

December 11, 2021

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 40.6(a) Notification Regarding the Amendment of the “Will new U.S. home sales be above <count>?” Contract

Dear Sir or Madam,

Pursuant to Section 5c(c) of the Commodity Exchange Act and Section 40.6(a) of the regulations of the Commodity Futures Trading Commission, KalshiEX LLC (Kalshi) hereby notifies the Commission that it is amending the “Will new U.S. home sales be above <count>?” contract (Contract). The Contract is intended to be listed monthly. The Exchange may list additional contracts with different <count> levels for a given <month> according to changes in expectations. The Contract’s terms and conditions (Appendix A) includes the following strike conditions:

- **<month> (the target month)**
- **<count> (the number of new home sales)**

The changes are as follows:

1. The Underlying was separated from instructions on how to access the Underlying. This is to make sure that the Underlying is not tied to a particular website style, URL, or format.
2. The Last Trading Date was changed to the day of the scheduled data release for <month>.
3. The Last Trading Time was changed to 9:55 AM ET to better reflect the timing of the data release (10:00 AM).
4. The Expiration Date is now the sooner of the day of the release of data for <month> or one week following the scheduled data release for <month>. This will prevent any short-term issues with the data release from affecting the Expiration Value.
5. The Expiration Time was changed to 10:05 AM ET to better reflect the timing of the data release (10:00 AM).
6. The Settlement date has been changed to no later than the day following Expiration rather than strictly the day following Expiration to return Members’ funds sooner.
7. Additional form language regarding contingencies has been added to be consistent with other contracts.

Along with this letter, Kalshi submitted the following documents:

- A clean copy of the amended parts of the originally filed Contract (Introduction and Contract Terms and Conditions, as well as Appendix A); and
- A redline showing the amendments.

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>.

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

Rule 40.2 New Contract Submission: “How many new U.S. home sales will there be?”

Ticker: HOME

December 11, 2021

**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 “How many new U.S. home sales will there be?” contract is a contract relating to aggregate data on the number of new single-family houses sold per month in the United States. This contract is designed to enable market participants with significant interest in the sale of new homes in the U.S. to hedge the risk that sales outperform or underperform their expectations. 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 will allow market participants to directly hedge against weakness in the housing market for new construction. This will allow participants interested in purchasing a new home to hedge the risk of high demand from other consumers that could put upward pressure on housing prices. It will also provide valuable information to policymakers regarding the health of the housing market, a vital indicator that contains information about the potential formation of bubbles or other trends that can contribute to systemic risk in the economy.

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 Appendix B.

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, including regulations under the Act.

Relevant Contract Terms and Conditions: The Contract operates similar to the other binary contracts that the Exchange is self-certifying for trading. In particular, 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. While trading on the

contract is open, Members are able to adjust their positions and trade freely. Once trading on the contract has closed, the market is settled by the Exchange and the long position holders and short position holders are paid according to the outcome of the market. In this case, “long position holder” refers to a Member who purchased the “Yes” side of the contract and “short position holder” refers to a Member who purchased the “No” side of the contract. Depending on the outcome of the market, as determined by the Exchange, one of two payout processes is triggered. If the Market Outcome is “Yes”, meaning that the quantity of “New Houses Sold” in the New Residential Sales report for the statistical period of <month> is strictly above <count>, then the long position holder is paid an absolute amount proportional to the size of their position and the short position holder receives no payment. Otherwise, if the Market Outcome is “No”, then the short position holder is paid an absolute amount proportional to the size of their position and the long position holder receives no payment. Further specification of the circumstances that would trigger a settlement in the “Yes” direction are included below in the section titled “Payout Criterion” in Appendix A.

APPENDIX A – CONTRACT TERMS AND CONDITIONS

TERMS OF CONTRACTS TRADED ON KALSHI

Official Product Name: How many new U.S. home sales will there be?

Ticker and Rulebook: HOME

HOME

Scope: These rules shall apply to the HOME contract.

Underlying: The Underlying for this Contract is the preliminary estimate of seasonally adjusted “New Residential Sales” found in the Current Press Release of the monthly New Residential Sales report published by the U.S. Census Bureau. Revisions to the Underlying made after Expiration will not be accounted for in determining the Expiration Value.

Instructions: The Underlying can be found by clicking on “Full Report [PDF]” under “Current Press Release:” at <https://www.census.gov/construction/nrs/index.html>. A schedule of release dates for the New Residential Sales report is available in the table on page 2 of the following PDF in the row titled “New Residential Sales”:

https://www.census.gov/economic-indicators/censusreleaseglance_2021.pdf. Each month’s report is available at the following stable URL, which automatically displays the latest available report: <https://www.census.gov/construction/nrs/pdf/newressales.pdf>. The Underlying is typically located on the first page of the report in the left-hand table titled “New Residential Sales [MONTH/YEAR]” and is delineated by the identifier “New Houses Sold:”. 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 U.S. Census Bureau.

Type: The type of Contract is a Binary Contract.

Issuance: The Contract is based on the outcome of a recurrent data release which is issued on a monthly basis. Thus, Contracts will be issued on a monthly basis, and subsequent contracts will correspond to the next month.

Count: Kalshi may list “Will U.S. new home sales be above <count>?” contracts with <count> levels that fall within an inclusive range between a maximum value of 2,000,000 and a minimum value of 0 at consecutive increments of 1,000. Due to the potential for variability in the Underlying, the Exchange may modify <count> levels in response to suggestions by Members.

Month: <month> refers to a calendar month specified by Kalshi. Kalshi may list “Will new U.S. home sales be above <count>?” contracts corresponding to different statistical periods of <month>, ranging from January to December.

Payout Criterion: The Payout Criterion encompasses the Expiration Values that are strictly above <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

Member.

Last Trading Date: The Last Trading Date for the Contract will be the day of the scheduled data release for <month>. The schedule can be found at <https://www.census.gov/construction/nrs/schedule.html>. The Last Trading Time will be 9:55 AM 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 first 10:05 AM ET following the release of data for <month> or one week following the scheduled data release for <month>.

Expiration time: The Expiration time of the Contract shall be 10:05 AM ET.

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

Expiration Value: The Expiration Value is the value of the Underlying for the statistical period of <month> 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.