

APPENDIX B (CONFIDENTIAL) – FURTHER CONSIDERATIONS

Risk mitigation purpose of the Contract: The Exchange has identified film studios, cast and crew, merchandisers, individuals involved in film source material, and individuals involved in the creator economy as having income streams materially affected by the critical success of films.

Film studios put up the bulk of the money to produce a movie. Evidence suggests that positive reviews are important long-term for a film's success as part of the critical canon and when consumers can purchase it on-demand or through physical media, like Blu-Ray.² Changes in the long-term consumption of the film can result in the loss of production investment, reducing net income and potentially imperiling the fate of the studio. Thus, studios can use the Contract to hedge against the risk that the film does not pay out long-term after it has left the box office because of poor critical reception.

Reviews are an important signal about demand for future products related to films. This comes in many forms. Good reviews could lead to a sequel being greenlit by the studio, for example. To maintain narrative and aesthetic consistency, it is common to bring back a film's entire cast and crew, and use the same suppliers and partners. Thus, the many participants who worked on the film could use the Contract to hedge the risk that a sequel is not greenlit because of poor reviews. This includes the director, writers, producers, and cast members; the camera, lighting, art, and special effects teams, as well as hair stylists, costume designers, and makeup artists; and so many more people among the thousands of people required to make a major movie in the 21st century. Then again, given a greenlit, many cast and crew may be contractually bound to return, which might prevent them from doing better paying or more prestigious projects. In these cases, the relevant actors can use the Contract to hedge against the risk that a sequel is greenlit. It could also mean that the relevant intellectual property from the film is used in more projects, such as film crossovers, television shows, and video games that the same cast and crew could have involvement in.

The film's critical success could also determine whether the production studios will continue to make similar films. For example, the success of a movie based on an adaptation of an artist's source material could lead them to greenlight another film based on an adaptation of the same artist's other material. Alternatively, the success of a big-budget, Western film will lead to more of the same; and the success of a superhero film will mean more superhero films will be created. Writers, cast, crew, and other personnel which specialize in these areas could use the Contract to hedge against the risk of worse than expected reviews.

²https://journals.sagepub.com/doi/full/10.1509/jmkg.67.4.103.18692?casa_token=AiK11YkyrX8AAAAA%3AOjGyj3yMJ8I92Okhep3getsx08q87FLOjM4L9xms9gG4_5ZAaDRabbWCSew7Nk-vOcR6CBTGyf4tN9M

Positive reviews also might mean increased demand for merchandise. If potential consumers do not enjoy the movie, it stands to reason that they would be less likely to buy products associated with the movie. Official and unofficial merchandisers can thus use the Contract to hedge against the risk that negative critical reception of the film they have created products for winds up reducing demand for their services. Merchandise is an important revenue-generating component of the overall film industry, and the sale of merchandise can often make or break a film's or franchise's bottom line. Famously, the value of Lucasfilm was heavily influenced by *Star Wars* merchandise sales, despite very low film output compared to major studios (only 23 films in almost 40 years).³ Movie merchandising enterprises such as Hasbro (which produces *Star Wars* toys) are thus exposed to the financial risk associated with the underlying film(s)'s popularity. Furthermore, merchandising operations have to prepare products well in advance of need in order to ensure their ability to accommodate a surge in customer demand. Thus, any unexpected drops in demand would result in wasted resources and the loss of startup investments.

Moreover, the merchandising-related hedging utility of the Contract is not limited to large enterprises such as Hasbro. Retail market participants can also utilize the Contract to hedge risks associated with the correlation between an artist's popularity/consumption and the sale of their merchandise. The rise of platforms such as Etsy and Shopify has led to millions of independent creators and SMEs creating online storefronts to offer unique merchandise directly to consumers. For context, Etsy had 4.3 million independent sellers on its platform in 2020, up from 2.7 million in 2019. Many of these sellers focus on film merchandise - searches on Etsy for merchandise related to "Avengers" and "Marvel" more than 100,000 and 180,000 results, respectively, showing that there are thousands of independent retail sellers that generate revenue from the sale of musical artist-related merchandise. Like larger merchandising companies such as Hasbro, the revenue of these creators and SMEs is tightly linked to the success and popularity of the musical artists that inspire their merchandise - participants in this independent creator economy can purchase the "No" side of the Contract to hedge the risk of declining artist popularity and the resulting impact it may have on their merchandise sales.

