7/19/2022

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 - Commission Regulation 40.3(a), *Voluntary submission of new products for Commission review and approval*, regarding the "Will <party> be in control of the <chamber of Congress>?" Contract

Dear Sir or Madam,

Pursuant to Section 5c(c) of the Commodity Exchange Act and Rule 40.3(a) of the regulations of the Commodity Futures Trading Commission, KalshiEX LLC (Kalshi or Exchange) hereby voluntarily submits the new "Will <party> be in control of the <chamber of Congress>?" contract (Contract) for Commission review and approval. The Exchange intends to list the contract on a biannual basis (every two years). The Contract's terms and conditions (Appendix A) include the following strike conditions:
- **<party> (the political party)**
- **<chamber of Congress> (the House or the Senate)**
- **<term> (e.g. the 118th Congress)**

Along with this letter, Kalshi submits the following documents:

- A concise explanation, analysis and background of the Contract;
- Certification;
- Appendix A with the Contract's Terms and Conditions;
- Confidential Appendices with further information; and
- A request for FOIA confidential treatment.

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 <party> be in control of the <chamber of Congress>?
Rulebook: CONGRESS
Kalshi Contract Category: Political Decision
Control of Congress
7/19/2022

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 Regulation 40.3(a)(4), 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 <party> win <chamber of Congress>?" Contract (Contract) is a contract relating to the partisan control of Congress.

Contracts on political control of Congress available to US participants have been trading for nearly a decade. Since 2014, a similar contract has been available for trading on an unregistered trading venue that purports to operate under a No-Action Letter that was issued by the Division of Market Oversight in 2014 and granted relief to operate without complying with a number of aspects of the Commodity Exchange Act and Commission Regulations.

The Exchange is proposing to bring such contracts onto a fully regulated exchange operating under the core principles applicable to a DCM, with participant funds safeguarded at a DCO operating under the core principles applicable to a DCO. The Exchange believes it is time to offer these widely used but unregulated contracts on a fully regulated basis so that U.S. persons can hedge risks arising from political control on a market with robust safeguards and transparency.

In the 2018 cycle, the following contracts were traded, and had the following number of contracts traded[1], as stated by that unregistered trading venue:

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[1] The volume numbers in the following tables are rounded.

● Control of the Senate	1,600,000 contracts traded
● Control of the House	4,600,000 contracts traded
● Control of Congress	2,900,000 contracts traded
● Number of Republican seats in the Senate	19,400,000 contracts traded
● Number of Republican seats in the House	8,100,000 contracts traded
● Number of Democrat seats in the House	6,300,000 contracts traded

In the 2020 cycle, the following contracts were traded, and had the following volume, as stated by that unregistered trading venue:

● Control of the Senate	13,800,000 contracts traded
● Control of the House	7,500,000 contracts traded
● Control of Congress	29,200,000 contracts traded
● Number of Democrat seats in the House	6,300,000 contracts traded

For the current cycle, the following contracts are trading, and had the following volume, as stated by that unregistered trading venue on July 19, 2022:

● Control of the Senate	1,300,000 contracts traded
● Control of the House	1,800,000 contracts traded
● Control of Congress	2,400,000 contracts traded
● Senate Majority Leader	183,000 contracts traded
● Speaker of the House	2,500,000 contracts traded

● Number of Republican seats in the Senate	1,700,000 contracts traded

In total, approximately 110,000,000 contracts have traded on political control on this unregistered trading venue[2] since the 2018 cycle.

General Contract Terms and Conditions: The Contract operates similar to other event 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. 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" (please see Appendix A for the conditions upon which the Market Outcome is "Yes"), 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,"

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[2] As stated by the unregistered trading venue.

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. The Expiration Date of the Contract is designed to account for multiple possible contingencies regarding the timing of the determination of control of a given chamber of Congress.

CERTIFICATIONS PURSUANT TO SECTION 5c OF THE COMMODITY EXCHANGE ACT, 7 U.S.C. § 7a-2 AND COMMODITY FUTURES TRADING COMMISSION RULE 40.3, 17 C.F.R. § 40.3

The Exchange certifies that 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.

Should you have any questions concerning the above, please contact the exchange at ProductFilings@kalshi.com.

Eliezer Mishory

By: Eliezer Mishory
Title: Chief Regulatory Officer
Date: 7/19/2022

Attachments:

Appendix A - Contract Terms and Conditions

Index of confidential appendices

Confidential appendices

APPENDIX A – CONTRACT TERMS AND CONDITIONS

Official Product Name: Will <party> be in control of the <chamber of Congress>?
Rulebook: CONGRESS

CONGRESS

Scope: These rules shall apply to this contract.

Underlying: The Underlying for this Contract is the political party membership of each Member of Congress for <term>, as well as the political party membership of the Speaker of the House and the political party membership of the President Pro Tempore, according to congress.gov. For the purposes of assigning party membership: Senator Angus King of Maine and Senator Bernard Sanders of Vermont shall be treated as members of the Democratic Party. Revisions to the Underlying made after Expiration will not be accounted for in determining the Expiration Value.

Source Agency: The Source Agency is congress.gov.

Type: The type of Contract is an Event Contract.

Issuance: The Contract is based on the outcome of a recurrent data release, which is issued for each new term of Congress. Thus, Contract iterations will be issued on a recurring basis, and future Contract iterations will generally correspond to the next election cycle.

<**chamber of Congress**>: refers to a chamber of the United States Congress. It can take the value of "U.S. House of Representatives" or "U.S. Senate".

<**term**>: refers to a term of the United States Congress. A term of Congress begins and ends every two years.

<**party**>: refers to a political party. For the 118th Congress, the Exchange will list contract iterations with "Democratic Party" or "Republican Party" values.

Payout Criterion: The Payout Criterion for the Contract encompasses the Expiration Values where the leader of <chamber of Congress> is a member of <party> on the Expiration Date. In the case of the U.S. House of Representatives, this is the Speaker of the House. In the case of the U.S. Senate, this is the President Pro Tempore.

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 same as the Expiration Date. The Last Trading Time will be the same as the Expiration Time.

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 February 1 in the year that <term> begins.

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 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.