KalshiEX LLC
~~Rule 40.2~~ New Contract Submission: ~~"Will over \<number\> of~~How many Americans will be vaccinated for COVID-19~~?"~~?
~~07/06~~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 "~~Will over \<number\> of~~How many Americans will be vaccinated for COVID-19~~?"~~ ~~contract~~? "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~~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

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

participants to hedge the risk of unexpected changes in the vaccination rate, and the attendant economic consequences.

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 Regulations 40.2(a), the Exchange hereby certifies that the listing of the ~~contract~~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 contract's~~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~~Contract is open, Members are able to adjust their positions and trade freely. ~~Once~~After trading on the ~~contract~~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~~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.~~Contract. If the Market Outcome is "Yes~~"~~," meaning that the ~~Number of People Receiving 1 or More Doses~~number of people receiving a first dose of a COVID-19 vaccine ~~for the statistical period of the week ending~~by <date> is strictly more than <~~number~~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 CDC's estimate of the Number of People Who Have Received At Least 1 Dose of a COVID-19 Vaccine (https://covid.cdc.gov/covid-data-tracker/#vaccinations). Revisions after Expiration will not be taken into account.
Payout Criterion	The Payout Criterion encompasses the Expiration Values that are strictly greater than <number>.
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 CDC COVID Data Tracker) and checked on a weekly basis by the Exchange. Thus, Contract iterations will be listed on a weekly basis. I. The Issuance of the initial contract will be July 7, 2021. II. The Issuance of 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 Mondays. 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 100.11~~

~~Contract: "Will over <number> of~~
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 ~~referred to as "Will over <number> of Americans be vaccinated for COVID-19?".~~.

~~Underlying:~~ ~~The Underlying for this Contract is the number of people reported as receiving one or more~~**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. ~~Revisions after Expiration will not be taken into account~~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 ~~Centers for Disease Control and Prevention ("CDC").~~.

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 CDC COVID Data Tracker) and checked on a weekly basis by the Exchange. Thus, Contracts~~. Contract iterations will be issued on a ~~weekly~~recurring basis, and ~~subsequent contracts~~future Contract iterations will generally correspond to the next week~~. The Issuance of the initial contract will be on July 7, 2021 at 10:00am ET. After the initial contract, subsequent contracts will be issued each week on Monday~~ or beyond. The Exchange may add contracts with different values of <count> for a given period in response to changing forecasts.

~~Number:~~<count>: Kalshi may list ~~"Will over <number> of Americans be vaccinated for COVID-19?" contracts~~ iterations of the Contract with <~~number~~count> levels that fall within an inclusive range between a maximum value of ~~350~~<1,000,000,000> and a minimum value of ~~175,000,000~~<0> at consecutive increments of ~~5,000.~~<1>. Due to the potential for variability in the Underlying, the Exchange may modify <~~number~~count> levels in response to suggestions by Members.

Date: <date> refers to a calendar date specified by Kalshi. Kalshi may list ~~"Will over <number> of Americans be vaccinated for COVID-19?" contracts~~iterations of the Contract corresponding to different statistical periods of <date~~, ranging from July 7, 2021 to January 1, 2023. ~~>.

Payout Criterion: The Payout Criterion for the Contract encompasses the Expiration Values that are strictly more than ~~<number~~ <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~~ The Last Trading Date ~~for~~of the initial iteration of the Contract will be ~~the day five 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 follows a different schedule.~~>. The Last Trading ~~Date of the initial Contract~~ Time will be ~~July 10, 2021, and the Last Trading Time is 7:00pm ET on July 10, 2021~~11:59 AM.

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 ~~date seven days after~~sooner of the ~~date of issuance. The initial Contract follows a different schedule. The Expiration Date~~first 10:00 AM ET following the release of the ~~initial Contract~~data for <date>, the first 10:00 AM ET following the occurrence of an event that ~~is Monday, July 12, 2021.~~encompassed in the Payout Criterion, or one week following <date>.

Expiration time: The Expiration time of the initial Contract iteration shall be ~~11:00am~~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 ~~for the statistical period of the week ending <date>~~ 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.