KalshiEX LLC
~~**Rule 40.2 New Contract Submission: "**~~**Official Product Name:** Will weekly average subway ridership in New York City be above <count~~>?"~~>?
~~07~~Ticker: MTA
Kalshi Contract Category: Transportation
MTA Ridership
12/11/2021

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 ~~Regulation~~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 weekly average subway ridership in New York City be above <count>?" contract is a contract relating to the weekly average of subway ridership in New York City, based on data reported daily by the Metropolitan Transportation Authority ("MTA"). The contract is designed to enable market participants whose businesses or operations are affected by changes in weekly average New York City subway ridership to mitigate the commercial risks associated with unexpected decreases in New York's subway ridership. 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.

New York City's subway ridership is tightly linked to the city's economic growth as well as America's economic growth. The subway network provides a highly connected transportation infrastructure for the city. The MTA, which administers the NYC subway, is a critical part of the NYC economy, which generates approximately 10 percent of the United States' economic output. MTA bonds also constitute 1 percent of the national bond market, so fluctuations in NYC subway ridership can potentially have ripple effects nationwide.[1] The Contract can be used to mitigate or hedge against the economic risks associated with lower than expected subway ridership. Millions of retail market participants, from proprietors of small and medium enterprises ("SMEs") with proximity

---

[1] https://www.bloombergquint.com/business/new-york-mta-faces-dire-service-cuts-without-heroes-act-funding

to subway stations to employees of transportation-related industries can utilize the Contract to hedge against the risk of decreased revenue and potential unemployment.

Further information about the ~~contract~~Contract, including an analysis of its risk mitigation and price basing utility, as well as additional considerations related to the ~~contract~~Contract, is included ~~in~~ Confidential ~~Appendix~~Appendices B, C, and D.

Pursuant to Section 5c(c) of the Act and CFTC ~~Regulation~~Regulations 40.2(a), the Exchange hereby certifies that the listing of the Contract complies with the Act~~, including~~ and Commission regulations under the Act.

~~Relevant~~General Contract Terms and Conditions: The Contract operates similar to ~~the~~ other binary contracts that the Exchange ~~is self-certifying~~lists for trading. ~~In particular~~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. ~~While~~During the time that trading on the Contract is open, Members are able to adjust their positions and trade freely. ~~Once~~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 ~~outcome of the market.~~Market Outcome. In this case, "long position ~~holder~~holders" refers to ~~a Member~~Members who purchased the "Yes" side of the Contract and "short position ~~holder~~holders" refers to a

~~Member~~Members 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 Weekly Average of subway ridership in New York City for the statistical period of~~ number of MTA riders in the week ending <date> is ~~strictly above~~ greater than <count>, then the long position ~~holder is~~holders are paid an absolute amount proportional to the size of their position and the short position ~~holder receives~~holders receive no payment. ~~Otherwise, if~~ If the Market Outcome is "No~~"~~," then the short position ~~holder is~~holders are paid an absolute amount proportional to the size of their position and the long position ~~holder receives~~holders receive no payment. ~~Further specification~~Specification of the circumstances that would trigger a ~~settlement in the~~Market Outcome of "Yes"~~direction~~ are included below in the section titled "Payout Criterion" in Appendix A.

Contract Specifications:

Underlying	The Metropolitan Transportation Authority (MTA)'s "Day-by-Day" ridership numbers" for the New York City subway: https://new.mta.info/coronavirus/ridership.
Payout Criterion	The Payout Criterion encompasses the 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.

Listing Cycle	For contracts whose Expiration Value is based on the outcome of recurrent data releases, Contract iterations 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, 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.
	
	The Contract is based on the outcome of a recurrent data release which is issued on a daily basis (the MTA Day-by-day Ridership Numbers report), and computed into a Weekly Average by the Exchange. Thus, iterations for the Contract will be listed on a weekly basis.
	  I. The issuance for the initial contract will be July 13, 2021.
	  II. The issuance for each subsequent contract will correspond to the next week 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.
	  III. The Exchange will list additional contract weeks on a recurring basis

	and will publish all available contract weeks on its website.
Tick Size	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.
Position Limit	The Exchange has imposed position limits (defined as maximum loss exposure) of $25,000 USD on the Contract.
Trading Hours	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.
Fees	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.
Contract Modifications	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.

APPENDIX A – CONTRACT TERMS AND CONDITIONS

TERMS OF CONTRACTS TRADED ON KALSHI

~~Rule 100.16~~

~~Contract~~Official Product Name: "Will weekly average subway ridership in New York City be above <count>?"
Ticker and Rulebook: MTA

MTA

Scope: These rules shall apply to ~~the~~this contract ~~referred to as "Will weekly average subway ridership in New York City be above <count>?".~~.