An additional class of market participants that can utilize the Contract's hedging utility are individuals and companies involved in the marketing and sale of film-related merchandise, such as clothing and collectibles. More generally, the roots of the derivatives industry lie in agriculture, and the first derivative products helped grain farmers manage their pricing risks. The modern American economy looks a lot different than it did back then. Computing and the Internet has revolutionized almost every aspect of commerce, and the music industry is no exception. Platforms such as Etsy are allowing retail market participants to sell merchandise directly to consumers through online storefronts, and digital streaming consumption is the dominant force in music revenue generation today. Just as grain farmers took advantage of novel derivative products to usher in a new era of price stability, the participants of today's new-age

³ <https://www.vox.com/2015/12/18/10606300/star-wars-business-explained>

media economy need risk hedging tools to protect their revenue and material financial interests from a new set of risks that are constantly evolving.⁴

The various use cases for the Contract discussed above demonstrate that a film's critical reception affects a diverse array of market participants, from the largest movie studios to a retail independent seller who generates income from the sale of their custom-made "Spider-Man" t-shirts. The Contract will allow these market participants to make future economic decisions with more confidence than ever before. Instead of making highly risky investments beholden to the rapidly changing music preferences of Americans, independent artists, record labels, social media influencers, and e-commerce merchants can use the Contract to cover their potential downside and allocate capital and effort more intelligently. Within the context of the music industry and creator economy, the Contract can expand the horizon of risk-hedging by extending the benefits of derivatives that grain farmers have enjoyed for decades to a new class of participants in the American economy.

In addition to these general use cases, analyzing the Contract within the context of a particular film – here, we'll analyze the recent hit *Spider-Man: No Way Home* – serves to further illuminate its hedging utility.

The creator economy also has many small-time businesses and freelancers who have exposure to the critical success of *No Way Home*. These include film reviewers. Reviews on YouTube for *Far From Home*, *No Way Home*'s predecessor, total more than ten million views.⁵ Worse critical reception for *No Way Home* would likely reduce interest in discussion about the film, and reduce views. Views are both a direct revenue stream (through advertisement) and also an important part of familiarizing potential subscribers with a reviewer's style and ideas. On TikTok, videos with "#farfromhome" tag have over 400 million views.

It also includes those who specialize in Marvel content. On every major social media platform, many channels and accounts dedicate themselves to discussion of Marvel content. A search on YouTube for *No Way Home* brings up dozens of channels discussing leaks and potential plot points from the upcoming films.⁶ Marvel-dedicated blogs, forums, and subreddits populate the internet where creators make a living.

The Contract also has merchandising-related hedging utility for SMEs and independent creators that are creating Spider-Man related merchandise. An Etsy search for "Spider-Man" returns over 70,000 results, indicating that thousands of products related to Eilish and her music are being offered by independent sellers and SMEs.⁷ These retail market participants, part of the

⁴ <https://www.cftc.gov/PressRoom/SpeechesTestimony/opastump9>

⁵ https://www.youtube.com/results?search_query=spider+man+far+from+home+review

⁶ https://www.youtube.com/results?search_query=spider+man+no+way+home

⁷ <https://www.etsy.com/search?q=spider-man>

digitally-powered creator economy, are exposed to changes in Spider-Man's popularity. If Spider-Man's popularity continues to grow and Spider-Man outperforms critical expectations, the sellers will likely generate additional revenue, but if Spider-Man underperforms critical expectations, the downstream negative effects to Spider-Man's popularity may have negative financial consequences for these merchants. Thus, the Contract can help protect downside risk for independent retail e-commerce vendors.

This is especially true for Rotten Tomatoes, a leader in the review space. The Tomatometer is an extremely popular point of cultural discussion by entertainment-focused news outlets, which also produce reviews used by the Tomatometer. Since its 2016 acquisition by Fandango, a major ticketing company, these scores have become even more important in customers' selection process.

