

May 2, 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 LeBron James Jr. be drafted to <team>?” 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 LeBron James Jr. be drafted to <team>?” contract (Contract). The Exchange intends to list the contract on a one-time basis. The Contract’s terms and conditions (Appendix A) includes the following strike conditions:

- <team> (the target basketball team)

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 LeBron James Jr. be drafted to <team>?

Rulebook: LBJR

Kalshi Contract Category: Entertainment/Popular Culture

LeBron James Jr.

May 2, 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 LeBron James Jr. be drafted to <team>?” Contract is a contract relating to University of Southern California student-athlete, LeBron James Jr. After careful analysis, Kalshi (hereafter referred to as “Exchange”) has determined that the Contract complies with its vetting framework.

LeBron James Jr. (or “Bronny”, as he is colloquially known) is a student-athlete at the University of Southern California. He was a highly sought-after high school athlete and a consensus four-star pick, the highest possible rating. He announced his intent to enter the National Basketball Association draft in early 2024 after his first year at USC, while also maintaining his college eligibility. Any given player, but especially someone like Bronny, has the potential to be a superstar and massively impact a given NBA or college team, and gift that team’s local economy with all the spillover effects that come from having a popular superstar and a more competitive basketball team.

Moreover, independent of James Jr’s personal athletic prowess, is his father’s. LeBron James is well understood to be the best basketball player since Michael Jordan retired in 2003. He is the highest scorer in National Basketball Association history, has won four world championships (having competed in another six), and four Most Valuable Player awards. LeBron has also consistently committed to trying to join whatever team Bronny is drafted by, potentially gifting any team that drafts him with a double whammy of their new draftee and possibly the greatest basketball player of all time. Even in his “old” age (39 years is well above the average age of a professional player), he has remained a competitive and strong player, earning an NBA All-Star designation even in early 2024.

According to Bleacher Report, “LeBron James has made it clear that he would love to play alongside his son before his NBA career comes to an end”.

That double whammy – or even just the single whammy of Bronny himself – has the effect of potentially transforming a city whose team gains him.

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 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 LeBron James Jr. has been drafted to <team>, 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: May 2, 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 LeBron James Jr. be drafted to <team>?

Rulebook: LBJR

LBJR

Scope: These rules shall apply to this contract.

Underlying: The Underlying for this Contract is reporting from *ESPN.com*. If a story has been retracted by the 10:00 AM ET following relevant reporting, it is not eligible to be included in the Payout Criterion. Revisions to the Underlying made after Expiration will not be accounted for in determining the Expiration Value.

Instructions: *ESPN.com* 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 Entertainment and Sports Programming Network.

Type: The type of Contract is an Event Contract.

Issuance: After the initial Contract, Contract iterations will be listed on an as-needed basis at the discretion of the Exchange and corresponding to the risk management needs of Members.

<team>: <team> refers to a particular professional or collegiate basketball team. Kalshi will source candidates from leading industry publications, such as *ESPN* and *The Athletic*.

Payout Criterion: The Payout Criterion for the Contract encompasses the Expiration Values that LeBron James Jr. either has been drafted by the NBA team <team> in the 2024 NBA draft. If he has been traded to a different team by the Expiration Time on the Expiration Date (the morning after the draft), then that <team> will be the one used as the Expiration Value. If James Jr. is not drafted in the 2024 draft, then the market resolves to No.

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 same as the Expiration Date.

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 sooner of the first 10:00 AM ET following the occurrence of an event encompassed by the Payout Criterion or the first 10:00 AM ET following the NBA draft.

Expiration time: The Expiration time of the Contract shall be 10:00 AM 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.