

06/29/2022

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 Amendment of the “Will there be more than <number> <hurricane category number> hurricanes?” 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 amending the “Will there be more than <number> <hurricane category number> hurricanes?” contract (Contract). There is no open interest in the previous iteration of the contract, whose last iteration expired in autumn 2021. The Exchange intends to list the amended contract when a new storm gets named. The Contract’s terms and conditions (Appendix A) includes the following strike conditions:

- **<number>** (number of hurricanes)
- **<speed>** (wind speed mapping to hurricane category number)
- **<start_date>**
- **<end_date>**

This contract is a straightforward amendment to the previous LTHUR market. The major changes are as follows:

- The contract now has variable expiration, in order to protect against any unlikely data anomalies and to be consistent with other Kalshi markets.
- The contract no longer requires hurricanes to make landfall in the United States, since measurement of precise landfall locations may be ambiguous.
- The name has been changed to be consistent with CFTC best principles

Along with this letter, Kalshi submitted the following documents:

- A clean copy of the amended Contract; and
- A redline showing the changes to Appendix A, the product rules and terms and conditions of the contract.

If you have any questions, please do not hesitate to contact me.

Sincerely,

Elie Mishory
Chief Regulatory Officer
KalshiEX LLC
emishory@kalshi.com

KalshiEX LLC

New Contract Submission: “Will there be more than <number> <hurricane category number> hurricanes?”

Rulebook: LTHUR

Kalshi Contract Category: Weather/Climate

Long-term Hurricane

06/29/2022

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 there be more than <number> <hurricane category number> hurricanes?” Contract is a contract relating to whether or not more than <number> of Atlantic storms whose maximum sustained wind speeds exceed <speed>. After careful analysis, Kalshi (hereafter referred to as “Exchange”) has determined that the Contract complies with its vetting framework, which has been reviewed by the CFTC and formed part of the Exchange’s application for designation as a Contract Market (“DCM”) that was approved by the Commission.

This contract allows individuals to hedge against the number of Atlantic storms meeting various levels of severity. Hurricanes cause billions of dollars in damage every year.

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 binary 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. Additionally, as outlined in Rule 7.2 of the Rulebook, if any event or any circumstance which may have a material impact on the reliability or transparency of a Contract's Source Agency or the Underlying related to the Contract arises, Kalshi retains the authority to designate a new Source Agency and Underlying for that Contract and to change any associated Contract specifications after the first day of trading. That new Source Agency and Underlying would be objective and verifiable. Kalshi would announce any such decision on its website. 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 number of Atlantic storms between <start_date> and <end_date> with maximum sustained wind speeds greater than or equal to <speed> exceeds <number>, 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.

Eliezer Mishory

By: Eliezer Mishory
Title: Chief Regulatory Officer
Date: 06/29/2022

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

TERMS OF CONTRACTS TRADED ON KALSHI

Official Product Name: ““Will there be more than <number> <hurricane category number> hurricanes?”

Rulebook: LTHUR

LTHUR

Scope: These rules shall apply to this contract.

Underlying: The Underlying for this Contract is the maximum sustained wind-speeds, and times of Atlantic storms from the National Oceanic and Atmospheric Administration’s National Hurricane Center between <start_date> and <end_date>. Revisions to the Underlying made after Expiration will not be accounted for in determining the Expiration Value.

Instructions: The information is available at <https://www.nhc.noaa.gov/archive/YYYY/XXXXX.shtml?> where YYYY is the year, and XXXXX denotes the name of the storm. For example, <https://www.nhc.noaa.gov/archive/2021/HENRI.shtml?> is the page for 2021’s Hurricane Henri.

The set of storm names is available here: <https://www.nhc.noaa.gov/aboutnames.shtml>. There may also be Greek symbol-named storms if the total number of storms exceeds the number in the list. There are two elements to the underlier. One is maximum sustained wind-speed, and the other is the storm or storms’ location.

To find maximum sustained wind-speeds, navigate to the link above and go to the column entitled “Discussion”. Click on each of the hyperlinks. Navigate to the row (about 2/3rds down) that says INIT. The maximum sustained wind-speeds is the number preceding the word MPH. The coordinates in that row listed determine the location. The north-south coordinate is the numbers preceding “N” and the East-West coordinate is the number preceding “S”. The relevant date is at the top of the document. 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 National Oceanic and Atmospheric Administration’s National Hurricane Center.

