

September 12, 2025

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 “Which <election/candidate/party> will have the largest margin of victory in <elections>?” 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), a registered DCM, hereby notifies the Commission that it is self-certifying the “Which <election/candidate/party> will have the largest margin of victory in <elections>?” contract (Contract). The Contract will initially be listed after close-of-business on **September 15, 2025**; it is listed as the day after because of limitations of the Commission’s online submission portal. The Exchange intends to list the contract on a **custom** basis. The Contract’s terms and conditions (Appendix A) includes the following strike conditions:

- <date>
- <elections>
- <candidates/parties/options>
- <election/candidate/party>
- <group>
- <election year>
- <count>

Along with this letter, Kalshi submits 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,

Xavier Sottile

Head of Markets
KalshiEX LLC
xsottile@kalshi.com

KalshiEX LLC

Official Product Name: “Which <election/candidate/party> will have the largest margin of victory in <elections>?”

Rulebook: LOSERELECTION

Summary: Group losing re-election

Kalshi Contract Category: Political Decision

Kalshi Internal Category: Elections

September 12, 2025

**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 (discussed in Appendix D), and the Commission's regulations thereunder.

I. Introduction

The “Which <election/candidate/party> will have the largest margin of victory in <elections>?” Contract is a contract relating to Elections.

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 event 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. 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, if they are charged, are charged in such amounts as may be revised from time to time to be reflected on the Exchange's Website. A new Source Agency can be added via a Part 40 amendment. 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. The Expiration Value and Market Outcome are determined at or after Market Close. 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 an event occurs that is encompassed within the Payout Criterion, 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: Xavier Sottile
Title: Head of Markets
Date: September 12, 2025

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

Official Product Name: “Which <election/candidate/party> will have the largest margin of victory in <elections>?”

Rulebook: LOSEREELECTION

LOSEREELECTION

Scope: These rules shall apply to this contract.

Underlying: The Underlying for this Contract is the total count of members of <group> who seek re-election in <election year> but lose their re-election bid as documented by the Source Agencies. A member of <group> is counted as losing re-election if they: (i) actively seek re-election by filing candidacy, appearing on the ballot, or formally announcing their candidacy, AND (ii) fail to win their election according to the official certified results. Members who withdraw, retire, resign, die, or are otherwise removed from the ballot before the election are not counted. Members who are defeated in primaries or nominating processes are counted as losing re-election. Revisions to the Underlying made after Expiration will not be accounted for in determining the Expiration Value.

Source Agency: The Source Agencies are, in hierarchical order: official electoral commissions or secretaries of state for each relevant jurisdiction, the Clerk of the U.S. House of Representatives, the Secretary of the U.S. Senate, official government websites of relevant jurisdictions, The New York Times, the Associated Press, Reuters, Bloomberg News, CNN, NBC News, ABC News, CBS News, Fox News, The Wall Street Journal, The Washington Post, Politico, Ballotpedia, The Cook Political Report, Sabato's Crystal Ball, and official state or local election division websites.

Type: The type of Contract is an Event Contract.

Issuance: After the initial Contract, Contract iterations will be listed on an as-needed basis at the discretion of the Exchange and corresponding to the risk management needs of Members.

<group>: <group> refers to a specific set of elected officials or officeholders specified by the Exchange, defined by their current positions and characteristics at the time of Issuance. May include: (i) legislative bodies or chambers (e.g., "U.S. Senate", "U.S. House", "California State Assembly"), (ii) subsets defined by party (e.g., "House Republicans", "Senate Democrats"), (iii) subsets defined by geography (e.g., "Midwest governors", "New England senators"), (iv) subsets defined by tenure (e.g., "first-term House members", "senators elected in 2018"), (v) subsets defined by committee membership or leadership positions (e.g., "House committee chairs", "Senate majority leadership"), (vi) specific named individuals (e.g., "the following 10 senators: [list]"), (vii) governors, mayors, or other executive positions grouped by jurisdiction, or (viii) any combination of the above. Membership in <group> is determined at the time of Issuance and does not change even if members switch parties, resign, or lose positions before their election.