Underlying: The Underlying for this Contract is the average of the Metropolitan Transportation Authority (MTA)'s ~~"Day-by-Day"~~daily ridership ~~numbers"~~for the New York City subway. ~~This data is collected daily by the MTA, and data~~ for the ~~previous day is published the following day at the following website: https://new.mta.info/coronavirus/ridership~~.week ending <date>. Specifically, the Subway including Staten Island Railway Total Estimated Ridership numbers published by the MTA will be used to compute a "Weekly Average" of traveler throughput as measured by the Total Estimated Ridership numbers. For the purposes of determining the Expiration Value of the Contract, "Weekly Average" is defined as the sum of the published MTA ~~Total Estimated Ridership~~total estimated ridership numbers that are included in the 7-day period defined by Monday through Sunday, divided by the number of days in the week for which data was published. The "Weekly Average" is the value that will be used to determine the Expiration Value of the Contract each week. If the calculated Weekly Average is not a whole number and is instead a decimal, then the final value of Weekly Average will be calculated by rounding to the nearest integer~~.~~ (0.5 rounds up). For example, a non-whole number value of Weekly Average such as 1500000.32 would become 1500000 and a value such as 1500000.67 would become 1500001. The MTA may make adjustments to data after it has been initially published. If there is a revision of daily Total Estimated Ridership data for a certain day included in the relevant statistical period published prior to the Expiration Date and Expiration time, then this revised data will be accounted for in computing the Weekly Average. In all other cases, such as if revisions to data are published after the Expiration Date and Expiration time, revised data will not be used to compute the Weekly Average used to calculate Expiration Value.

Kalshi will rely only on data made available before Expiration Date to compute the Weekly Average. For example, if only five out of seven days of data are available by the Expiration Date, Kalshi will average across those five days to compute Weekly Average. As noted above, any revisions or data published after the Expiration Time on the Expiration Date will not be used to compute the Weekly Average.

~~For the first iteration of this Contract, any data for the day of Monday, July 12, 2021 will be taken into account to compute the Weekly Average.~~

Instructions: This data is collected daily by the MTA, and data for the previous day is published the following day at the following website: https://new.mta.info/coronavirus/ridership on a page called "Day-by-Day ridership numbers". 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 Metropolitan Transportation Authority ("MTA").

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 daily basis ~~(the MTA Day-by-day Ridership Numbers report), and computed into a Weekly Average by the Exchange.~~. Thus, ~~Contracts~~Contract iterations will be issued on a ~~weekly~~recurring basis, and ~~subsequent contracts will~~future Contract iterations will generally correspond to the next week. ~~The Issuance of the initial contract will be on July 13, 2021 at 10:00am ET. After the initial contract, subsequent contracts will be issued on the Expiration Date of the previous contract.~~

~~Count:~~**<count>:** Kalshi may list ~~"Will weekly average subway ridership in New York City be above <count>?" contracts~~iterations of the Contract with <count> levels that fall within an inclusive range between a maximum value of 10,000,000 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.

~~Date:~~**<date>:** <date> refers to a calendar date specified by Kalshi. Kalshi may list ~~"Will weekly average subway ridership in New York City be above <count>?" contracts~~iterations of the Contract corresponding to different statistical periods of <date~~>, ranging from July 13, 2021~~>.

<expo_date>: <expo_date> refers to ~~January 1, 2023.~~ a calendar date specified by Kalshi. Kalshi may list iterations of the Contract corresponding to different statistical periods of <expo_date>.

Payout Criterion: The Payout Criterion for the Contract 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 Last Trading Date for the Contract will be the day six days after the date of issuance, and the Last Trading Time for the Contract is 7:00pm ET on the Last Trading Date. No trading in the Contract shall occur after its Last Trading Date and Time. The initial Contract iteration follows a different pattern. The Last Trading Date of the initial contract is July 18, 2021 and the Last Trading Time is 7:00pm ET on July 18, 2021.~~

Last Trading Date: The Last Trading Date of the initial iteration of the Contract will be <date>. The Last Trading Time will be 11:59 PM.

Settlement Date: The Settlement Date of the initial iteration 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 ~~seven days after the date of issuance. The initial Contract iteration follows a different pattern. The Expiration Date of the initial Contract iteration will be July 19, 2021.~~ the sooner of the first 10:00 AM ET following the release of the data for <date>, or <expo_date> .

Expiration time: The Expiration time of the initial Contract iteration shall be ~~6:00pm~~ 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 ~~"Weekly Average" for the statistical period of the week ending <date> as defined above in~~ 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.