

May 3, 2023

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 40.6 Notification Regarding the Amendment of the “Will the Federal Reserve do <action> at <meeting>?” Contract

Dear Sir or Madam,

Pursuant to Section 5c(c) of the Commodity Exchange Act and Section 40.6 of the regulations of the Commodity Futures Trading Commission, KalshiEX LLC (Kalshi) hereby notifies the Commission that it is amending the “Will the Federal Reserve do <action> at <meeting>?” contract (Contract).

This contract is a straight-forward modification to the previous “Will the Federal Reserve do <action> at <meeting>?” contract. The changes are as follows:

1. The position limit has been changed from \$25,000 to \$7,000,000, and conforming changes.

Along with this letter, Kalshi submitted the following documents:

- A clean copy of the amended Contract; and
- A redline showing the changes to the original.

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 the Federal Reserve do <action> at <meeting>?

Rulebook: FEDDECISION

Kalshi Contract Category: Political Decision

Fed Decision

May 3, 2023

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 “Will the Federal Reserve do <action> at <meeting>?” Contract is a contract relating to monetary policy decisions made by the Federal Reserve’s Federal Open Market Committee. After careful analysis, Kalshi (hereafter referred to as “Exchange”) has determined that the Contract complies with its vetting framework.

The Federal Reserve’s Federal Open Market Committee (FOMC) is the principal monetary policy decision maker in the United States. Its decisions have an incredible power to shape economic growth, inflation and financial markets.

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. The Exchange has further imposed position limits (defined as maximum loss exposure) of \$7,000,000 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 Federal Open Market Committee has decided to do <action> at <meeting>, 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: May 3, 2023

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: Will the Federal Reserve do <action> at <meeting>?
Rulebook: FEDDECISION**

FEDDECISION

Scope: These rules shall apply to this contract.

Underlying: The Underlying for this Contract is Federal Open Market Committee (“FOMC”) decisions to change (or not change) the target federal funds rate range. Revisions to the Underlying made after Expiration will not be accounted for in determining the Expiration Value.

Instructions: FOMC decisions can be found [here](#).¹ 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 Agency is the Federal Reserve System.

Type: The type of Contract is an Event Contract.

Issuance: The Contract is based on the outcome of a recurrent data release, which is issued on a six-week basis. Thus, Contract iterations will be issued on a recurring basis, and future Contract iterations will generally correspond to the next FOMC meeting.

<action>: <action> refers to an action chosen by the Federal Open Market Committee. This includes a raise in the target federal funds rate range (a “hike” of a certain amount, for example), a fall in the range (a “cut”), or no change to the range.

<meeting>: <meeting> refers to a Federal Open Market Committee meeting specified by Kalshi. Kalshi may list iterations of the Contract corresponding to different FOMC meetings.

Payout Criterion: The Payout Criterion for the Contract encompasses the Expiration Values that <action> has been taken at <meeting>.

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 \$7,000,000 per Member.

Last Trading Date: The Last Trading Date of the Contract will be <date>. The Last Trading Time will be 1:55 PM ET.

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.

¹ <https://www.federalreserve.gov/monetarypolicy/fomccalendars.htm>

Expiration Date: The Expiration Date of the Contract shall be the sooner of the date of the first 2:05 PM ET following the release of a decision for <meeting> or one week after <date>.

Expiration time: The Expiration time of the Contract shall be 2:05 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.

KalshiEX LLC

Official Product Name: Will the Federal Reserve do <action> at <meeting>?

Rulebook: FEDDECISION

Kalshi Contract Category: Political Decision

Fed Decision

~~April 5, 2023~~ May 3, 2023

REDLINE

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

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By: ~~Eliezer Mishory~~Xavier Sottile
Title: ~~Chief Regulatory Officer~~Head of Markets
Date: ~~April 5, 2023~~May 3, 2023

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Appendix A - Contract Terms and Conditions

Appendix B (Confidential) - Further Considerations

Appendix C (Confidential) - Source Agency

Appendix D (Confidential) - Compliance with Core Principles

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