August 15, 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 40.2(a) Notification Regarding the Initial Listing of the "Will the Fed <decision> at <meeting> and the EUR/USD move by <percent>?" 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 Fed <decision> at <meeting> and the EUR/USD move by <percent>?" contract (Contract). The Exchange intends to list the contract on a basis in conjunction with the Federal Reserve's meetings every (roughly) six weeks. The Contract's terms and conditions (Appendix A) includes the following strike conditions:

- **<decision>** (referring to the target Federal Reserve decision, e.g. a hike or cut)
- **<meeting>** (the target Federal Open Market Committee meeting)
- **<percent>** (the target movement in the EUR/USD value)

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 Fed <decision> at <meeting> and the EUR/USD move by <percent>?
Rulebook: DOLLAR/FED
Kalshi Contract Category: Commodity
Dollar/Fed events
August 15, 2023

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 Fed <decision> at <meeting> and the EUR/USD move by <percent>??" Contract is a contract relating to the effect of Federal Reserve Open Market Committee (FOMC) decisions on the value of the U.S. dollar relative to the euro. After careful analysis, Kalshi (hereafter referred to as "Exchange") has determined that the Contract complies with its vetting framework.

There is a very tight link between FOMC decisions and the value of the U.S. dollar. The foreign exchange rate of the U.S. dollar to foreign currencies is a highly salient issue to contemporary businesses. ICE, the source agency, is one of the pre-eminent suppliers of public data on the over-the-counter spot exchange rate, critical to making business, investment, and hedging decisions by firms and especially by retail. Modern firms produce goods and services with incredibly complex supply chains, often across dozens of different countries.

A linked contract related to both outcomes is more useful to some market participants than merely offering separate contracts on the value of the federal funds rate and the EUR/USD. This includes cost/fee efficiency, portfolio simplification, novel price discovery, as well as risk specific to the relationship between the two Underlying concepts.

An example of a firm with someone with a specific risk the Contract could mitigate is a firm with European exposure This company typically converts its EUR revenues back to USD. The financial team of the company expects a certain rate of revenue based on the current EUR/USD exchange rate. The company is concerned about how this specific FOMC decision will impact the EUR/USD rate. If the decision leads to a stronger EUR and weaker USD, this would be harmful for the company when converting its revenues. On the contrary, if the USD strengthens against the EUR following the FOMC decision, the company might realize fewer USD revenues than expected. In such a scenario, the company isn't just worried about the FOMC decision in isolation, nor just about the generic movement of the EUR/USD. It's concerned specifically about the combined effect of the FOMC meeting on the EUR/USD rate.

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. 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. 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 Federal Reserve’s Open Market Committee has announced <decision> at <meeting> and the EUR/USD has changed by <percent>, 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.

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By: Xavier Sottile
Title: Head of Markets
Date: August 15, 2023

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 E (Confidential) - Agreement with Intercontinental Exchange

APPENDIX A – CONTRACT TERMS AND CONDITIONS

Official Product Name: Will the Fed <decision> at <meeting> and the USDX move by <percent>?
Rulebook: DOLLAR/FED

DOLLAR/FED

Scope: These rules shall apply to this contract.

Underlying: The Underlying for this Contract is the target federal funds rate as announced by the Federal Open Market Committee at <meeting> and the percent change in value of the EUR/USD open prices between 9:30 AM ET and 4:00 PM ET the day of <meeting> rounded to a hundredth of a percentage point. Revisions to the Underlying made after Expiration will not be accounted for in determining the Expiration Value.

Instructions: FOMC decisions for a given meeting can be found here. ICE's real-time data on currency ratios can be accessed at a variety of public sources, including 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 Agencies are the Federal Open Market Committee and Intercontinental Exchange.

Type: The type of Contract is an Event Contract.

Issuance: The Contract will be listed in conjunction with Federal Open Market Committee meetings, which occur on a roughly six-week basis.

<percent>: Kalshi may list iterations of the Contract with <percent> levels that fall within an inclusive range between -100 and 100 at consecutive increments of <0.01>. Due to the potential for variability in the Underlying, the Exchange may modify <percent> levels in response to suggestions by Members.

<meeting>: <meeting> refers to a Federal Open Market Committee meeting specified by Kalshi. The meeting schedule can be found in the Instructions.

<decision>: <decision> refers to a Federal Open Market Committee decision to change (or not change) the target federal funds rate by a given amount.

Payout Criterion: The Payout Criterion for the Contract encompasses the Expiration Values that the FOMC has made <decision> at <meeting> and the EUR/USD has changed by <percent>.

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 date of <meeting>. The Last Trading Time will be 3:59 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 sooner of the date of the first 4:00 PM ET following <meeting> that data is available or one week after <meeting>.

Expiration time: The Expiration time of the Contract shall be 4:00 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. 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.