

April 19, 2024

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 Initial Listing of the “Will the median dot plot for <period> be <above/below/between> <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 median dot plot for <period> be <above/below/between> <count>?” contract (Contract). The Exchange intends to list the contract on a quarterly basis. The Contract’s terms and conditions (Appendix A) includes the following strike conditions:

- **<period>** (the target time period)
- **<count>** (the target federal funds rate)
- **<above/below/between>**

Along with this letter, Kalshi submits the following documents:

- A concise explanation and analysis of the Contract;
- Certification;
- Appendix A with the Contract’s Terms and Conditions;
- Confidential Appendices with further information; and
- A request for FOIA confidential treatment.

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

Official Product Name: Will the median dot plot for <period> be <above/below/between> <count>?

Rulebook: DOTPLOT

Kalshi Contract Category: Economic/Demographic Measure – U.S. Government

Fed dot plots

April 19, 2024

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 median dot plot for <period> be <above/below/between> <count>?” Contract is a contract relating to the Federal Reserve’s quarterly Summary of Economic Projections. After careful analysis, Kalshi (hereafter referred to as “Exchange”) has determined that the Contract complies with its vetting framework.

According to *Bloomberg*, “It’s almost certainly the most closely scrutinized scatter chart in world financial markets. Every three months since January 2012, the Federal Reserve has sent analysts scurrying by updating its “dot plot,” which has become the de facto monetary policy forecast of the US central bank — whether the Fed wants it to be or not. It’s also an important source of clues to dissent within the Fed’s policymaking committee, even if it can be as cryptic as it is crucial.”¹

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.

General Contract Terms and Conditions: The Contract operates similar to other event contracts that the Exchange lists for trading. The minimum price fluctuation is \$0.01 (one

¹<https://www.bloomberg.com/news/articles/2024-03-19/what-is-the-fed-s-dot-plot-and-why-does-it-matter?sref=PN Eof5m6>

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 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. A new Source Agency can be added via a Part 40 amendment. 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 median dot for <period> is <above/below/between> <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: April 19, 2024

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

**Official Product Name: Will the median dot plot for <period> be <above/below/between>
<count>?**

Rulebook: DOTPLOT

DOTPLOT

Scope: These rules shall apply to this contract.

Underlying: The Underlying for this Contract is the median dot in the Federal Reserve's midpoint of target range or target level for the federal funds rate "dot plot" for <period> in the quarterly Summary of Economic Projections from <meeting>. When the number of projections is even, the median is the average of the two middle projections. Revisions to the Underlying made after Expiration will not be accounted for in determining the Expiration Value.

Instructions: The Fed's Summary of Economic Projections can be found [here](#). 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 Reserve System.

Type: The type of Contract is an Event Contract.

Issuance: The Contract will be issued on a roughly quarterly basis, in line with the Federal Reserve's release of a new Summary of Economic Projections.

<count>: Kalshi may list iterations of the Contract with <count> levels that fall within an inclusive range between 0 and 100 at consecutive increments of <0.1>. Due to the potential for variability in the Underlying, the Exchange may modify <count> levels in response to suggestions by Members.

<meeting>: Kalshi may list iterations of the Contract with <meeting> values corresponding to different Federal Reserve meetings. The list of meetings for the current year can be found at <https://www.federalreserve.gov/monetarypolicy/fomccalendars.htm>.

<period>: <period> refers to a calendar period of time specified by Kalshi. Kalshi may list iterations of the Contract corresponding to variations of <period> that conform to a year or to the "longer run".

Payout Criterion: The Payout Criterion for the Contract encompasses the Expiration Values that are <above/below/between> <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 \$25,000 per strike, per Member.

Last Trading Date: The Last Trading Date of the Contract will be the day of the expected release of the Underlying. The Last Trading Time will be 1:55 PM ET.

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 date of the first 2:05 PM ET following the release of the Underlying.

Expiration time: The Expiration time of the Contract shall be 2:05 PM 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.