

February 6, 2026

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 <team> win the <league> Draft Lottery in <year>?” 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 “Will <team> win the <league> Draft Lottery in <year>?” contract (Contract). The Contract will initially be listed after close-of-business on **February 6, 2026**; 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> (the target date)
- <team>
- <league>
- <year>

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: "Will <team> win the <league> Draft Lottery in <year>?"

Rulebook: DRAFTWIN

Summary: Winner of the league draft lottery

Kalshi Contract Category: Sports

Kalshi Internal Category: Sports

February 6, 2026

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 "Will <team> win the <league> Draft Lottery in <year>?" Contract is a contract relating to Sports.

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 C, D, and E.

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 5.16 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 3.13 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: February 6, 2026

Attachments:

- Appendix A - Contract Terms and Conditions
- Appendix B (Confidential) - Trading Prohibitions
- Appendix C (Confidential) - Further Considerations
- Appendix D (Confidential) - Source Agency
- Appendix E (Confidential) - Compliance with Core Principles

APPENDIX A – CONTRACT TERMS AND CONDITIONS

Official Product Name: “Will <team> win the <league> Draft Lottery in <year>?”

Rulebook: DRAFTWIN

DRAFTWIN

Scope: These rules shall apply to this contract.

Underlying: The Underlying for this Contract is the identity of the team that receives the first overall pick in the <league> Draft for <year> as a result of the <league> Draft Lottery (i.e. the "winning team"). For purposes of this Contract, the "winning team" is the team that holds the draft rights to the first overall pick at the conclusion of the lottery drawing. Revisions to the Underlying made after Expiration will not be accounted for in determining the Expiration Value.

Instructions: The Underlying can be found at the official league website (nba.com for NBA, nhl.com for NHL, mlb.com for MLB) and will be announced on ESPN or other broadcast partners. 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 Agencies are, in hierarchical order, the official league (<league>), ESPN, the Associated Press, CBS Sports, Fox Sports, NBC Sports, The Athletic, and Reuters.

Type: The type of Contract is an Event Contract.

Issuance: The Contract is based on the outcome of a recurrent event, which is issued on an annual basis. Thus, Contract iterations will be issued on a recurring basis, and future Contract iterations will generally correspond to the next year that <league> conducts a Draft Lottery.

<league>: <league> refers to a professional sports league specified by the Exchange. The Exchange may list iterations of the Contract with <league> values corresponding to the National Basketball Association (NBA), the National Hockey League (NHL), or any other professional sports league that conducts a draft lottery to determine the order of selection.

<team>: <team> refers to a franchise participating in <league> that is eligible to participate in the <year> Draft Lottery. <team> may also take the value "Other" to encompass any team not explicitly listed as a separate strike. A team is eligible for the Draft Lottery if it did not qualify for the playoffs in the <year> season (or, for the NHL, did not qualify for the Stanley Cup Playoffs) or otherwise meets <league>'s eligibility criteria for lottery participation. For the avoidance of doubt, <team> refers to the franchise (e.g., "Los Angeles Lakers," "Chicago Blackhawks") and not to the original holder of a traded draft pick.

<year>: <year> refers to a calendar year specified by the Exchange corresponding to the year in which the Draft Lottery and subsequent draft occur. The Exchange may list iterations of the Contract corresponding to variations of <year>.

<date>: <date> refers to a calendar date specified by the Exchange, which shall be set no earlier than the scheduled date of the <league> Draft Lottery in <year>. The Exchange may list iterations of the Contract corresponding to variations of <date>.

Payout Criterion: The Payout Criterion for the Contract encompasses the Expiration Values that <team> has won the <league> Draft Lottery in <year>. A team "wins" the Draft Lottery if and only if that team is officially announced as the recipient of the first overall pick (the "#1 pick") at the conclusion of the lottery drawing. The official announcement by <league> or its designated broadcast partner (e.g., ESPN) shall be determinative.

Additional clarification(s):

- **Traded Picks:** If <team> holds another franchise's draft pick via trade at the time of the lottery, and that traded pick results in the first overall selection, <team> (the holder of the draft rights) is considered the winner - not the team whose record determined the lottery odds. For example, if Team A traded its first-round pick to Team B, and Team A's lottery combination results in the #1 pick, Team B wins the lottery for purposes of this Contract.
- **Protected Picks:** If a traded pick is subject to protection (e.g., "top-5 protected"), the winner of the lottery is determined by which team ultimately receives the #1 pick after all protections are applied. If the protection causes the pick to convey back to the original team, that original team is the winner.
- **Postponement:** If the <league> Draft Lottery is postponed past its originally scheduled date, the market will remain open and will resolve after the sooner of (1) the lottery results being officially announced or (2) two years following the originally scheduled date of the lottery.
- **Cancellation:** If the <league> Draft Lottery (or the relevant season) is cancelled outright without being rescheduled, or if <league> announces there will be no lottery for <year>, all markets will resolve to the last fair price as determined solely by the Exchange.
- **Announcement Timing:** The market resolves based on the first official announcement of the lottery winner by <league> or its designated broadcast partner. If a leak occurs before the official announcement, the market will not resolve until the official announcement is made.

Examples that would resolve the market to Yes for <team>:

- <team> is announced as the recipient of the #1 overall pick at the conclusion of the lottery broadcast.
- <team> acquired another franchise's first-round pick via trade, and that pick results in the #1 overall selection.
- <team> held a protected pick that, due to the lottery outcome, conveys as the #1 pick.

Examples that would NOT resolve the market to Yes for <team>:

- <team> wins the #2, #3, or #4 pick but not the #1 pick.
- <team> traded away its first-round pick, and that traded pick results in the #1 selection (the acquiring team wins, not <team>).

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 two years 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.

APPENDIX B – TRADING PROHIBITIONS

In addition to the general prohibition against trading on material nonpublic information, the Exchange will institute additional prohibitions for trading the contract. Persons under 18 years of age are not permitted to create Kalshi accounts. The following individuals will be prohibited from trading:

- Current and former players, coaches, and staff of the league, association, or organization(s) governing the <year> <league> draft.
 - For college leagues/associations specifically, or where otherwise appropriate (as identified by the Exchange), this applies to current and former players/coaches/staff of the specific teams in the <year> <league> draft rather than the league/association as a whole, (e.g., if the Division I LSU Baseball Team is playing in <baseball game>, this prohibition will restrict trades by current/former players of that team, rather than all current/former players/coaches/staff in any NCAA sport);
- Paid employees of the league and league participants;
- Ultimate beneficial owners of teams and the league; and
- Household members and immediate family of all above.

These prohibitions apply to the appropriate values of the teams involved in the <year> <league> draft. For example, former players of Major League Baseball are not necessarily prohibited from trading on iterations of the Contract related to the National Football League, unless they are part of any other group listed for that league.¹

¹ The Contract has not been endorsed by any league or association as of self-certification. The use of any names of leagues or associations does not indicate an endorsement of this product.