<election year>: <election year> refers to a specific calendar year or election cycle specified by the Exchange in which elections occur. May include regular general elections, special elections, recall elections, and retention elections occurring within that year. For jurisdictions with off-year

elections, the specific year applies. Primary elections, runoff elections, and general elections all within <election year> are included. Elections must be completed and certified by December 31 of <election year> unless otherwise specified.

<count>: <count> refers to numerical values specified by the Exchange representing the number of <group> members who lose re-election. May be expressed as: exact numbers (e.g., "exactly 5"), ranges (e.g., "3-5", "between 3 and 5" inclusive), minimums (e.g., "at least 6", "6 or more"), maximums (e.g., "at most 4", "4 or fewer"), or "none"/"zero" for no losses.

<date>: <date> refers to a calendar date specified by the Exchange by which all relevant elections must be completed and certified. The Exchange may list iterations of the Contract corresponding to variations of <date>. All times are in Eastern Time (ET) unless otherwise specified.

Payout Criterion: The Payout Criterion for the Contract encompasses the Expiration Values where exactly <count> members of <group> lose re-election in <election year>.

For purposes of counting losses:

A member LOSES re-election if they do any of the following:

- Lose in the general election
- Lose in a primary election (including jungle/blanket primaries)
- Lose in a runoff election (primary or general)
- Lose a retention election (for judges or other positions requiring retention votes)
- Lose a recall election (being successfully recalled counts as losing)
- Are write-in candidates who fail to win despite being incumbent members of <group>

A member DOES NOT count as losing re-election if they:

- Do not file for re-election or announce retirement before filing deadline
- Withdraw from the race before the primary election
- Die before the election is held
- Are disqualified, removed from ballot, or ruled ineligible before the election
- Resign from office before the election
- Are appointed to another position and do not contest the election
- Run for a different office instead of re-election to their current position
- Are prevented from running due to term limits or constitutional restrictions

Special provisions:

- Party switches: Members who switch parties after Issuance but before election still count as part of original <group>

- Redistricting: Members who run in substantially different districts due to redistricting are still seeking re-election
- Member vs. member races: If redistricting forces two <group> members to run against each other, the loser counts as losing re-election
- Special elections are only included if they are on the same date (at least in part) as the general election in <election year>
- Postponed elections: Must be completed by <date> to count
- Ranked choice/instant runoff: The final certified result after all rounds determines the outcome
- Fusion voting: Member must lose on all ballot lines to count as losing
- Independent/third party challenges: If a member loses their party primary but runs and wins as an independent, or in any other capacity, they did not lose re-election
- Vacancies: Members appointed to fill vacancies who then lose election to the seat count only if they were members of <group> at Issuance

Examples that would resolve to Yes for "exactly 5 House Republicans lose":

- 3 Republicans lose primaries, 2 lose general elections = 5 total losses
- 5 Republicans lose primaries, even if replaced by other Republicans = 5 losses
- 4 Republicans lose to Democrats, 1 loses to another Republican due to redistricting = 5 losses

Examples that would NOT resolve to Yes for "exactly 5 House Republicans lose":

- 3 Republicans lose elections, 2 retire before filing = only 3 losses
- 6 Republicans lose their elections = $6 \neq 5$
- 4 Republicans lose, 1 dies before election = only 4 losses
- 5 Republicans lose primaries but 1 wins as independent = only 4 losses

Minimum Tick: The Minimum Tick size for the Contract shall be \$0.01.

Position Accountability Level: The Position Accountability Level for the Contract shall be \$25,000 per strike, per Member.

Last Trading Date: The Last Trading Date of the Contract will be the same as the Expiration Date. The Last Trading Time will be the same as the Expiration time.

Settlement Date: The Settlement Date 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 latest Expiration Date of the Contract shall be one week after <date>. If an event described in the Payout Criterion occurs, expiration will be moved to an earlier date and time in accordance with Rule 7.2.

Expiration time: The Expiration time of the Contract 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 7.1 of the Rulebook. If an Expiration Value cannot be determined on the Expiration Date, Kalshi has the right to determine payouts pursuant to Rule 7.1 in the Rulebook.