

July 13, 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 – Volume Incentive Program: Amendment for August 2023**

Dear Sir or Madam,

KalshiEX LLC (“Kalshi” or “Exchange”) hereby notifies the Commodity Futures Trading Commission (“CFTC”) that it is amending the terms of the Volume Incentive Program (“Program”), which was designed to encourage trading, increase volume and enhance pricing efficiency on Kalshi. The Exchange certified the terms of the Program on 2/14/2023, which became effective on 3/1/2023. The amendments will be effective on 8/1/2023, and remain in effect until the earlier of 8/1/2024, or a date on which Kalshi amends or terminates the Program.

The Exchange is making the following amendments to the Program with regard to Tier 5:

- Raising the threshold of Qualifying Monthly Total Dollar Volume for Tier 5 from \$1 million to \$1.25 million.
- Lowering the “% Dollar Rebate At Tier” for Tier 5 to 1.3%

The Exchange is also adding a \$25,000 cap to the rebate amount.

In addition, the Exchange is amending the Program’s scope with regard to the annual series<sup>1</sup> of the “Will \$INX close <above/below/between> <value> on <date>?” contract and the annual series<sup>2</sup> of the “Will the Nasdaq-100 close <date> <above/below/between> <value>?”

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<sup>1</sup> The ticker for contracts in this series begins with INXY.

<sup>2</sup> The ticker for contracts in this series begins with NASDAQ100Y.

contract.<sup>3</sup> Each \$1 of volume on these contract series will only count as \$0.75 for the Program. To illustrate how this works, a Program participant who does \$100 of volume in an INXY contract will have \$75 for the purpose of computing the participant's Qualifying Monthly Total Dollar Volume, not \$100. Similarly, the \$100 of volume in the INXY contract will count as \$75 for the purpose of the "% Dollar Rebate At Tier".

These amendments to the Program reduce the scope of the Program from the original filing and do not expand it, and are within the parameters that were discussed with the Division. The Exchange anticipates that the Program, as amended, will continue to encourage volume and liquidity on the Exchange in a resource efficient and sustainable manner.

### **Compliance with Core Principles**

Kalshi has concluded that the amendments to the Program are not inconsistent with the CEA and the CFTC's regulations. The following Core Principles most directly pertain to the Program: **Core Principle 2 - Compliance with Rules; Core Principle 3 - Contracts not Readily Susceptible to Manipulation; Core Principle 4 - Prevention of Market Disruption; Core Principle 7 - Availability of General Information; Core Principle 9 - Execution of Transactions; Core Principle 12 - Protection of Markets and Market Participants; Core Principle 18 - Recordkeeping; Core Principle 21 - Financial Resources.**

Kalshi Rule 3.6(f) allows Kalshi to create programs that provide incentives to Participants that encourage trading, and the amendments to the Program do not change this. The Program, including as amended, does not impact Kalshi's ability to perform its trade practice and market surveillance obligations under the CEA. The Program, including as amended, also does not render the Exchange's contracts readily susceptible to manipulation. Chapter 5 of Kalshi's Rulebook includes prohibitions against fraudulent, non-competitive, unfair or abusive practices, all of which apply to trading under the Program, including as amended. Kalshi staff will continue to monitor for manipulative trading, market abuse and other trading violations, including trading by participants in the Program. Additionally, Kalshi's systems will continue to track Program participants' volume to ensure proper distribution of earned incentives. The effective terms of the Program will be posted on the Exchange's website and publicly available. The Program, including as amended, does not impact the Exchange's order

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<sup>3</sup> S&P 500 is a registered mark of Standard & Poor's Financial Services, LLC. Kalshi is not affiliated with Standard & Poor's and it, nor its affiliates, sponsor or endorse Kalshi or its products in any way. In particular, the Kalshi Contracts are not sponsored, endorsed, sold or promoted by Standard & Poor's. NASDAQ-100 is a registered mark of Nasdaq, Inc. Kalshi is not affiliated with Nasdaq and neither Nasdaq, nor its affiliates, sponsor or endorse Kalshi or its products in any way. In particular, the Kalshi Contracts are not sponsored, endorsed, sold or promoted by Nasdaq.

execution. The eligibility criteria for the amended Program are set forth in Appendix A, and are non-discriminatory and are designed to encourage wide participation in the Program amongst Kalshi's members. The increased volume and liquidity encouraged by the Program will enhance the competitiveness and efficiency of the market. Notification of the filing is posted to Kalshi's website. The terms of all Program iterations will be posted on the Exchange's website prior to implementation. Kalshi will keep records of participation in the Program. Finally, the Program, including as amended, will not negatively impact Kalshi's satisfaction of the financial resources requirements, and the amendments are intended to increase the financial soundness and sustainability of the Program.

