

| Core Principle | Brief summary of relevant Kalshi Klear LLC Rule, Policy or Procedure | Relevant Exhibit(s) |
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| (A) Compliance 39.10 | | |
| <p>(i) IN GENERAL.—To be registered and to maintain registration as a derivatives clearing organization, a derivatives clearing organization shall comply with each core principle described in this paragraph and any requirement that the Commission may impose by rule or regulation pursuant to section 8a(5).</p> <p>(ii) DISCRETION OF DERIVATIVES CLEARING ORGANIZATION.—Subject to any rule or regulation prescribed by the Commission, a derivatives clearing organization shall have reasonable discretion in establishing the manner by which the derivatives clearing organization complies with each core principle described in this paragraph.</p> | <p>Kalshi Klear LLC (“Klear” or the “Clearinghouse”) is applying for registration as a derivatives clearing organization (“DCO”) by submitting Form DCO (the “Application”). Once registered, Klear will comply with the DCO Core Principles. As demonstrated in this Application, Klear has drafted its Rules, Compliance Manual, Business Continuity Plan, and Enterprise Risk Management Plan, and has designed Klear’s clearing operations to be compliant with the DCO Core Principles and the Commodity Exchange Act, as amended (“CEA”), and other applicable CFTC regulations promulgated thereunder.</p> | <p>This Application, including all exhibits and attachments</p> |
| (B) Financial Resources 39.11 | | |
| <p>(i) IN GENERAL.—Each derivatives clearing organization shall</p> | <p>Klear maintains sufficient financial, operational and managerial resources</p> | <p>Exhibits B-1, B-2, B-3 and B-4</p> |

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| <p>have adequate financial, operational, and managerial resources, as determined by the Commission, to discharge each responsibility of the derivatives clearing organization.</p> <p>(ii) MINIMUM AMOUNT OF FINANCIAL RESOURCES.— Each derivatives clearing organization shall possess financial resources that, at a minimum, exceed the total amount that would—(I) enable the organization to meet its financial obligations to its members and participants notwithstanding a default by the member or participant creating the largest financial exposure for that organization in extreme but plausible market conditions; and (II) enable the derivatives clearing organization to cover the operating costs of the derivatives clearing organization for a period of 1 year (as calculated on a rolling basis).</p> | <p>to discharge each responsibility of a DCO. Klear maintains sufficient financial resources by operating a fully-collateralized DCO and by collecting an appropriate level of fees from Participants for the provision of clearing and settlement services. Klear’s CFO is engaged with Klear’s accountants and auditors and possesses knowledge of the CFTC’s financial resources requirements to enable Klear to satisfy the CFTC’s financial resources requirements. Internal manuals, including the Compliance Manual, and financial reporting form templates enable Klear to effectively report the DCO’s financial resources to the CFTC.</p> | |
| (C) Participant and Product Eligibility 39.12 | | |
| <p>(i) IN GENERAL.—Each derivatives clearing organization shall</p> | <p>Klear has established transparent and objective Participant eligibility criteria</p> | <p>Exhibits C-1 and C-2, including Participant Agreement</p> |

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| <p>establish—(I) appropriate admission and continuing eligibility standards (including sufficient financial resources and operational capacity to meet obligations arising from participation in the derivatives clearing organization) for members of, and participants in, the derivatives clearing organization; and (II) appropriate standards for determining the eligibility of agreements, contracts, or transactions submitted to the derivatives clearing organization for clearing.</p> <p>(ii) REQUIRED PROCEDURES.—Each derivatives clearing organization shall establish and implement procedures to verify, on an ongoing basis, the compliance of each participation and membership requirement of the derivatives clearing organization.</p> <p>(iii) REQUIREMENTS.—The participation and membership requirements of each derivatives clearing organization shall—(I) be objective; (II) be publicly disclosed; and (III) permit fair and open access.</p> | <p>that allow for fair and open access to Klear. The eligibility criteria are disclosed in the Rules, specifically in Chapter 3 of the Rules. All Participants must complete an application process to become a Participant and comply with all Rules to continue to be a Participant. Any violation of the Rules could result in a Disciplinary Action against the Participant.</p> <p>Klear has set forth product eligibility procedures in the Compliance Manual.</p> | <p>Compliance Manual Klear Rules</p> |
| <p>(D) Risk Management 39.13</p> | | |