Price basing/price discovery utility of the Contract: The Contract represents a market-based probability that the reviews for a given film will be at a given threshold. This is valuable information that could be used to help price:

- The rights to a film's associated merchandise
- The rights to a film's sequel, and its production budget
- Marketing and distribution decisions (like streaming and broadcast rights)

As described in detail above, the Contract has important risk mitigation and price basing/price discovery utility. The Contract does not relate to the enumerated categories of contracts listed in Section 5c(c)(i) of the Act. Title 7 § 13-1 of the U.S. code prohibits contracts on the sale of motion box office receipts (or any index, measure, value, or data related to such receipts). This Contract does not violate that provision of law. Its outcome does not turn based on the sale of a given number of box office receipts. It is also not an index, measure, value, or data related to such receipts.

Additionally, the Exchange has not determined such contracts to be contrary to the public interest and there has been no determination by the Commission that such contracts would be contrary to the public interest. The Contract provides a means for managing and assuming price risks, discovering prices, and disseminating price information on the Exchange's fair and financially secure trading facility.

The Contract has bona fide risk mitigation and price basing utility for participants with underlying economic exposure, as described above. The Contract is not merely recreational, as the discussion of risk mitigation and price basing/price discovery utility demonstrates. The outcome of the Contract is not predominantly determined by chance and depends on a variety of economic and social factors. Finally, it is possible for traders to use skill and effort to gain knowledge and information about the likelihood of the event. For example, traders can gain information about the likelihood of the event by reading critical first reactions before the film's

review embargo has been lifted and watching trailers and consuming media content related to *Spider-Man: No Way Home*.

APPENDIX C (CONFIDENTIAL) – SOURCE AGENCY

The data which is used to determine the Expiration Value of the Contract is published by Rotten Tomatoes, a subsidiary of Fandango and NBCUniversal. It is a major standard for reviews within the film and television industries. The methodology used by the Source Agency to generate the Underlying is described below:

Rotten Tomatoes and the Tomatometer score are the world’s most trusted recommendation resources for quality entertainment. As the leading online aggregator of movie and TV show reviews from critics, we provide fans with a comprehensive guide to what’s Fresh – and what’s Rotten – in theaters and at home. And the Tomatometer is just the beginning. We also serve movie and TV fans with original editorial content on our site and through social channels, produce fun and informative video series, and hold live events for fans across the country, with our ‘Your Opinion Sucks’ live shows. If you’re an entertainment fan looking for a recommendation, or to share an opinion, you’ve come to the right place.

WHAT IS THE TOMATOMETER®?

The Tomatometer score – based on the opinions of hundreds of film and television critics – is a trusted measurement of critical recommendation for millions of fans.

Back in the days of the open theaters, when a play was particularly atrocious, the audience expressed their dissatisfaction by not only booing and hissing at the stage, but also throwing whatever was at hand – vegetables and fruits included.

The Tomatometer score represents the percentage of professional critic reviews that are positive for a given film or television show. A Tomatometer score is calculated for a movie or TV show after it receives at least five reviews.

Fresh red tomato

When at least 60% of reviews for a movie or TV show are positive, a red tomato is displayed to indicate its Fresh status.

Green splat tomato

When less than 60% of reviews for a movie or TV show are positive, a green splat is displayed to indicate its Rotten status.

Faded tomato

When there is no Tomatometer® score available, which could be because the Title hasn’t released yet or there are not enough ratings to generate a score.⁸

To be a critic included in the Tomatometer, one must meet Rotten Tomatoes’ eligibility requirements, detailed here:

The Tomatometer® includes reviews from two different groups:

⁸ <https://www.rottentomatoes.com/about>

- **Individual professional film and TV critics** who are Tomatometer-approved and whose reviews are included on the site regardless of where they are published.
- **Tomatometer-approved publications**, such as websites, online video outlets, newspapers, consumer and trade magazines, alt-weeklies, podcasts, radio programs, and TV shows. If a publication is approved, its review of a movie or show is included on the Tomatometer® regardless of which individual critic produced it.