Type: The type of Contract is a Binary Contract.

Issuance: The Contract will be listed to coincide with the hurricane season, from June 1 to November 30.

<speed>: Kalshi may list iterations of the Contract with <speed> levels that fall within an inclusive range between a maximum value of 500 and a minimum value of 0 at consecutive increments of 1. Due to the potential for variability in the Underlying, the Exchange may modify <speed> levels in response to suggestions by Members.

Please note that the Exchange may refer to wind-speeds using knots per hour, miles per hour or the Saffir-Simpson Hurricane scale. There are 1.15078 miles per knot. The Saffir-Simpson Hurricane scale is copied below and available here: <https://www.weather.gov/mfl/saffirsimpson>.

- The threshold for Category 1 is sustained wind speeds of at least 74 miles per hour (64 knots per hour)
- The threshold for Category 2 is sustained wind speeds of at least 96 miles per hour (83 knots per hour)
- The threshold for Category 3 is sustained wind speeds of at least 111 miles per hour (96 knots per hour)
- The threshold for Category 4 is sustained wind speeds of at least 130 miles per hour (113 knots per hour)
- The threshold for Category 5 is sustained wind speeds of at least 157 miles per hour (137 knots per hour)

<number>: Kalshi may list iterations of the Contract with <number> levels that fall within an inclusive range between a maximum value of 90 and a minimum value of 0 at consecutive increments of 1. Due to the potential variability in the Underlying, the Exchange may modify <number> levels in response to suggestions by Members.

<start_date>: <start_date> refers to a calendar date specified by Kalshi. Kalshi may list iterations of the Contract corresponding to different statistical periods of <start_date>.

<end_date>: <end_date> refers to a calendar date specified by Kalshi. Kalshi may list iterations of the Contract corresponding to different statistical periods of <end_date>.

Payout Criterion: The Payout Criterion for the Contract encompasses the Expiration Values that exceed <number>.

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 Member.

Last Trading Date: The Last Trading Date of the Contract will be the sooner of the date of the first 10:00 AM ET following the occurrence of the event (whereupon the Last Trading Time will be 10:00 AM ET), or <end_date> (whereupon the Last Trading Time will be 11:59 PM ET)

Settlement Date: The Settlement Date of the initial iteration of the Contract shall be 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 date of the first 10:00 AM following the occurrence of the event, or the day after <end_date>.

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 number of Atlantic storms in the Underlying that meet the following conditions as documented by the Source Agency on the Expiration Date at the Expiration time:

- (1) Its maximum sustained wind-speeds is greater than or equal to <speed>.
- (2) A value in its set of dates is between <start_date> and <end_date>

Contingencies: Before Settlement, Kalshi may, at its sole discretion, initiate the Market Outcome Review Process pursuant to Rule 6.3(c) of the Rulebook. Additionally, as outlined in Rule 7.2 of the Rulebook, if any event or any circumstance which may have a material impact on the reliability or transparency of a Contract's Source Agency or the Underlying related to the Contract arises, Kalshi retains the authority to designate a new Source Agency and Underlying for that Contract and to change any associated Contract specifications after the first day of trading.

Contract: LTHUR

Scope: These rules shall apply to ~~this~~[the LTHUR](#) contract.

Underlying: The Underlying for this Contract is the maximum sustained wind-speeds, ~~locations~~ and times of Atlantic storms ~~at landfall~~ from the National Oceanic and Atmospheric Administration's National Hurricane Center [between <start_date> and <end_date>](#).

Instructions: The information is available at <https://www.nhc.noaa.gov/archive/YYYY2021/XXXXX.shtml>? where [YYYY is the year, and XXXXX](#) denotes the name of the storm. For example, <https://www.nhc.noaa.gov/archive/2021/HENRI.shtml>? ~~is~~ the page for [2021's](#) Hurricane Henri.

The set of storm names is available here: <https://www.nhc.noaa.gov/aboutnames.shtml>. ~~under the column "2021"~~. There may also be Greek symbol-named storms if the total number of storms exceeds the number in the list. There are two elements to the underlier. One is maximum sustained wind-speed, and the other is the storm or storms' location.

To find maximum sustained wind-speeds, navigate to the link above and go to the column entitled "Discussion". Click on each of the hyperlinks. Navigate to the row (about 2/3rds down) that says INIT. The maximum sustained wind-speeds is the number preceding the word MPH. The coordinates in that row listed determine the location. The north-south coordinate is the numbers preceding "N" and the East-West coordinate is the number preceding "S". The relevant date is at the top of the document.

