

August 3, 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 NHIGH 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 terms and conditions for the NHIGH (Contract) to be listed for trading on Kalshi and effective on Thursday, August 5, 2021 for trading on that date.

Along with this letter, Kalshi submitted the following documents:

- A concise explanation and analysis of the Contract;
- The Contract's specifications;
- 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

Rule 40.2 New Contract Submission: NHIGH

08/03/2021

**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 NHIGH contract is a contract relating to the high temperature observed in New York City on a particular day. The contract is designed to enable market participants whose businesses or operations are affected by changes in daily temperature to mitigate the commercial risks associated with unexpected changes in the daily high temperature, such as a lower than expected high temperature due to cold weather or a higher than expected high temperature due to a heat wave. 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.

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 Appendix B.

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, including regulations under the Act.

Relevant Contract Terms and Conditions: The Contract operates similar to the other binary contracts that the Exchange is self-certifying for trading. In particular, 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. While trading on the contract is open, Members are able to adjust their positions and trade freely. Once trading on the contract has closed, the market is settled by the Exchange and the long position holders and short position holders are paid according to the outcome of the market. In this case, “long position holder” refers to a Member who purchased the “Yes” side of the contract and “short position holder” refers to a Member who purchased the “No” side of

the contract. Depending on the outcome of the market, as determined by the Exchange, one of two payout processes is triggered. If the Market Outcome is “Yes”, meaning that the highest temperature on <date> in New York City is strictly greater than <degrees>, then the long position holder is paid an absolute amount proportional to the size of their position and the short position holder receives no payment. Otherwise, if the Market Outcome is “No” then the short position holder is paid an absolute amount proportional to the size of their position and the long position holder receives no payment. Further specification of the circumstances that would trigger a settlement in the “Yes” direction are included below in the section titled “Payout Criterion” in Appendix A.

Contract Specifications:

Underlying	The maximum temperature recorded for the specified <date> published in the National Weather Service’s (“NWS”) Daily Climate Report for Central Park, New York which can be accessed here: https://w2.weather.gov/climate/getclimate.php?date=&wfo=okx&sid=NYC&pil=CLI&recent=yes&specdate=2021-05-19+20%3A38%3A22 . The Underlying will be the highest temperature recorded at the specified measurement point in New York City for the day in question. Temperatures are reported in degrees Fahrenheit. As stated on the NWS website, “These data are preliminary” and “are subject to revision.” Data that is revised past Expiration will not be used to determine the Expiration Value of the Contract. Revisions made during the statistical period or the period between the Last Trading Date and Time and Expiration may be taken into account in determining the Expiration Value of the Contract.
Payout Criterion	The Payout Criterion encompasses the Expiration Values that are strictly greater than <degrees>.
Contract Size	The Exchange takes the view that maximizing the commercial usefulness of any product dictates that the contract size should conform to commercial norms. Therefore, as with other similar contracts offered by the Exchange, the contract is sized with a one-dollar notional value to enable Members to match the size of the contracts purchased to their economic risks.
Listing Cycle	For contracts whose Expiration Value is based on the outcome of recurrent data releases, Contract iterations will be listed consistently by a time period corresponding to the cadence of Underlying data releases. For contracts whose Expiration Value is not based upon the outcome of recurrent data releases, 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.
Tick Size	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. A minimum price fluctuation of \$0.01 is the standard tick size on the Exchange.

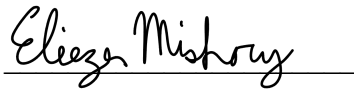
Position Limit	The Exchange has imposed position limits (defined as maximum loss exposure) of \$25,000 USD on the contract.
Trading Hours	As outlined in Rule 5.12 of the Rulebook, trading shall be available at all times outside of any maintenance windows, which will be announced in advance by the Exchange.
Fees	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.
Contract Modifications	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.