HOW DO I BECOME TOMATOMETER-APPROVED?

Critics who wish to apply should first review our guidelines below. All candidates will go through a vetting process and be evaluated against our criteria. Applications are accepted yearly during the month of March.

Key Values

Insight: Criticism can be many things: a deep dive into the filmmaking craft, an analysis of subtext, a discussion on social commentary, an enthusiastic argument. We look for engaging content that has a distinct voice and offers perspective on a film or TV series, not just a plot summary.

Audience: Our intention is to reflect and represent the moviegoing and TV viewing audience with our Tomatometer-approved critics community. To cultivate a rich, varied, and inclusive space for engaging perspectives and debate, we seek critics who reach a wide audience, but also those whose film and TV coverage serves underrepresented groups.

Quality: Reviews should observe grammatical rules and demonstrate clarity and structure, whether approved by an editorial staff or self-published. In the same vein, video and podcast reviews should be well structured and have clear resolution and sound.

Dedication: Whether you're a podcaster producing multiple shows per month or an alt-weekly contributor, we recognize that there are varying degrees of output among critics. Contribution minimums are outlined in the eligibility guidelines, but we also look for overall consistency and demonstrated commitment to the field. Additionally, memberships in critics organizations are recognized as a sign of merit, but are not essential for – nor do they guarantee – inclusion.

We expect both applicants and approved critics to honor journalistic integrity and observe ethical behavior. We do not tolerate plagiarism, harassment, obvious trolling, discrimination, or other breaches of conduct across all platforms.

ELIGIBILITY GUIDELINES

Individual Critics

Written

- Consistent review output for a minimum of two years.
- Demonstrated film/TV review coverage at a publication outside of a self-published website. However, we will consider critics who solely self-publish if their site and work reflect our key values.

Broadcast

- A regular appearance providing reviews on a major and/or well-regarded local/national/international TV or radio outlet.

Video

- Consistent review output for a minimum of two years.
- A minimum of 30K subscribers on a video publishing platform qualifies for broad audience reach. Critics reaching underrepresented groups will also be considered on a case-by-case basis.

Publications

Written

- Consistent review output for a minimum of two years.
- A minimum of 2 million visits over 6 months as reported by SimilarWeb qualifies for broad audience reach. Publications reaching underrepresented groups will also be considered on a case-by-case basis.
- At least three individually approved critics contributing to the publication on a regular basis.
- Demonstrated social media presence and engagement (e.g. Twitter, Facebook, and/or Instagram).

Broadcast

- Eligible TV and radio outlets and programs should be broadcasting reviews on a major and/or well-regarded local/national/international network or station.
- Demonstrated social media presence and engagement (e.g. Twitter, Facebook, and/or Instagram).

Video

- Consistent review output for a minimum of two years.
- A minimum of 200K subscribers on a video publishing platform qualifies for broad audience reach. Video channels reaching underrepresented groups will also be considered on a case-by-case basis.
- The show should feature multiple critics.
- Demonstrated social media presence and engagement (e.g. Twitter, Facebook, and/or Instagram).

Podcasts

- Consistent review output for a minimum of two years.
- Publish at least four episodes per month.
- At least 200 ratings on Apple Podcasts with a minimum score of 4 stars. Podcasts reaching underrepresented groups will also be considered on a case-by-case basis.
- Demonstrated social media presence and engagement with audience (e.g. Twitter, Facebook, and/or Instagram).
- Critics exclusively reviewing at a podcast should apply on behalf of the entire podcast as a publication, not individually.

In some cases, even if a critic or publication does not meet the eligibility guidelines listed above, we may consider them for approval if we believe their inclusion will benefit the utility of the Tomatometer® and its audience.

In all cases, Rotten Tomatoes maintains the right to approve, reject, include, exclude and remove critics, reviews and publications on a case-by-case basis at any time.

From time to time we change our guidelines, and there may be critics or publications who are still included in the Tomatometer® that may not meet the current set of guidelines.

