

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 over <number> of Americans be vaccinated for COVID-19?” 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 self-certifying the amendments to the “Will over <number> of Americans be vaccinated for COVID-19?” contract (VAXX contract or Contract). The Contract is intended to be listed at intervals of at least one week. The Contract’s terms and conditions (Appendix A) includes the following strike conditions:

- **<date> (The target date)**
- **<count> (The target value of number of vaccines)**

The amendments to VAXX contract are as follows:

1. The contract’s expiration has changed from <date> to the sooner of the first 10:00 AM following when the data arrives for <date>, the first 10:00 AM following an event that is encompassed in the Payout Criterion occurs, or one week after <date>. This new approach has several key advantages: it keeps the risk of a “no data” resolution low and means that members can receive their money back faster in the event that the data arrives on time.
2. The settlement time has shrunk from the day after expiration to “no later than the day after expiration” in order to increase convenience for members.
3. The market will now close prior to the expected release of the final data. This change benefits members because it eliminates the risk that a resting order could be filled by someone after the final data has been posted. While this feature would be desirable to have on all markets, it is only possible for markets with scheduled data release times.
4. The contract changes the way it refers to <date>. Previously, <date> referred to the data available at <date>. For example, if <date> was December 6, then it was whatever value the CDC reported on December 6, which often meant the data was only updated through December 5th. This arrangement eliminated the risk of “no data” resolutions but now that the Exchange has the ability to support a variable expiration date, that state of affairs is no longer necessary. Now <date> refers to the date when the data was updated, so if <date> was December 6, then it would be data accurate as of December 6. This helps members better model and make educated trades by making it more certain exactly which data is included.
5. More instructions have been added to Appendix A to make it easier for members to find what data is being used. The Exchange may add iterations of a contract for a given period with different values of <count> if forecasts change. For example, suppose the Exchange listed a contract asking if 250 million Americans will be vaccinated by April 1, 2022. However, the

Omicron variant is spreading rapidly and it becomes clear that this number is too low. In such a scenario, the Exchange may add an additional iteration of the Contract for the same period with a higher value of <count>, e.g. 300,000,000.

6. The Expiration Time has been moved to 10:00 AM and <number> has been renamed to <count> in order to be consistent with other contracts.
7. 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

New Contract Submission: How many Americans will be vaccinated for COVID-19?

Ticker: VAXX

Kalshi Contract Category: Economic/Demographic Measure (U.S. Government Data)

COVID-19 Vaccination

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 “How many Americans will be vaccinated for COVID-19?” Contract is a contract relating to the number of people living in the United States who have received one or more doses of a COVID-19 vaccine. It is designed to enable market participants whose businesses or operations are affected by the economic downturn and uncertainties caused by the coronavirus pandemic to mitigate the commercial risks associated with the continuation of the COVID-19 pandemic and the frequency of vaccinations among the American public. 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.

As of June 2021, the United States has fully vaccinated just over 44% of its population. Estimates suggest that 70-90% of the population needs to acquire resistance to the coronavirus to reach herd immunity, allowing the country to return to normalcy.¹ At the current pace, the U.S. should reach herd immunity sometime between October and February.² However, obstacles could arise that would delay herd immunity and with it the lifting of social distancing requirements, the end of government shutdowns, and the reopening of the economy. Reluctance to take the vaccine could result in lower vaccination levels in the U.S., even if supply is not restricted. The contract allows market participants to hedge the risk of unexpected changes in the vaccination rate, and the attendant economic consequences.

¹ <https://www.nytimes.com/interactive/2020/us/covid-19-vaccine-doses.html?action=click&module=Top%20Stories&pgtype=Homepage>

² Ibid.

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. 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 number of people receiving a first dose of a COVID-19 vaccine by <date> is strictly more 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: How many Americans will be vaccinated for COVID-19?

Ticker and Rulebook: VAXX

VAXX

Scope: These rules shall apply to the VAXX contract.

Underlying: The Underlying for this Contract is the number of people in the United States who have received a first dose of a COVID-19 vaccine by <date> according to the Centers for Disease Control and Prevention (CDC). Please note that the data often says something to the effect of: “Data as of: December 6, 2021 6:00am ET.” If <date> was December 6, 2021 and that is *the most recent data that is “as of December 6”*, then the Underlying is that aforementioned data, even though it is accurate only as of the morning. Revisions to the Underlying made after Expiration will not be accounted for in determining the Expiration Value.

Instructions: The number of people in the United States reported as receiving first doses of a COVID-19 vaccine published by the CDC (<https://covid.cdc.gov/covid-data-tracker/#vaccinations>). To view the Underlying, go to the table titled “People Vaccinated” displayed on the linked webpage, and check the “Total” value of the column titled “At Least One Dose” to view the total number of people who have received at least one dose of an approved vaccine. The value is in the column titled “Count” and the row labelled “Total”. 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 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 daily basis. Contract iterations will be issued on a recurring basis, and future Contract iterations will generally correspond to the next week or beyond. The Exchange may add contracts with different values of <count> for a given period in response to changing forecasts.

<count>: Kalshi may list iterations of the Contract with <count> levels that fall within an inclusive range between a maximum value of <1,000,000,000> and a minimum value of <0> at consecutive increments of <1>. 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 calendar date specified by Kalshi. Kalshi may list iterations of the Contract corresponding to different statistical periods of <date>.

Payout Criterion: The Payout Criterion for the Contract encompasses the Expiration Values that are strictly more than <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 of the initial iteration of the Contract will be <date>. The Last Trading Time will be 11:59 AM.

Settlement Date: The Settlement Date of the initial iteration of the Contract shall 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>, the first 10:00 AM ET following the occurrence of an event that is encompassed in the Payout Criterion, or 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.