

12/11/2021

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 weekly average TSA airport screenings 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 amending the “Will weekly average TSA airport screenings be above <count>?” contract (Contract). The Exchange intends to list the contract on a weekly basis. The Contract’s terms and conditions (Appendix A) includes the following strike conditions:

- **<date> (the target date)**
- **<count> (the target number of passengers)**

The amendments are as follows:

1. The Expiration Date is moved from a fixed date one day after <date> to the sooner of the nearest 10:00 AM following the release of the data for all days in the statistical period or one week after <date>. This change benefits members by all but eliminating the risk of an expiration occurring with missing data while minimizing the time lag between the occurrence of the event and people receiving the money.
2. The settlement time has been shortened from one day after Expiration to no later than one day after Expiration, in order to further accelerate members receiving their money.
3. We have added enhanced instructions on how to access the Underlying.
4. 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

Official Product Name: What will the average number of passengers screened by the TSA be this week?

Ticker: TSAW

Kalshi Contract Category: Transportation

Weekly TSA

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 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 “What will the average number of passengers screened by the TSA be this week?” contract is a contract relating to the number of security checkpoint screenings for individual customers conducted by the Transportation Security Administration (“TSA”) at US airports. The Contract is designed to enable market participants whose businesses or operations are affected by changes in the volume of American passenger air travel to mitigate the commercial risks associated with decreases in the volume of American passenger air travel. 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 number of TSA airport screenings is widely used as a proxy for the overall amount of passenger air travel in the United States, which in turn is a core indicator for the health of the US economy. Passenger air travel is used to fuel tourism and commerce across the country, and the US aviation industry drives over \$1.7 trillion in economic activity and employs over 10 million workers.¹

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.

¹ <https://www.airlines.org/industry/>

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. 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 average number of passengers screened by the TSA for the week ending <date> is strictly greater than <count>, 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: What will the average number of passengers screened by TSA be
this week?**

Ticker and Rulebook: TSAW

TSAW

Scope: These rules shall apply to the TSAW contract .

Underlying: The Underlying for this Contract is the Transportation Security Administration’s (“TSA”) checkpoint travel numbers data for the week ending <date>, as reported by the TSA. Specifically, the checkpoint travel numbers published by the TSA will be used to compute a “Weekly Average” of traveler throughput. For the purposes of determining the Expiration Value of the Contract, “Weekly Average” is defined as the sum of the published TSA checkpoint travel 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. 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 TSA may make adjustments to data after it has been initially published. If there is a revision of daily screening data for a certain day included in the statistical period published prior to the Expiration Date before the 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.

Instructions: This data is collected daily by the TSA, and data for a certain day is published by 9am ET the following day at the following website: <https://www.tsa.gov/coronavirus/passenger-throughput>. These instructions are provided for convenience only and may be modified or clarified at any time.

Source Agency: The Source Agency is the Transportation Security Administration (“TSA”).

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 daily basis (the TSA Checkpoint Travel Numbers report), and computed into a Weekly Average by the Exchange. Thus, Contracts will be issued on a weekly basis, and subsequent contracts will correspond to the next week.

Count: Kalshi may list 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> refers to a date specified by Kalshi. Kalshi may list TSAW contracts corresponding to different statistical periods of <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: The Last Trading Date for the Contract will be <date>. The Last Trading Time shall be 11:59 PM.

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 10:00 AM ET following the release of the data for <date>, or one week after <date>.

Expiration time: 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 value of the Underlying as documented by the Exchange 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.