APPENDIX D (CONFIDENTIAL) – COMPLIANCE WITH CORE PRINCIPLES

Compliance with Core Principles

The Exchange has conducted a comprehensive analysis of the designated contract market core principles (“Core Principles”) as set forth in Part 38 of the Act. The Core Principles relevant to the Contract are outlined and discussed in further detail below:

Core Principle 2 - Compliance with Rules and Impartial Access: The Exchange has adopted the Rulebook, which provides the requirements for accessing and trading on the Exchange. Pursuant to Chapter 3 of the Rulebook, Members must utilize the Exchange’s services in a responsible manner, comply with the rules of the Rulebook (“Rules”), cooperate with Exchange investigations, inquiries, audits, examinations and proceedings, and observe high standards of integrity, market conduct, commercial honor, fair dealing, and equitable principles of trade. Chapter 3 of the Rulebook also provides clear and transparent access criteria and requirements for Exchange Members. Trading the Contract will be subject to all the rules established in the Rulebook, which are aimed at enforcing market integrity and customer protection.

In particular, Chapter 5 of the Rulebook sets forth the Exchange’s Prohibited Transactions and Activities and specifically prescribes the methods by which Members trade contracts, including the Contract. Pursuant to Rule 3.2, the Exchange has the right to inspect Members and is required to provide information concerning its business, as well as contracts executed on the Exchange and in related markets. Chapter 9 of the Rulebook sets forth the Exchange’s Discipline and Rule Enforcement regime. Pursuant to Rule 9.2, each Member is required to cooperate with an Exchange investigation by making their books and records available to the Exchange. The Exchange’s Market Regulation Department performs trade practice surveillance, market surveillance, and real-time market monitoring to ensure that Members adhere to the Rules of the Exchange. The Market Surveillance Department reserves the authority to exercise its investigatory and enforcement power where potential rule violations are identified.

Core Principle 2 also stipulates that an exchange shall establish means to provide market participants with impartial access to the market. Chapter 3 of the Rulebook, and Rule 3.1 in particular, provides clear and transparent access criteria and requirements for Members. The Exchange will apply access criteria in an impartial manner, including through the application process described in Rule 3.1.

Core Principle 3 - Contract not Readily Subject to Manipulation:

Core Principle 3 and Rule 38.200 provide that a DCM shall not list for trading contracts that are readily susceptible to manipulation. The Exchange’s marketplace and contracts, including this

Contract, have been designed in accordance with this fundamental principle. The Exchange maintains various safeguards against outcome manipulation and other forms of manipulation, including, (i) automatic trade surveillance and suspicious behavior detection, (ii) Rulebook prohibition, Member certification, and notification, (iii) Member monitoring and know-your-customer verification, and (iv) sanctions. These safeguards render the Contract not readily susceptible to manipulation.

(i) Automatic trade surveillance and suspicious behavior detection: The Exchange's trade monitoring and market surveillance systems compute statistics using information from all trades that occur on the Exchange over a range of timeframes, ranging from per trade to the full history of trading activity. These statistics are geared towards identifying unusual trading activity and outlier behaviors. If the trade monitoring and market surveillance system identifies behavior deemed to be unusual, the Exchange's compliance personnel have the ability to investigate and determine applicable sanctions, including limits to or suspension of a Member's access to the Exchange.

(ii) Rulebook prohibition, member certification and notification: The Exchange's Rulebook includes various provisions that prohibit manipulative behaviors. As noted above in the discussion of Core Principle 2, the Exchange's Rulebook gives the Exchange the authority to investigate potential violations of its rules. Pursuant to Rule 3.2, the Exchange has the right to inspect Members' books and records, as well as contracts executed on the Exchange and in related markets. Pursuant to Rule 9.2, each member is required to cooperate with an Exchange investigation by making their books and records available to the Exchange for investigation. The Exchange's Market Regulation Department performs trade practice surveillance, market surveillance, and real-time market monitoring to ensure that Members adhere to the Exchange's rules. The Rulebook also imposes sanctions on Members who break rules. Potential penalties include fines, disgorgement, and revocation of membership in Kalshi. Only Members are allowed to trade on the Exchange, and the Exchange requires its Members to strictly comply with the Rulebook. Members cannot complete the account creation process and trade on the Exchange until they certify that they have read the Exchange's rules and agree to be bound by them.

