

October 19, 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 November 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 11/1/2023, and remain in effect until the earlier of 11/1/2024, or a date on which Kalshi amends or terminates the Program.

The Exchange is making the following amendments to the Program:

- Raising the threshold of Qualifying Monthly Total Dollar Volume for Tier 5 from \$1 million to \$1.25 million.
- Amending the computation of Qualifying Monthly Total Dollar Volume with regard to the annual series¹ of the “Will \$INX close <above/below/between> <value> on <date>?” contract and the annual series² of the “Will the Nasdaq-100 close <date> <above/below/between> <value>?” contract.³ Each \$1 of volume (between \$.03 and \$.97) on these contract series will only count as \$0.80 for the Program. To illustrate how this works, a Program participant who does \$100 of volume in an INXY contract will have \$80 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 \$80 for the purpose of the “% Dollar Rebate At Tier”.

¹ The ticker for contracts in this series begins with INXY, as well as the INXD-24DEC31 contract.

² The ticker for contracts in this series begins with NASDAQ100Y.

³ 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.

These amendments to the Program reduce the scope of the Program from the original filing and do not expand it. The reasons for making this change are to enhance the economics of the program for the Exchange. 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, although the change may result in a reduction of liquidity in the aforementioned markets. Overall, a sustainable Program will result in greater liquidity on the Exchange than if the Program did not exist, and greater liquidity on the Exchange benefits all market participants.

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 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, and although the amendments may potentially reduce some of the enhanced liquidity, it will make the Program more sustainable, leading to an overall increase in liquidity relative to the state without the Program. 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, 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>.

The Exchange had originally planned to count dollars in annual financial series as \$0.75 rather than \$0.80. Several members of the Exchange expressed opposition to the changes. The opposing views were:

- Decreasing the adjustment to the aforementioned contracts with regard to computing Qualifying Monthly Total Dollar Volume to \$0.90 instead of \$0.75, so that members trading heavily in the affected markets have time to gradually adjust their strategy.
- Increasing the adjustment to the aforementioned contracts with regard to computing Qualifying Monthly Total Dollar Volume to less than \$0.75.

In response to the first point, the Exchange decided to increase the weight from \$0.75 to \$0.80 as an accommodation to the point about implementing the change more gradually. Based on our analysis, \$0.80 weight would still overall improve the economic sustainability of the program, and the benefits to our traders of softening the weight by \$0.05 outweighed the small decrease in potential economic benefit relative to maintaining the original \$0.75. Regarding the second point, while the Exchange appreciates the viewpoint and notes that a more drastic change may improve the Program's economics further, the Exchange determined that a change to \$0.80 is appropriate as noted.

Attached to this cover letter is a clean copy of the updated Program terms (Appendix A) as well as a "tracked changes" version showing the amendments (Appendix B), and a confidential analysis of the amendments (Appendix C) for which the Exchange requests confidential treatment pursuant to Parts 40.8 and 145.9 of the Commission's Regulations.

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

Enclosures:

Appendix A - clean copy of the updated Program terms

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

Appendix C - Confidential analysis

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 November 1, 2023, and continue until the earlier of November 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	1.400%

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 series⁴ of the “Will \$INX close <above/below/between> <value> on <date>?” contract and the annual series⁵ of the “Will the Nasdaq-100 close <date> <above/below/between> <value>?” contract:⁶ Each \$1 of volume (between \$.03 and \$.97) on these contract series will only count as \$0.80 for the Program. To illustrate, a Program participant who does \$100 of volume in an INXY contract will have \$80 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 \$80 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.

⁴ The ticker for contracts in this series begins with INXY, as well as the INXD-24DEC31 contract.

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Appendix B - Program Terms and Conditions

[strikethroughs represent deletions and green text represents additions]

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