~~The second part of the Underlying is whether the coordinates are inside the continental United States. Coordinates within the United States are available at the National Weather Services's coordinate shapefile available here. The shapefile creates a polygon of national and state/territory outlines—a coordinate within that polygon is in the continental United States.~~

Revisions to the Underlying made after Expiration will not be accounted for in determining the Expiration Value.

Source Agency: The Source Agency is the National Oceanic and Atmospheric Administration's National Hurricane Center.

Type: The type of Contract is a Binary Contract.

Issuance: The Issuance of the initial Contract will be on or after Thursday, September 2nd.

<speed>: Kalshi may list iterations of the Contract with <speed> levels that fall within an inclusive range between a maximum value of <2500> and a minimum value of <0> at consecutive increments of <1>. Due to the potential for variability in the Underlying, the Exchange may modify <speed> levels in response to suggestions by Members.

Please note that the Exchange may refer to wind-speeds using knots per hour, miles per hour or the Saffir-Simpson Hurricane scale. There are 1.15078 miles per knot. The Saffir-Simpson Hurricane scale is copied below and available here: <https://www.weather.gov/mfl/saffirsimpson>.

- The threshold for Category 1 is sustained wind speeds of at least 74 miles per hour (64 knots per hour)
- The threshold for Category 2 is sustained wind speeds of at least 96 miles per hour (83 knots per hour)
- The threshold for Category 3 is sustained wind speeds of at least 111 miles per hour (96 knots per hour)
- The threshold for Category 4 is sustained wind speeds of at least 130 miles per hour (113 knots per hour)
- The threshold for Category 5 is sustained wind speeds of at least 157 miles per hour (137 knots per hour)

<number>: Kalshi may list iterations of the Contract with <number> levels that fall within an inclusive range between a maximum value of 90 and a minimum value of 0 at consecutive increments of <1>. Due to the potential variability in the Underlying, the Exchange may modify <number> levels in response to suggestions by Members.

<start_date>: <start_date> refers to a calendar date specified by Kalshi. Kalshi may list iterations of the Contract corresponding to different statistical periods of <start_date>.

<end_date>: <end_date> refers to a calendar date specified by Kalshi. Kalshi may list iterations of the Contract corresponding to different statistical periods of <end_date>.

Payout Criterion: The Payout Criterion for the Contract encompasses the Expiration Values that exceed <number>.

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 Member.

Last Trading Date: The Last Trading Date of the initial iteration of the Contract will be the sooner of the date of the first 10:00 AM ET following the occurrence of the event (whereupon

~~the Last Trading Time will be 10:00 AM ET), or <end_date> (whereupon the Last Trading Time will be 11:59 PM ET) the same day as the Expiration Date. The Last Trading Time will be the same as the Expiration time.~~

Settlement Date: The Settlement Date of the initial iteration of the Contract shall be 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 date of the first 10:00 AM following the occurrence of the event, or the day after <end_date>. December 1, 2021.](#)

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

Settlement Value: The Settlement Value for this Contract is \$1.00.

Expiration Value: The Expiration Value is the number of Atlantic storms in the Underlying that meet the following conditions as documented by the Source Agency on the Expiration Date at the Expiration time:

- (1) Its maximum sustained wind-speeds is greater than or equal to <speed>.
- (2) A value in its set of dates is between ~~<start_date> and <end_date>~~[Issuance Date and Expiration Date](#)
- (3) ~~A value in its set of coordinates is within the United States (including Puerto Rico)~~

~~Please note that the values need not be at the same time. For example, a storm may meet condition (3) two days after meeting condition (1) and both conditions will be fulfilled even if the maximum sustained wind speed at the time of meeting condition (3) is below <speed>.~~

Contingencies: Before Settlement, Kalshi may, at its sole discretion, initiate the Market Outcome Review Process pursuant to Rule 6.3(c) of the Rulebook. Additionally, as outlined in Rule 7.2 of the Rulebook, if any event or any circumstance which may have a material impact on the reliability or transparency of a Contract's Source Agency or the Underlying related to the Contract arises, Kalshi retains the authority to designate a new Source Agency and Underlying for that Contract and to change any associated Contract specifications after the first day of trading.