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| <p>(i) IN GENERAL.—Each derivatives clearing organization shall ensure that the derivatives clearing organization possesses the ability to manage the risks associated with discharging the responsibilities of the derivatives clearing organization through the use of appropriate tools and procedures.</p> <p>(ii) MEASUREMENT OF CREDIT EXPOSURE.—Each derivatives clearing organization shall—(I) not less than once during each business day of the derivatives clearing organization, measure the credit exposures of the derivatives clearing organization to each member and participant of the derivatives clearing organization; and (II) monitor each exposure described in subclause</p> <p>(I) periodically during the business day of the derivatives clearing organization.</p> <p>(iii) LIMITATION OF EXPOSURE TO POTENTIAL LOSSES FROM DEFAULTS.—Each derivatives clearing organization, through margin requirements and other risk control mechanisms, shall limit the exposure of the derivatives clearing organization to</p> | <p>Klear is a fully-collateralized derivatives clearing organization. Accordingly, variation margin calls and related margin methodologies are not necessary. Klear shall only accept collateral in the form of U.S. dollars. Chapter 7 of the Klear Rules sets forth the full-collateralization requirements to which Participants must adhere, as well as the forms of acceptable collateral Participants may post to the clearinghouse.</p> <p>Klear allows FCMs to carry customer accounts, and requires that all FCM customer trading be fully collateralized. Chapter 4 of Klear’s Rules sets forth the rules regarding FCMs.</p> <p>Internal procedures for collecting the collateral necessary to fully-collateralize each trade are set forth in the Compliance Manual. The Enterprise Risk Management Plan thoroughly describes the way in which Klear, with the assistance of the Risk Management Committee, will manage its risks, and any potential risks that could threaten the security of Klear.</p> | <p>Exhibits D-1, D-2, D-3 and D-4 Enterprise Risk Management Plan Compliance Manual Enterprise Risk Management Framework Risk Management Framework Klear Rulebook</p> |
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| <p>potential losses from defaults by members and participants of the derivatives clearing organization to ensure that— (I) the operations of the derivatives clearing organization would not be disrupted; and (II) nondefaulting members or participants would not be exposed to losses that nondefaulting members or participants cannot anticipate or control.</p> <p>(iv) MARGIN REQUIREMENTS.—The margin required from each member and participant of a derivatives clearing organization shall be sufficient to cover potential exposures in normal market conditions.</p> <p>(v) REQUIREMENTS REGARDING MODELS AND PARAMETERS.—Each model and parameter used in setting margin requirements under clause (iv) shall be—(I) risk-based; and (II) reviewed on a regular basis.</p> | <p>Klear’s Risk Management Framework is described in the Compliance manual.</p> | |
| <p>(E) Settlement Procedures 39.14</p> | | |
| <p>Each derivatives clearing organization shall—</p> <p>(i) complete money settlements</p> | <p>Klear’s Rulebook and settlement procedures set forth Klear’s method of ensuring compliance with Core</p> | <p>Exhibits E-1, E-2 and E-3 Klear Rules Compliance Manual</p> |

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| <p>on a timely basis (but not less frequently than once each business day);</p> <p>(ii) employ money settlement arrangements to eliminate or strictly limit the exposure of the derivatives clearing organization to settlement bank risks (including credit and liquidity risks from the use of banks to effect money settlements); (iii) ensure that money settlements are final when effected; (iv) maintain an accurate record of the flow of funds associated with each money settlement; (v) possess the ability to comply with each term and condition of any permitted netting or offset arrangement with any other clearing organization; (vi) regarding physical settlements, establish rules that clearly state each obligation of the derivatives clearing organization with respect to physical deliveries; and (vii) ensure that each risk arising from an obligation described in clause (vi) is identified and managed.</p> | <p>Principle E. Klear maintains settlement bank monitoring procedures to ensure the safety and soundness of each of its settlement banks. Klear does not provide netting arrangements.</p> | |
| <p>(F) Treatment of Funds 39.15</p> | | |

