

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 <variant> make up <percentage> of U.S. COVID-19 cases?” 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 <variant> make up <percentage> of U.S. COVID-19 cases?” contract (Contract). The Contract is intended to be listed weekly, however, additional contracts may be listed in response to changing forecasts with regards to the pandemic (such as new variants being identified, information about their spread). The Contract’s terms and conditions (Appendix A) includes the following strike conditions:

- <variant> (the COVID-19 variant in question)
- <percentage> (that variant’s prevalence in US COVID-19 caseload)
- <date> (the target date)
- <greater/less>

The amendments are as follows:

1. The Last Trading Date was changed from the Expiration Date to the Monday following <date>. This was done to better reflect the timing of the data release, which is on Tuesday.
2. The Last Trading Time was changed from the Expiration time to 11:59 PM ET to better reflect the timing of the data release, which is on Tuesday.
3. The Expiration Date was changed from <date> to the sooner of one day following data released for the week ending <date> or the second Wednesday following <date>. This was done to guarantee that a short-term data release issue would not affect the Expiration Value of the Contract.
4. The Expiration Time was changed to 10:00 AM ET from 11:00 AM ET. This was done to standardize Expiration Times across the platform.
5. 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

Official Product Name: Will <variant> make up <percentage> of U.S. COVID-19 cases?

Ticker: VARIANT

Kalshi Contract Category: Economic/Demographic Measure - US Govt

Prevalence of COVID-19 Variants

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 <variant> make up <percentage> of U.S. COVID-19 cases?” Contract is a contract relating to the prevalence of COVID-19 variants in the U.S. population. 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.

In recent weeks, the so-called “Delta plus” variant of COVID-19 (AY.4.2.) has spread rapidly in the United Kingdom. Scientists estimate that it is somewhat more transmissible than the traditional Delta variant.¹ A novel, potentially more transmissible or virulent variant could have major impacts throughout the world as it attempts to recover from the pandemic. This Contract can be used to hedge against that risk by participants with economic exposure to the risk.

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.

¹<https://www.npr.org/sections/goatsandsoda/2021/10/22/1048440310/people-wonder-if-they-should-keep-calm-and-carry-on-in-the-face-of-delta-plus-va>

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 <variant> is estimated to be <greater/less> than <percent> of total U.S. cases on the week ending <date>, 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 <variant> make up <percentage> of U.S. COVID-19 cases?

Ticker and Rulebook: VARIANT

VARIANT

Scope: These rules shall apply to the VARIANT contract.

Underlying: The Underlying for this Contract is the estimated proportions of COVID-19 variants in the United States according to the CDC Nowcast. Revisions to the Underlying made after Expiration will not be accounted for in determining the Expiration Value.

Instructions: The CDC provides this information in the “Nowcast” available at <https://covid.cdc.gov/covid-data-tracker/#variant-proportions>. The number used to determine the contract is under “%Total” for any given variant. This data is typically released on Tuesdays. As a consequence, Contracts will close on Mondays and typically expire on Wednesdays. 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 Centers for Disease Prevention and Control (CDC).

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 weekly basis. Thus, Contract iterations will be issued on a recurring basis, and future Contract iterations will generally correspond to the next week. The Contract may also be listed in long-term durations, such as in periods greater than a month, to hedge against long-term pandemic changes.

Date: <date> refers to a calendar <date> specified by Kalshi. Kalshi may list iterations of the Contract corresponding to different statistical periods of <date>.

<variant>: <variant> refers to a variant, subvariant, or lineage of COVID-19 specified by Kalshi. Kalshi may list <variants> from the lineage list at https://cov-lineages.org/lineage_list.html, a website used by the CDC for this purpose.

<percent>: Kalshi may list iterations of the Contract with <percent> levels that fall within an inclusive range between a maximum value of <100> and a minimum value of <0> at consecutive increments of <0.1>. Due to the potential for variability in the Underlying, the Exchange may modify <percent> levels in response to suggestions by Members.

Payout Criterion: The Payout Criterion for the Contract encompasses the Expiration Values that <variant> is estimated to be <greater/less> than <percent> of total U.S. cases of COVID-19

for the week ending <date>, as estimated by the CDC. If no data is available, then the market resolves to No.

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 of the Contract will be the Monday following <date>. The Last Trading Time is 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 the sooner of the first 10:00 AM ET following the release of data for the week ending <date> and one week following <date>.

Expiration time: The Expiration time of the initial Contract iteration 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 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.