In addition, the Exchange requires applicants for membership to represent and covenant that the applicant will not trade on any contract where they have access to material non-public information, may exert influence on the market outcome, or are an employee or affiliate of the Source Agency. In order to further reduce the potential for manipulation, the Exchange maintains a dedicated page on the trading portal that lists all the source agencies and their associated contracts, together with a warning that employees of those companies, persons with access to material non-public information, and persons with an ability to exert influence on the underlying of a contract are prohibited from trading on those contracts. This page is intended to serve as an effective means of raising Members' awareness of these rules and prohibitions, further reducing

the potential for manipulation. Similarly, the Exchange places a prominent notice on each contract page that notifies Members of the prohibition on trading the Contract while employed by its Source Agency, trading the Contract on the basis of non-public information, and trading the Contract while having the ability to exert influence on the Contract's Market Outcome.

(iii) **Member monitoring and know-your-customer verification (“KYC”)**: The Exchange has a robust KYC process. The KYC process is an important tool that helps flag and uncover higher risk traders before they become Members of the platform. The Exchange's KYC process leverages technology to develop a clear and proper understanding of its members, and the various risks they may pose with respect to market integrity and fairness, including manipulation. During the application process, applicants are required to share personally identifiable information, such as their full legal name, identification number, date of birth, and address with the Exchange. Applicant information is run through a comprehensive set of databases that are actively compiled and maintained by an independent third party. The databases are utilized by the Exchange to identify applicants that are employees or affiliates of various governments and other agencies. Moreover, the databases can identify known close relatives and associates of such people as well. Applicants that are flagged go through enhanced due diligence, including manual review, as part of the onboarding process.

Additionally, as part of the KYC process, the Exchange runs applicants through adverse media databases. The adverse media dataset is a real-time structured data feed of companies and individuals subject to adverse media. Monitoring thousands of news sources, business and trade journals, in addition to local, regional and national newspapers, the adverse media feed isolates and highlights any entities or individuals subject to a range of adverse media. The Exchange utilizes the database to trigger enhanced due diligence, because applicants with adverse media may be more likely to engage in certain types of unlawful activity including market manipulation.

The Exchange engages in active and continuing KYC checks. The KYC checks are initially performed upon application, and the Exchange then monitors its Members on an ongoing basis by running member information through the KYC databases. If material new information concerning an existing Member is at some point added to a database, the Exchange's system will flag the Member even if the cause for the flag was not extant at the time of the Member's application. That Member will then go through enhanced due diligence.

(iv) **Sanctions**: Exchange Members must agree to the terms and conditions of the Exchange's Rulebook before being allowed to trade. As a result, Members are subject to disciplinary actions and fines for engaging in improper market conduct that is prohibited by the Exchange's Rulebook. In the event that suspicious trading activity is detected and results in an investigation initiated by the Exchange, market participants are required to provide the Exchange with

information relevant to the scope of the investigation under Rule 3.2. Chapter 9 of the Exchange's Rulebook details the process for discipline and rule enforcement. Disciplinary action can range from a letter of warning to fines to referral to governmental authorities that can result in criminal prosecution.

In addition to these global policies and safeguards, there are a number of contract specific attributes and considerations that render the Contract not readily susceptible to manipulation.

The likelihood of a single reviewer affecting the score is very small; similarly, a film is only recorded as a 'recommend/doesn't recommend' rather than on a scale; as a result, manipulation of the Contract to that end by reviewers is not feasible. Major studio films often have hundreds of reviewers, the vast majority of which are released either immediately before or after release. Coordination between reviewers to en-masse effect the score of the film is unlikely to succeed because, as such a scheme grew, it would be more and more difficult to keep secret. Such a scheme would also be violative of any newspaper's code of conduct, which often require strict conflict of interest disclosures. Similarly, only certain critics associated with genuine film publications are approved for the Tomatometer. Eligibility guidelines are clear and public.⁹ This also easily allows the Exchange to block any reviewers of relevant films from trading on the Contract, all of whom are prohibited from trading on the Contract.¹⁰ In addition, Rotten Tomatoes employees are prohibited from trading on the Contract.