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| <p>(i) REQUIRED STANDARDS AND PROCEDURES.—Each derivatives clearing organization shall establish standards and procedures that are designed to protect and ensure the safety of member and participant funds and assets.</p> <p>(ii) HOLDING OF FUNDS AND ASSETS.— Each derivatives clearing organization shall hold member and participant funds and assets in a manner by which to minimize the risk of loss or of delay in the access by the derivatives clearing organization to the assets and funds.</p> <p>(iii) PERMISSIBLE INVESTMENTS.— Funds and assets invested by a derivatives clearing organization shall be held in instruments with minimal credit, market, and liquidity risks.</p> | <p>Chapter 7 of Klear’s Rulebook delineates Klear’s Rules for the safe custody and segregation of Klear’s customers’ funds, as well as rules for permissible investments. These are also described in Klear’s Compliance Manual.</p> | <p>Exhibits F-1, F-2 and F-3 Compliance Manual Klear Rules</p> |
| <p>(G) Default Rules and Procedures 39.16</p> | | |
| <p>(i) IN GENERAL.—Each derivatives clearing organization shall have rules and procedures designed to allow for the efficient, fair, and safe management of events during which members or participants—(I) become</p> | <p>Klear operates a fully-collateralized DCO. By requiring the necessary collateral for each trade to be posted with Klear before trade execution, Klear ensures that a Participant default would not impact Klear or other Participants.</p> | <p>Exhibit G Compliance Manual Klear Rules</p> |

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| <p>insolvent; or (II) otherwise default on the obligations of the members or participants to the derivatives clearing organization.</p> <p>(ii) DEFAULT PROCEDURES.—Each derivatives clearing organization shall—(I) clearly state the default procedures of the derivatives clearing organization; (II) make publicly available the default rules of the derivatives clearing organization; and (III) ensure that the derivatives clearing organization may take timely action—(aa) to contain losses and liquidity pressures; and (bb) to continue meeting each obligation of the derivatives clearing organization.</p> | <p>Chapter 7 details the requirements related to full collateralization and to which all Participants must adhere.</p> | |
| <p>(H) Rule Enforcement 39.17</p> | | |
| <p>Each derivatives clearing organization shall—</p> <p>(i) maintain adequate arrangements and resources for—(I) the effective monitoring and enforcement of compliance with the rules of the derivatives clearing organization; and (II) the resolution of disputes;</p> | <p>Klear has the authority and ability to enforce Klear Rules. Pursuant to Chapter 4 and Rule 3.1, FCMS, Participants and their authorized personnel with access to Klear consent to and agree to be subject to Klear’s jurisdiction.</p> <p>Chapter 9 sets forth in a transparent manner the disciplinary procedures to</p> | <p>Exhibit H Compliance Manual Klear Rules</p> |

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| <p>(ii) have the authority and ability to discipline, limit, suspend, or terminate the activities of a member or participant due to a violation by the member or participant of any rule of the derivatives clearing organization; and</p> <p>(iii) report to the Commission regarding rule enforcement activities and sanctions imposed against members and participants as provided in clause (ii).</p> | <p>which Klear adheres in the event that a Participant is suspected of violating a Rule. The Compliance Department is responsible for investigating and prosecuting suspected Rule violations.</p> | |
| <p>(I) System Safeguards 39.18</p> | | |
| <p>Each derivatives clearing organization shall—</p> <p>(i) establish and maintain a program of risk analysis and oversight to identify and minimize sources of operational risk through the development of appropriate controls and procedures, and automated systems, that are reliable, secure, and have adequate scalable capacity;</p> <p>(ii) establish and maintain emergency procedures, backup facilities, and a plan for disaster recovery that allows for—(I) the timely recovery and resumption of operations of the derivatives clearing</p> | <p>Klear will maintain a program of risk analysis and oversight using industry best standards. Klear’s program will include planning and protections and planning for information security, business continuity and disaster recovery, capacity and performance, system operations and development, and physical security.</p> <p>Klear continually monitors for actual or threatened risks. Klear’s technology systems involve a high degree of security to prevent system outages and cyber-attacks. Klear’s compliance team conducts periodic audits to verify the</p> | <p>Exhibit I and Attachments Business Continuity and Disaster Recovery Plan Enterprise Risk Management Plan Klear Rulebook Compliance Manual Information Security Policy</p> |

