

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 40.2(a) Notification Regarding the Listing of the
“Will the number of rate hikes be <count>?” 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 “Will the number of rate hikes be <count>?” contract (Contract). The Contract will be issued on an annual basis. The Contract’s terms and conditions (Appendix A) includes the following strike conditions:

- <year>
- <expo_date>
- <count>

This contract is a straight-forward modification to the previous “Will the number of rate hikes be <count>?” 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

New Contract Submission: Will the number of rate hikes be <count>?

Rulebook: RHIKE

Kalshi Contract Category: Political Decision

Number of Federal Reserve Hikes

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 number of rate hikes be <count>?” Contract is a contract relating to the number of Federal Reserve federal funds rate hikes. 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.

This information is highly valuable to financial institutions, as the federal funds rate directly affects the cost of borrowing in the multi-trillion-dollar federal funds market¹. These rate changes also impact inflation (higher rates relative to the neutral rate will tend to lower inflation) and nominal GDP and are thus highly valuable to firms and individuals.

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.

¹<https://www.clevelandfed.org/en/newsroom-and-events/publications/economic-commentary/2017-economic-commentaries/ec-201707-the-federal-funds-market-since-the-financial-crisis.aspx#:~:text=It%20consists%20of%20%242.46%20trillion, trillion%20in%20mortgage%20backed%20securities.>

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 \$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 number of federal funds rate hikes in <year> is <count>, 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

TERMS OF CONTRACTS TRADED ON KALSHI

Official Product Name: Will the number of rate hikes be <count>?

Rulebook: RATEHIKE

RATEHIKE

Scope: These rules shall apply to this contract.

Underlying: The Underlying for this Contract is the number of upward changes in the upper limit of the Federal Funds Target Range in <year>, according to the Federal Open Market Committee of the Federal Reserve (FOMC). A single ‘hike’ is considered an increase in the upper bound by at least 1 basis point and up to and including 25 basis points. A hike increasing the upper bound of the target range greater than 25 basis points is considered two hikes; a hike increasing the upper bound of the target range greater than 50 basis points is considered three hikes. Revisions to the Underlying made after Expiration will not be accounted for in determining the Expiration Value.

Instructions: The changes in the Federal Funds Target Range can be found [here](#).² 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 Open Market Committee of the Federal Reserve (FOMC).

Type: The type of Contract is a Binary Contract.

Issuance: The Contract will be issued annually. A contract for the next <year> will be published following the Federal Reserve’s meeting in September.

<count>: Kalshi may list iterations of the Contract with <count> levels that fall within an inclusive range between a maximum value of <20> and a minimum value of <0> at consecutive increments of <1>. Due to the potential for variability in the Underlying, the Exchange may modify <number> levels in response to suggestions by Members. Count can also be above or below a given number to serve as the bottom and top of the Contract’s range.

<year>: <year> refers to a calendar date specified by Kalshi.

Payout Criterion: The Payout Criterion for the Contract encompasses the Expiration Values that are <count>.

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.

² <https://www.federalreserve.gov/monetarypolicy/openmarket.htm>

Last Trading Date: The Last Trading Date 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 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 Expiration Date of the Contract shall be the sooner of the date of the first 10:00 AM following the occurrence of an event that is encompassed in the Payout Criterion, and the third day of the calendar year following <year>.

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 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

New Contract Submission: Will the number of rate hikes be <count>?

Rulebook: RHIKE

Kalshi Contract Category: Political Decision

Number of Federal Reserve Hikes

~~March 28, 2022~~ 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

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 number of rate hikes be <count>?” Contract is a contract relating to the number of Federal Reserve federal funds rate hikes. 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.

This information is highly valuable to financial institutions, as the federal funds rate directly affects the cost of borrowing in the multi-trillion-dollar federal funds market¹. These rate changes also impact inflation (higher rates relative to the neutral rate will tend to lower inflation) and nominal GDP and are thus highly valuable to firms and individuals.

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.

¹<https://www.clevelandfed.org/en/newsroom-and-events/publications/economic-commentary/2017-economic-commentaries/ec-201707-the-federal-funds-market-since-the-financial-crisis.aspx#:~:text=It%20consists%20of%20%242.46%20trillion.trillion%20in%20mortgage%2Dbacked%20securities.>

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~~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 number of federal funds rate hikes in <year> is <count>, 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: ~~Eliezer Mishory~~Xavier Sottile
Title: ~~Chief Regulatory Officer~~Head of Markets
Date: ~~March 28, 2022~~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

TERMS OF CONTRACTS TRADED ON KALSHI

Official Product Name: Will the number of rate hikes be <count>?

Rulebook: RATEHIKE

RATEHIKE

Scope: These rules shall apply to this contract.

Underlying: The Underlying for this Contract is the number of upward changes in the upper limit of the Federal Funds Target Range in <year>, according to the Federal Open Market Committee of the Federal Reserve (FOMC). A single ‘hike’ is considered an increase in the upper bound by at least 1 basis point and up to and including 25 basis points. A hike increasing the upper bound of the target range greater than 25 basis points is considered two hikes; a hike increasing the upper bound of the target range greater than 50 basis points is considered three hikes. Revisions to the Underlying made after Expiration will not be accounted for in determining the Expiration Value.

Instructions: The changes in the Federal Funds Target Range can be found [here](#).² 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 Open Market Committee of the Federal Reserve (FOMC).

Type: The type of Contract is a Binary Contract.

Issuance: The Contract will be issued annually. A contract for the next <year> will be published following the Federal Reserve’s meeting in September.

<count>: Kalshi may list iterations of the Contract with <count> levels that fall within an inclusive range between a maximum value of <20> and a minimum value of <0> at consecutive increments of <1>. Due to the potential for variability in the Underlying, the Exchange may modify <number> levels in response to suggestions by Members. Count can also be above or below a given number to serve as the bottom and top of the Contract’s range.

<year>: <year> refers to a calendar date specified by Kalshi.

Payout Criterion: The Payout Criterion for the Contract encompasses the Expiration Values that are <count>.

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

² <https://www.federalreserve.gov/monetarypolicy/openmarket.htm>

Position Limit: The Position Limit for the \$1 referred Contract shall be ~~\$25,000~~7,000,000 per Member.

Last Trading Date: The Last Trading Date 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 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 Expiration Date of the Contract shall be the sooner of the date of the first 10:00 AM following the occurrence of an event that is encompassed in the Payout Criterion, and the third day of the calendar year following <year>.

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 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.