**CERTIFICATIONS PURSUANT TO SECTION 5c OF THE COMMODITY
EXCHANGE ACT, 7 U.S.C. § 7A-2 AND COMMODITY FUTURES TRADING
COMMISSION REGULATION 40.2, 17 C.F.R. § 40.2**

Based on the above analysis, the Exchange certifies that:

- ☐ the contract is consistent with, and in accordance with the Core Principles of Section 5 of the Commodity Exchange Act, and the CFTC's rules and regulations; and 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: 08/03/21

Attachments:

Appendix A - Contract Terms and Conditions

Appendix B (Confidential) - Further Considerations

Appendix C (Confidential) - Price Reporting Agency

Appendix D (Confidential) - Compliance with Core Principles

APPENDIX A – CONTRACT TERMS AND CONDITIONS**TERMS OF CONTRACTS TRADED ON KALSHI**

Contract: NHIGH

Scope: These rules shall apply to the contract referred to as NHIGH.

Underlying: The Underlying for this Contract is the maximum temperature recorded for the specified <date> published in the National Weather Service’s (“NWS”) Daily Climate Report for Central Park, New York which can be accessed here:

<https://w2.weather.gov/climate/getclimate.php?date=&wfo=okx&sid=NYC&pil=CLI&recent=yes&specdate=2021-05-19+20%3A38%3A22>. Note: this link is the Daily Climate Report for May 19, 2021. To view the relevant version, click the drop-down at the top of the page titled “Select Other Date” and change the reference date to the most recent published report from the day following the <date> specified for the contract. The Underlying is located in the most recent NWS Daily Climate Report for the day following <date> (for the measurement point in question) which is published by Expiration. Specifically, it is in the section labeled “Temperature” and “Yesterday” in a column titled “Observed Value” and row titled “Maximum”. Temperatures are reported in degrees Fahrenheit. As stated on the NWS website, “These data are preliminary” and “are subject to revision.” Data that is revised past the Expiration Date and Expiration time of the contract will not be used to determine the Expiration Value of the Contract. Revisions made during the statistical period or the period between the Last Trading Date and Time and Expiration Date and Expiration time may be taken into account in settling the contract. If the aforementioned section for the most recently published NWS Daily Climate Report for the day after <date> does not have the term “Yesterday” and instead says “Today”, the Underlying is in the most recently published NWS Daily Climate Report for the day after <date> which says “Yesterday” in that section (and the Underlying is documented in the manner described above). In the event that no such section from the day after <date> is available, the Underlying is in the most recent published report (that is published by Expiration) from <date> in the section labeled “Temperature” and “Today” in a column titled “Observed Value” and row titled “Maximum”.

Source Agency: The Source Agency is the National Weather Service (“NWS”).

Type: The type of Contract is a Binary Contract.

Issuance: The Issuance of this contract will be in accordance with the information outlined in the “Listing Cycle” section of the Contract Specifications table. The Contract is based on the

outcome of a recurrent data release which is issued on a daily basis. The Issuance of the initial contract will be on or after August 5, 2021.

Degrees: Kalshi may list NHIGH contracts with <degrees> levels that fall within an inclusive range between a maximum value of 130 degrees Fahrenheit and a minimum value of -30 degrees Fahrenheit at consecutive increments of 1 degree. Due to the potential for variability in the Underlying, the Exchange may modify <degrees> levels in response to suggestions by Members.

Date: <date> refers to a date specified by Kalshi. Kalshi may list contracts corresponding to different statistical periods of <date>, ranging from August 5, 2021 to January 1, 2023.

Payout Criterion: The Payout Criterion encompasses the Expiration Values that are strictly greater than <degrees>.

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: Unless otherwise noted by the Exchange and indicated on the Exchange website, the Last Trading Date shall be the day after the date of Issuance and the Last Trading time will be 11:59pm ET.

Settlement Date: The Settlement Date of the Contract shall be the day after the Expiration Date unless Market Outcome is under review pursuant to Rule 7.1.

Expiration Date: Unless otherwise noted by the Exchange and indicated on the Exchange website, the Expiration Date of the Contract shall be two days after the date of Issuance of the Contract.

Expiration time: Unless otherwise noted by the Exchange and indicated on the Exchange website, the Expiration time of the Contract shall be 10:00am ET.

Settlement Value: The Settlement Value for this Contract is \$1.00.

Expiration Value: The Expiration Value is the value of the Underlying for the statistical period of <date> 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.