

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 RECSS 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 RECSS contract (Contract). The Contract is intended to be listed annually. The Contract's terms and conditions (Appendix A) includes the following strike conditions:

- **<quarter> (the quarter that the Contract will be based on)**
- **<year> (the year of the quarter in question)**

The amendments 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 being the same as the Expiration Date from a fixed date, July 27th, 2022, to expand the scope of the Contract and increase hedging opportunities for Members.
3. The Last Trading Time was changed to 10:00 AM ET from 11:00 PM ET. This was done to be congruent with the Expiration time.
4. The Expiration Date is now the the sooner of one day following an event encompassed by the Payout Criterion (one of the relevant four quarters has less than 0% change), or the day that data released is by the BEA for the final relevant quarter, or one week following the scheduled release date of the final relevant quarter's data; rather than a fixed date, August 2nd, 2022. This was done both to expand the Contract's scope and increasing hedging opportunities, and also to make sure that a short-term issue with the final data release does not affect the Contract's Expiration Value.
5. The Expiration Time was changed to 10:00 AM ET from 11:00 AM ET. This was done to standardize Expiration Times on the platform.
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.

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: “Will there be a recession?”

Ticker: RECSS

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 “Will there be a recession?” Contract is a contract relating to whether or not there will be a quarter of negative real GDP growth in the next four quarters as measured by the Bureau of Economic Analysis (“BEA”). The Contract is designed to enable market participants whose businesses or operations are affected by the rate of growth of real GDP to hedge risks associated with changes in the aforementioned rate. 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.

The rate of growth of U.S. real GDP is a key indicator for the health of the U.S. economy. GDP growth correlates with the growth rate of incomes, corporate profits, and tax revenue in the U.S. economy. Thus, the Contract can serve as a hedging instrument for the overall health of the American economy, making it useful to a large class of investors.

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 there was at least one quarter of negative real GDP growth in the next four quarters, 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.

APPENDIX A – CONTRACT TERMS AND CONDITIONS

TERMS OF CONTRACTS TRADED ON KALSHI

Official Product Name: Will there be a recession?

Ticker and Rulebook: RECSS

RECSS

Scope: These rules shall apply to the RECSS contract.

Underlying: The Underlying for this Contract is the most recent estimates of seasonally adjusted annualized percent changes in quarterly US real GDP from previous quarters as released by the Bureau of Economic Analysis (BEA). Revisions to the Underlying made after Expiration will not be accounted for in determining the Expiration Value.

Instructions: To find the Underlying, click the following link:

<https://apps.bea.gov/iTable/iTable.cfm?reqid=19&step=2#reqid=19&step=2&isuri=1&1921=survey> and then click “Section 1-Domestic Product and Income” and then navigate to “Table 1.1.1. Percent Change From Preceding Period in Real Gross Domestic Product”. Check the row for “Gross Domestic Product” (in line 1) to find the Underlying. In the event that not all of the data for the relevant four quarters specified by the Exchange is reported in that link, the value for each missing quarter will be ascertained by examining the most recent estimate of the seasonally adjusted annualized percent change in US GDP from the previous quarter for the relevant quarter from the following link: <https://www.bea.gov/data/gdp/gross-domestic-product>. 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 Bureau of Economic Analysis.

Type: The type of Contract is a Binary Contract.

Issuance: This contract is intended to be listed on an annual basis.

Payout Criterion: The Payout Criterion for the Contract encompasses the Expiration Values where at least one of the four values (representing the values of the Underlying for the specified four quarters) is strictly less than zero.

Quarter: <quarter> refers to a quarter specified by Kalshi. Kalshi may list contracts corresponding to different statistical periods of <quarter>, ranging from Quarter 1 to Quarter 4 of <year>.

Year: <year> refers to a year specified by Kalshi. Kalshi may list contracts corresponding to different statistical periods of <year>.

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 will be the same as the Expiration Date.

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 will be the the sooner of the first 10:00 AM ET following an event encompassed by the Payout Criterion (one of the relevant four quarters has less than 0% change according to the BEA), the first 10:00 AM ET following the release of the data for the final relevant quarter, and the first 10:00 AM ET one week following the scheduled release date of the final relevant quarter's data. The release schedule can be found at <https://www.bea.gov/news/schedule>.

Expiration time: Unless otherwise noted by the Exchange and indicated on the Exchange website, 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 four values which are given by the value of the Underlying for the statistical period of <quarter> in <year> and the value of the Underlying for the immediately preceding 3 quarters 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.