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| <p>organization; and (II) the fulfillment of each obligation and responsibility of the derivatives clearing organization; and (iii) periodically conduct tests to verify that the backup resources of the derivatives clearing organization are sufficient to ensure daily processing, clearing, and settlement.</p> | <p>integrity of Klear’s technology systems.</p> <p>As part of its risk management plan, Klear will conduct routine testing of its system safeguards, including vulnerability testing; external penetration testing; internal penetration testing; controls testing; security incident response plan testing; and enterprise technology risk assessment.</p> <p>Klear has established a Business Continuity and Disaster Recovery Plan that would be activated in the event of an emergency or other circumstances warranting activation of such plan. Rule 2.12 describes the procedures Klear will follow to declare an emergency.</p> <p>Klear also requires FCM members to coordinate their Business Continuity and Disaster Recovery Plans with Klear.</p> | |
| (J) Reporting 39.13 | | |
| <p>Each derivatives clearing organization shall provide to the Commission all information that the Commission determines to be necessary to conduct</p> | <p>Klear will submit required reports, including daily open interest and other contract-specific information reports, and quarterly and annual</p> | <p>Exhibit J Compliance Manual</p> |

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| oversight of the derivatives clearing organization | <p>financial reports.</p> <p>Klear’s Chief Compliance Officer will submit an annual compliance report as required by CFTC Regulation 39.10(c)(3). Klear’s Compliance Manual sets forth internal procedures for compliance with reporting obligations, and Klear has templates for various types of reports. Klear will maintain business records in a form and manner acceptable to the Commission and for a period of no less than 5 years as set forth in Klear’s Rulebook and Compliance Manual and as described in Exhibit K.</p> | |
| (K) Recordkeeping 39.20 | | |
| <p>Each derivatives clearing organization shall maintain records of all activities related to the business of the derivatives clearing organization as a derivatives clearing organization—</p> <p>(i) in a form and manner that is acceptable to the Commission; and</p> <p>(ii) for a period of not less than 5 years.</p> | <p>Klear will maintain business records in a form and manner acceptable to the Commission and for a period of no less than 5 years as set forth in Klear’s Rulebook and Compliance Manual and as described in Exhibit K.</p> | <p>Exhibit K Compliance Manual Klear Rulebook</p> |
| (L) Public Information 39.21 | | |
| (i) IN GENERAL.—Each | Klear makes various information | Exhibit L |

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| <p>derivatives clearing organization shall provide to market participants sufficient information to enable the market participants to identify and evaluate accurately the risks and costs associated with using the services of the derivatives clearing organization.</p> <p>(ii) AVAILABILITY OF INFORMATION.— Each derivatives clearing organization shall make information concerning the rules and operating and default procedures governing the clearing and settlement systems of the derivatives clearing organization available to market participants.</p> <p>(iii) PUBLIC DISCLOSURE.—Each derivatives clearing organization shall disclose publicly and to the Commission information concerning—(I) the terms and conditions of each contract, agreement, and transaction cleared and settled by the derivatives clearing organization; (II) each clearing and other fee that the derivatives clearing organization charges the members and participants of the derivatives clearing organization; (III) the margin-setting methodology, and the size and</p> | <p>public, as required by CFTC regulations. For example, Klear’s Rules are publicly available on Klear’s website. Klear’s procedures for making information public are incorporated in the Compliance Manual.</p> | <p>Compliance Manual Klear Rulebook</p> |
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| <p>composition, of the financial resource package of the derivatives clearing organization; (IV) daily settlement prices, volume, and open interest for each contract settled or cleared by the derivatives clearing organization; and (V) any other matter relevant to participation in the settlement and clearing activities of the derivatives clearing organization.</p> | | |
| (M) Information Sharing 39.22 | | |
| <p>Each derivatives clearing organization shall—</p> <p>(i) enter into, and abide by the terms of, each appropriate and applicable domestic and international information-sharing agreement; and</p> <p>(ii) use relevant information obtained from each agreement described in clause (i) in carrying out the risk management program of the derivatives clearing organization.</p> | <p>Klear will be clearing for Kalshi Exchange, which is an affiliate entity. Klear does not currently have plans to enter into information sharing agreements with unrelated parties.</p> <p>Klear has not entered into information sharing agreements with other clearing houses, exchanges or regulatory agencies.</p> <p>Klear will enter into international information-sharing agreements as the CFTC may require from time-to-time.</p> | <p>Exhibit M Compliance Manual</p> |
| (N) Antitrust Considerations | | |
| <p>Unless necessary or appropriate to</p> | <p>In line with Klear’s compliance first culture,</p> | <p>Exhibit N</p> |