It is also not plausible for a film's producers (including its director, editors, and studio heads) to affect the value of the Contract. Film producers both do not know what reviewers will think of a given film and cannot plausibly have an incentive to, for example, reduce the quality of a film in order to try and turn the value of the Contract, especially given how the position limits of the Contract (\$25,000) are dwarfed by even an independent film's budget.

Moreover, the Exchange has taken particular steps in order to minimize the risk of trading on material nonpublic information. The Exchange will require members to affirm that the member is not a critic on Rotten Tomatoes – who will be prohibited from trading on the Contract – and does not hold material nonpublic information on matters related to the Underlying event prior to trading on the Contract. In addition, the Exchange actively monitors trading patterns and market participant behaviors, and has also informally consulted with members of the Financial Industry Regulatory Authority on this matter in order to optimize its anti-manipulation detection. If the Exchange's surveillance personnel detect indications that a member is trading on the basis of material non-public information, the surveillance staff will investigate the member including the collection and reference of employment information. The Exchange will also engage in additional surveillance measures, including checks into the identity and associations of the top

⁹ <https://www.rottentomatoes.com/critics/criteria>

¹⁰ <https://www.rottentomatoes.com/critics/authors>

5% of traders in the Contract (measured both by return on investment and total return) as well as random checks of other traders.

Core Principle 4 - Prevention of Market Disruption: Trading in the Contracts will be subject to the Rules of the Exchange, which include prohibitions on manipulation, price distortion, and disruption to the cash settlement process. Trading activity in the Contract will be subject to monitoring and surveillance by the Exchange's Market Surveillance Department. In particular, the Exchange's trade surveillance system monitors the trading on the Exchange to detect and prevent activities that threaten market integrity and market fairness including manipulation, price distortion, and disruptions of the settlement process. The Exchange also performs real-time market surveillance. The Exchange sets position limits, maintains both a trade practice and market surveillance program to monitor for market abuses, including manipulation, and has disciplinary procedures for violations of the Rulebook.

Core Principles 7 and 8 - Availability of General Information and Daily Publication of Trading Information: Core Principles 7 and 8, implemented by Regulations Sections Subsections 38.400, 38.401, 38.450, and 38.451, require a DCM to make available to the public accurate information regarding the contract terms and conditions, daily information on contracts such as settlement price, volume, open interest, and opening and closing ranges, the rules, regulations, and mechanisms for executing transactions on or through the facilities of the contract market, and the rules and specifications describing the operation of the contract market's electronic matching platform.

Rule 2.17 of the Rulebook sets forth the rules for publicizing information. The Rulebook and the specifications of each contract are made public on the Exchange website and remain accessible via the platform. The Exchange will post non-confidential materials associated with regulatory filings, including the Rulebook, at the time the Exchange submits such filings to the Commission. Consistent with Rule 2.17 of the Rulebook, the Exchange website will publish contract specifications, terms, and conditions, as well as daily trading volume and open interest for the Contract. Each contract has a dedicated "Market Page" on the Kalshi Exchange platform, which will contain the information described above as well as a link to the Underlying used to determine the Expiration Value of the Contract. Chapter 5 sets forth the rules, regulations and mechanisms for executing transactions, and the rules and specifications for Kalshi's trading systems.

Core Principle 11 - Financial Integrity of Transactions: Each Member must be in good standing and in compliance with the Member eligibility standards set forth in Chapter 3 of the Rulebook. All contracts offered by the Exchange, including the Contract, are cleared through the Clearinghouse, a Derivatives Clearing Organization ("DCO") registered with the CFTC and subject to all CFTC Regulations related thereto. The Exchange requires that all trading be fully

cash collateralized. As a result, no margin or leverage is permitted, and accounts must be pre-funded. The protection of customer funds is monitored by the Exchange and ensured by the Clearinghouse as “Member Property.”

All Remaining Requirements: All remaining Core Principles are satisfied through operation of the Exchange’s Rules, processes, and policies applicable to the other contracts traded thereon. Nothing in this contract requires any change from current rules, policies, or operational processes.