

KalshiEX LLC

Rule 40.2 New Contract Submission: “WillHow many new U.S. home sales will there be above<count>???”

06/28/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 “WillHow many new U.S. home sales will there be above<count>???” 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.

Contract Specifications:

Underlying	The preliminary estimate of seasonally adjusted “New Residential Sales” reported in the Current Press Release of the monthly Residential Sales report published by the U.S. Census Bureau. (https://www.census.gov/construction/nrs/index.html). Future revisions after Expiration will not be accounted for. Further analysis regarding the Underlying, including a discussion of data collection methodology and considerations related to Core Principle 3 are covered in Confidential Appendix C and Confidential Appendix D.
Payout Criterion	The Payout Criterion encompasses Expiration Values that are strictly above <count>.
Contract Size	The Exchange takes the view that maximizing the commercial usefulness of any product dictates that the contract size should conform to commercial norms. Therefore, as with other similar contracts offered by the Exchange, the Contract is sized with a one-dollar notional value to enable Members to match the size of the contracts purchased to their economic risks.

<p>Listing Cycle</p>	<p>For contracts whose Expiration Value is based on the outcome of recurrent data releases, Expirations will be listed consistently by a time period corresponding to the cadence of Underlying data releases. For contracts whose Expiration Value is not based upon the outcome of recurrent data releases, Expirations will be listed on an as-needed basis at the discretion of the Exchange and corresponding to the risk management needs of Members.</p> <p>The Contract is based on the outcome of a recurrent data release which is issued on a monthly basis. Thus, Expirations for the Contract will be listed on a monthly basis.</p> <p>I. — The issuance of the initial contract will be on June 30, 2021.</p> <p>II. — The issuance of each subsequent contract will correspond to the next month and be announced and posted on the Exchange website. After the initial contract, subsequent contracts will be issued on the Expiration Date of the previous contract to reflect the monthly schedule of the New Residential Sales report.</p> <p>III. — The Exchange will list additional contract months on a recurring basis and will publish all available contract months on its website.</p>
<p>Tick Size</p>	<p>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. A minimum price fluctuation of \$0.01 is the standard tick size on the Exchange.</p>
<p>Position Limit</p>	<p>The Exchange has imposed position limits (defined as maximum loss exposure) of \$25,000 U.S.D on the Contract.</p>
<p>Trading Hours</p>	<p>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.</p>
<p>Fees</p>	<p>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.</p>
<p>Contract Modifications</p>	<p>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.</p>

APPENDIX A – CONTRACT TERMS AND CONDITIONS

TERMS OF CONTRACTS TRADED ON KALSHI

Rule 100.3

Contract: “Will
Official Product Name: How many new U.S. home sales will there ~~be above~~
<count>?”?
Ticker and Rulebook: HOME

HOME

Scope: These rules shall apply to the ~~contract referred to as “Will new U.S. home sales be above <count>?”~~.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>).~~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.

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>.~~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:”.

~~Given that the preliminary estimate of seasonally adjusted New Residential Sales is explicitly specified as the underlying for the Contract, further revisions that are published after Expiration will not be taken into account when determining the Expiration Value of the Contract.~~

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 Issuance of this contract will be in accordance with the information outlined in the “Listing Cycle” section of the Contract Specifications table. 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. The Issuance of the initial contract will be on June 30, 2021 at 10:00am ET. After the initial contract, subsequent contracts will be issued on the Expiration Date of the prior iteration of the contract to reflect the monthly schedule of the New Residential Sales report.~~

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: ~~Unless otherwise noted by the Exchange and indicated on the Exchange website, the~~ The Last Trading Date for the Contract will be the day ~~prior to~~of the scheduled data release ~~of the next Census Bureau New Residential Sales report. The Last Trading Time for the Contract is 7:00pm ET on the day prior to the release of the next Census Bureau New Residential Sales report. No trading in the Contract shall occur after its Last Trading Date and Time. For example, the Last Trading Date of the initial contract is July 25, 2021 and the Last Trading Time is 7:00pm ET on July 25, 2021 because the next Census Bureau New Residential Sales report will be released on July 26, 2021. A calendar of future New Residential Sales report release dates is available here:~~<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 ~~release date of the next New Residential Sales report published by the Census Bureau. For example, the Expiration Date of the initial contract is July 26, 2021 because the next New Residential Sales report will be released on July 26, 2021.~~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 ~~6:00pm~~ 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.
