such other restrictions that exist for the Family and Medical Leave Act (available here at

footnote[1]) so long as such exclusion does not limit the eligibility for such a program to only government employees and/or government contractors.

Examples: Title XIII Subtitle A of the Build Back Better Act (as of 16 Nov 2021)[2] is an example of a bill that, should it become law between Issuance and <date>, would be encompassed in the Payout Criterion. The bill provides monetary compensation[3] to those who are eligible under the Family and Medical Leave Act (FMLA) and conditions it on applying for FMLA benefits, which is itself conditioned on taking leave.

The 117th Congress's FAMILY Act (as of 16 Nov 2021)[4] is another such example. The bill provides monetary compensation (Sec. 4(B)(1)(a)) to parents of children (Sec. 2(6)) conditional on engaging in qualified caregiving (Sec 2(6)).

Unemployment insurance programs do enable individuals, which includes parents, to receive some form of monetary compensation while not working. However, unemployment insurance does not condition payments on caretaking activities including caring for a child and is therefore not encompassed in the Payout Criterion.

The child tax credit explicitly provides monetary compensation to parents, including while not working. However, because working individuals receive the payment as well and it is not conditioned on taking leave, it is not encompassed in the Payout Criterion.

The 117th Congress's Comprehensive Paid Leave for Federal Employees Act (as of 16 Nov 2021)[5] is not encompassed in the Payout Criterion because eligibility is restricted to only federal employees.

These examples are provided for convenience only and may be clarified or modified at any time.

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.

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[1] http://uscode.house.gov/view.xhtml?req=granuleid%3AUSC-prelim-title29-chapter28&saved=%7CKHRpdGxlOjI5IHNlY3Rpb246MjYxMiBlZGl0aW9uOnByZWxpbS\%3D%7C%7C%7C0%7Cfalse%7Cprelim&edition=prelim
[2] https://www.congress.gov/bill/117th-congress/house-bill/5376/text
[3] As set by the added Sec. 2203 to the Social Security Act under Sec. 130001. The line begins with: "the amount of the benefit to which an individual is entitled under Sec 2202 for a month shall be…"
[4] https://www.congress.gov/bill/117th-congress/senate-bill/248/text
[5] https://www.congress.gov/bill/117th-congress/house-bill/564/text

Last Trading Date: The Last Trading Date of the initial iteration of the Contract will be the sooner of the first 10:00 AM following the occurrence of an event represented at the Underlying that is encompassed at the Payout Criterion, and 11:59 PM on <date>.

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: The Expiration Date of the Contract shall be the sooner of the first 10:00 AM following the occurrence of an event represented at the Underlying that is encompassed in the Payout Criterion, the first 10:00 AM following the release of the data for <date>, and <expo_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 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.