Kalshi accordingly certifies that the program as amended continues to comply with the requirements of the Commodity Exchange Act and the rules and regulations promulgated thereunder. Kalshi is not aware of any substantive opposing views expressed with respect to this amendment and the Program in general, and certifies that, concurrent with this filing, a copy of this submission was posted on the Kalshi website and may be accessed at: <https://kalshi.com/regulatory/notices>.

Attached to this cover letter is a clean copy of the updated Program terms as well as a "tracked changes" version showing the amendments to the originally filed Program.

If you have any questions or comments or require further information, please do not hesitate to contact me.

Sincerely,  
Elie Mishory  
Chief Regulatory Officer  
KalshiEX LLC  
[emishory@kalshi.com](mailto:emishory@kalshi.com)

Enclosures:

Appendix A - clean copy of the updated Program terms

Appendix B - "tracked changes" version showing the amendment to the Program terms

## Appendix A - Program Terms and Conditions

### Program Purpose

The purpose of this Program is to increase volume and liquidity on the central limit order book and enhance pricing efficiency. More volume and liquidity on the central limit order book and more efficient pricing benefit all participants in the marketplace.

### Program Scope and Duration

The program applies to all Kalshi markets. The Program will be effective August 1, 2023, and continue until the earlier of August 1, 2024, or the date that Kalshi amends or terminates the Program.

### Eligible Participants

All Kalshi members are eligible to participate in the Program, however, affiliates of Kalshi are not eligible to participate in the Program.

### Program Terms

- Obligations:

In order to be eligible to receive the incentives, participants must meet predetermined trading volume thresholds.

- Incentives:

Participants that satisfy the obligations will receive incentives according to the following schedule:

Tiers	Qualifying Monthly Total Dollar Volume	% Dollar Rebate At Tier
Tier 1	\$50,000	0.625%
Tier 2	\$100,000	0.875%
Tier 3	\$250,000	1.000%
Tier 4	\$500,000	1.125%
Tier 5	\$1,250,000	1.300%

Qualifying Total Monthly Dollar Volume is all of the participant's trades during a given month that are executed on the central limit order book at prices between \$.03 and \$.97.

*Limit on the incentive amount ("Cap"):* the maximum rebate under the Program is capped at \$25,000.

*Special rule for volume in an annual series<sup>4</sup> of the "Will \$INX close <above/below/between> <value> on <date>?" contract and the annual series<sup>5</sup> of the "Will the Nasdaq-100 close <date> <above/below/between> <value>?" contract:*<sup>6</sup> Each \$1 of volume on these contract series will only count as \$0.75 for the Program. To illustrate, a Program participant who does \$100 of volume in an INXY contract will have \$75 for the purpose of computing the participant's Qualifying Monthly Total Dollar Volume, not \$100. Similarly, the \$100 of volume in the INXY contract will count as \$75 for the purpose of the "% Dollar Rebate At Tier".

**Note: all trading is subject to the rules in Kalshi's Rulebook Chapter 5.13, among other relevant Federal laws and regulations.**

### **Monitoring and Termination of Status**

Kalshi shall monitor trading activity and participants' performance and shall retain the right to revoke participant status if Kalshi's Chief Regulatory Officer concludes from review that a participant's participation in the program is abusive or in any way inconsistent with the purpose of the Program.

Kalshi may end the Program at any time.

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## Appendix B - Program Terms and Conditions

*[strikethroughs represent deletions and green text represents additions]*

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*Limit on the incentive amount ("Cap"):* the maximum rebate under the Program is capped at \$25,000.

*Special rule for volume in an annual series<sup>7</sup> of the "Will \$INX close <above/below/between> <value> on <date>?" contract and the annual series<sup>8</sup> of the "Will the Nasdaq-100 close <date> <above/below/between> <value>?" contract:<sup>9</sup>* Each \$1 of volume on these contract series will only count as \$0.75 for the Program. To illustrate, a Program participant who does \$100 of volume in an INXY contract will have \$75 for the purpose of computing the participant's Qualifying Monthly Total Dollar Volume, not \$100. Similarly, the \$100 of volume in the INXY contract will count as \$75 for the purpose of the "% Dollar Rebate At Tier".

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