

10/5/2021

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 APPROVE 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 APPROVE contract (Contract).

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: APPROVE

Biden Approval Rating

10/5/2021

**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 APPROVE Contract is a contract relating to the U.S. Presidential approval rating as measured by RealClearPolitics. Approval ratings are an important, widely-followed leading indicator about the passage of the presidential agenda. 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.

Approval ratings are an important leading indicator about the overall prospects of the presidential agenda. Considering the narrow margins in Congress, vulnerable representatives and Senators closely monitor approval ratings when deciding how much political risk to assume: if a President is highly popular, they may feel comfortable voting for the president’s agenda--if the President’s rating is underwater, the Congressperson may want to score political points by publicly repudiating the president and the president’s agenda. In the current highly polarized political environment, even a small change in approval ratings could be of great consequence for a President’s agenda. As Congress gears to a head on several major issues--the debt ceiling, trillion dollar infrastructure and investment plans--this is a critical tool for businesses to hedge against the risk of a major change in expected government policy.

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 the U.S. presidential approval rating is <above/below> <percentage points>, 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.

Eliezer Mishory

By: Eliezer Mishory
Title: Chief Regulatory Officer
Date: 10/5/2021

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

Contract: APPROVE

Contract: APPROVE

Scope: These rules shall apply to the APPROVE contract.

Underlying: The Underlying for this contract is RealClearPolitics's average U.S. presidential approval rating. Revisions to the Underlying made after Expiration will not be accounted for in determining the Expiration Value

Instructions: The current URL for President Joe Biden's approval rating is available at <https://www.realclearpolitics.com/epolls/other/president-biden-job-approval-7320.html#polls>. The Underlying is the value in the "Approve" column in the row labeled "RCP Average". 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.

The following image is from September 22, 2021.

President Biden Job Approval

President Job Approval: Trump | Obama | Bush



[Job Approval on Economy](#) | [Job Approval on Foreign Policy](#) | [Job Approval on Immigration](#) | [Direction of the Country](#)

| Polling Data | | | | | | |
|--------------------------|-------------|---------|-------------|-------------|-------------|--|
| Poll | Date | Sample | Approve | Disapprove | Spread | |
| RCP Average | 9/1 - 9/21 | -- | 46.0 | 50.1 | -4.1 | |
| Gallup | 9/1 - 9/17 | 1005 A | 43 | 53 | -10 | |
| Rasmussen Reports | 9/19 - 9/21 | 1500 LV | 45 | 55 | -10 | |
| Economist/YouGov | 9/18 - 9/21 | 1281 RV | 46 | 48 | -2 | |
| Politico/Morning Consult | 9/18 - 9/20 | 1998 RV | 47 | 50 | -3 | |
| Reuters/Ipsos | 9/15 - 9/16 | 1005 A | 44 | 50 | -6 | |
| Harvard-Harris | 9/15 - 9/16 | 1578 RV | 48 | 50 | -2 | |
| FOX News | 9/12 - 9/15 | 1002 RV | 50 | 49 | +1 | |
| Quinnipiac | 9/10 - 9/13 | RV | 44 | 50 | -6 | |
| Monmouth | 9/9 - 9/13 | 747 RV | 47 | 46 | +1 | |

All President Biden Job Approval Polling Data

Source Agency: The Source Agency is RealClearPolitics.

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 daily basis. Thus, Contract iterations will be issued on a recurring basis, and future Contract iterations will generally correspond to the next week. The Issuance of the initial Contract will be on or after October 7, 2021.

<date>: <date> refers to a calendar <date> specified by Kalshi. Kalshi may list iterations of the Contract corresponding to different statistical periods of <date>, ranging from October 15, 2021 to December 31, 2024.

<percentage points>: Kalshi may list iterations of the Contract with <percentage points> levels that fall within an inclusive range between a maximum value of <100.0> and a minimum value of <0.0> at consecutive increments of <0.1>. Due to the potential for variability in the Underlying, the Exchange may modify <percentage point> levels in response to suggestions by Members.

Payout Criterion: The Payout Criterion for the Contract encompasses the Expiration Values that are <greater than/less than> <percentage points>. If no data is available, the Contract 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 of the initial iteration of the Contract will be the same day as the Expiration Date. The Last Trading Time will be the same as the Expiration time.

Settlement Date: The Settlement Date of the initial iteration of the Contract shall be 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 <date>, generally corresponding to the Friday after Issuance, except for the initial Contract. The Expiration Date of the initial Contract will be October 15, 2021, the second-nearest Friday after issuance of the initial contract on October 7, 2021.

Expiration time: The Expiration time of the initial Contract iteration shall be 4:00 PM 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.