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| <p>achieve the purposes of this Act, a derivatives clearing organization shall not—</p> <p>(i) adopt any rule or take any action that results in any unreasonable restraint of trade; or (ii) impose any material anticompetitive burden.</p> | <p>and as described in Klear’s Compliance Manual and in Exhibit N, Klear will not adopt any rule or take any action that results in any unreasonable restraint of trade or impose any material anticompetitive burden. Klear does not currently charge clearing fees to clearing members, does not currently have any service agreements with third parties, and does not intend to adopt any other anti competitive contracting practices.</p> | <p>Compliance Manual</p> |
| <p>(O) Governance Fitness Standards 39.24</p> | | |
| <p>(i) GOVERNANCE ARRANGEMENTS.— Each derivatives clearing organization shall establish governance arrangements that are transparent—(I) to fulfill public interest requirements; and (II) to permit the consideration of the views of owners and participants.</p> <p>(ii) FITNESS STANDARDS.—Each derivatives clearing organization shall establish and enforce appropriate fitness standards for—(I) directors; (II) members of any disciplinary committee; (III) members of the derivatives clearing organization; (IV) any other individual or entity with direct access to the settlement or</p> | <p>Chapter 2 of Klear’s Rulebook delineates Klear’s transparent governance arrangements and fitness standards for directors and committee members. In accordance with Rule 2.2, Klear’s board contains no less than two public directors. In accordance with Rule 2.4, members of Klear’s board each meet the required eligibility and fitness criteria.</p> | <p>Exhibit O Klear Rulebook</p> |

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| clearing activities of the derivatives clearing organization; and (V) any party affiliated with any individual or entity described in this clause. | | |
| (P) Conflicts of Interest 39.25 | | |
| Each derivatives clearing organization shall— (i) establish and enforce rules to minimize conflicts of interest in the decision-making process of the derivatives clearing organization; and (ii) establish a process for resolving conflicts of interest described in clause (i). | Rule 2.13 of Klear’s Rulebook and Klear’s Conflict of Interest Policy establish a method of minimizing and managing conflicts of interest. | Exhibit P Conflict of Interest Policy Klear Rulebook |
| (Q) Composition of Governing Boards 39.26 | | |
| Each derivatives clearing organization shall ensure that the composition of the governing board or committee of the derivatives clearing organization includes market participants. | The composition of Klear’s governing board includes market participants and individuals who are not executives, officers, or employees of the derivatives clearing organization or an affiliate thereof, as described in Exhibit Q. | Exhibit Q Klear Rulebook |
| (R) Legal Risk 39.27 | | |
| Each derivatives clearing organization shall have a well-founded, transparent, | The well-founded, transparent, and enforceable legal framework for each | Exhibit R Participant Agreement |

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| <p>and enforceable legal framework for each aspect of the activities of the derivatives clearing organization.</p> | <p>aspect of Klear’s activities are delineated in Klear’s Rulebook, which includes, in Rules 3.1 and 3.2, rules relating to an applicant’s acceptance to be bound by Klear’s Rules.</p> <p>Klear may enter into agreements with outside service providers for the provision of services that are essential to Klear’s ability to perform clearing operations in compliance with the CEA and the CFTC’s regulations promulgated thereunder.</p> | <p>Klear Rulebook</p> |
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