

November 2, 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 Amendment Regarding Contracts whose Source Agencies may be affected by a lapse in federal government appropriations**

Dear Sir or Madam,

KalshiEX LLC (Kalshi) is filing a product rule regarding contracts whose Source Agencies may be affected by a lapse in federal government appropriations. An extended period of government shutdown could delay release of major scheduled economic and other data by federal government agencies, such as the inflation rate as published by the Bureau of Labor Statistics. Kalshi offers event contracts on a number of these data releases (e.g. what the inflation rate will be in a given month). These contracts cease trading prior to the expected release of the data, and provide a backstop of, at minimum, one week for issues that could delay the underlying data. Agencies have discussed this issue and it has been reported in the major business press. Without a change, all contracts will settle to “No” if no data is released by the latest Expiration Date. However, Kalshi has in place Rule 7.2 in its Rulebook which permits it to change contract specifications in the case of an event that affects the reliability of the Source Agency.

To that end, Kalshi is adopting a rule that provides for all contracts that: “In the case of a delay in data caused by a federal government shutdown impacting the reliability of the Source Agency, the market’s latest Expiration Date will be extended to the sooner of the release of the Underlying or six months after the end of the government shutdown.” The six months following the end of the shutdown which delayed data originally is to provide more than enough time for agencies to release data for the relevant period, and to ensure that the contract does not extend beyond a reasonable time. Notice of this change will be prominently posted on the Kalshi website.

This specific filing follows up on an emergency rule filing that Kalshi made on September 29, 2023. It has been done at the request of the Division of Market Oversight and is purely

procedural, and will not impact Kalshi's markets in a way that prior filings did not.

### **Compliance with Core Principles**

This change complies with the Core Principles. The contingency will not increase the Contracts' susceptibility to manipulation, per Core Principle 3; if anything, this will reduce the Contracts' susceptibility to manipulation by reducing the ability of a separate action (a government shutdown) to affect the value of the Contracts. It also complies with Core Principle 4. This rule will reduce disruption by reducing uncertainty regarding Contract outcome due to an event unrelated to the core of the Underlying (e.g. the inflation rate).

Kalshi has received objections from several Members about this rule. The objections are:

1. That terms and conditions for some of the Contracts involved (e.g. the "CPI" contract) explicitly note that if no data is available then the markets resolve to No.
2. In the past, Kalshi has not invoked Rule 7.2 when data is delayed.
3. That Rule 7.2 only covers changes in Source Agencies, not changes in Contract specifications.

After careful consideration, Kalshi concluded that the Rule amendment is the correct course of action to take. Kalshi markets do resolve to No if no data is available; however, Kalshi does have the ability from Rule 7.2 to adjust Source Agencies and contract specifications under specific circumstances. Moreover, not all delays are due to circumstances which cause the Source Agency to be unreliable or untransparent. For example, an awards show rescheduling their show for better ratings is not an example of an unreliable Source Agency – it is an intentional choice for better ratings. Thus, a Contract on an awards show outcome would likely resolve to "No" in that case, and 7.2 would not be appropriately invoked. Finally, the language in Rule 7.2 notes that contract specifications are included in the scope of the Rule.

The changes in this filing similarly comply with the remaining Core Principles, the Commodity Exchange Act and Regulations thereunder.

Accordingly, Kalshi certifies that this rule complies with the Commodity Exchange Act and Regulations thereunder, and a notice of pending certification with the Commission and a copy of the submission, concurrent with the filing of a submission with the Commission, was posted on the Kalshi's website.

Kalshi intends to implement the changes described in this filing ten business days following the filing, as noted on the attached filing cover page.

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

Sincerely,  
Xavier Sottile  
Head of Markets  
KalshiEX LLC  
xsottile@kalshi.com

Enclosures:

Appendix A - Contracts that may be affected by a lapse in federal government appropriations

## APPENDIX A

### Contracts that may be affected by a lapse in federal government appropriations

The following Contracts use the Bureau of Labor Statistics, Bureau of Economic Analysis, or U.S. Census Bureau as Source Agencies, and thus their data releases may be affected by an extended lapse in federal government appropriations:

- Will the Consumer Price Index (CPI) increase more than <percent>? (“CPI”)
- Will real GDP <increase/decrease> by more than <percent>? (“GDP”)
- Will the price of apparel change by <above/below/between> <percent> in <period>? (“CPIAPPAREL”)
- Will the price of used cars and trucks change by <above/below/between> <percent> in <period>? (“USEDGAR”)
- Will the price of food change by <above/below/between> <percent> in <period>? (“CPIFOOD”)
- Will core CPI growth be <above/below/between> <percent> in <month>? (“CORECPI”)
- Will core inflation be <above/below/between> <percent> for the 12 months ending <month>? (“YOYCPICORE”)
- Will year-over-year inflation for the year ending <month> be <above/below/between> <percent>? (“YOYCPI”)
- Will PPI growth be <above/below/between> <percent> in <period>? (“PPI”)
- Will core Personal Consumption Expenditures price index inflation be <above/below/between> <percent> in <month>? (“COREPCE”)
- Will nonfarm payroll change be <above/below/between> <count>? (“PAYROLLS”)
- Will the unemployment rate (U-3) be above <percent>? (“U3”)
- Will retail sales be <above/below/between> <percent> in <month>? (“RETAIL”)
- Will any quarterly U.S. GDP growth be <above/below> <percent> this year? (“LGDP”)
- Will any monthly U.S. unemployment rate be <above/below> <percent> this year? (“LU3”)
- Will any monthly U.S. inflation be <above/below> <percent> this year? (“LCPI”)
- Will there be an official recession in <period>? (“NBERRECSS”)
- Will the PPI value for semiconductors be <above/below> <value> in <month>? (“SEMIPPI”)