

February 26, 2024

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 – Market Maker Program and Accompanying Rulebook Amendment

Dear Sir or Madam,

Pursuant to Section 5c(c) of the Commodity Exchange Act (the “Act”) and Section 40.6(a) of the regulations of the Commodity Futures Trading Commission (the “Commission”), KalshiEX LLC (“Kalshi” and “Exchange”) hereby notifies the Commission that it intends to make certain additions to the Exchange Rulebook and implement a Market Maker Program (“Program”) for the purpose of promoting liquidity and orderliness on the Exchange as described in the attached Appendix A. The Program will become effective on March 11, 2024. The Program applies to all members who execute a Market Maker Agreement (“Agreement”).

Pursuant to Section 5c(c) of the Act and Commission’s Rule 40.6(a), Kalshi further notifies the Commission that, as a necessary accompaniment to the Program, it has (1) amended certain of its rules in its Rulebook; (2) amended certain provisions in its Compliance Manual; and (3) prepared a notification to be posted to Kalshi’s website regarding the Program. The amended Rulebook, amended Compliance Manual, and website notification are also attached to this letter.

The Program’s Compliance with Core Principles

Kalshi has identified the following core principles as most directly relevant to the Program: Core Principles 2, 4, 9, 12, and 19. Core Principle 2 requires DCMs to establish, monitor, and enforce compliance with the rules of the Exchange, including rules regarding access, contract terms and conditions, and rules prohibiting abusive trade practices. Core Principle 4 requires DCMs to have the capacity to prevent manipulation, price distortion, and disruption of the cash-settlement process, among other things, through market surveillance, compliance, and enforcement practices and procedures. Core Principle 9 requires DCMs to provide a competitive, open, and

efficient market and mechanism for execution. Core Principle 12 also requires DCMs to establish and enforce rules to protect markets and market participants from abusive practices and to promote fair and equitable trading on DCMs. Core Principle 19 requires that DCMs avoid adopting any rules or taking any actions that result in unreasonable restraints of trade.

This submission complies with these Core Principles. The Program will be governed by and administered in accordance with the Exchange Rulebook. Chapter 5 of the Rulebook sets forth rules providing equal access and prohibiting abusive trade practices. The Exchange's current market surveillance, compliance, and enforcement practices and procedures prevent market manipulation, price distortion, and other disruptions. As described in Appendix A, participation in the Program is limited to Members of the Exchange. To participate in the Program, interested Members must execute a separate Agreement with Kalshi that will describe the relevant obligations, requirements, and benefits of the Program. All participants of the Program are subject to the Exchange's Rulebook and other applicable law and regulation. The Program will not lead to any additional risk of market manipulation, price distortion, or other disruption to the market settlement process because the Program criteria for Participants qualifying for the benefits of the Program do not incentivize wash trading, manipulative trading or disruptive trading by participants, nor will the Program impede the Exchange's ability to perform its trade and market surveillance. The Program will enhance the Exchange's provision of a competitive, open, and efficient market. Finally, the Program does not place any unreasonable restraints on trade.

The Rule Amendment

The amendment to the Rulebook consists of adding Chapter 4, Market Makers, along with conforming changes, as described in Appendix D. The amendments to the Compliance Manual consist of adding additional materials as described in Appendix E.

Kalshi certifies that the Program and the accompanying Amendments comply with the requirements of the Commodity Exchange Act and the rules and regulations promulgated thereunder. Kalshi is not aware of any substantive opposing views expressed with respect to this filing. Included in this submission is a copy of Kalshi's Rulebook v. 1.12, which will be posted on Kalshi's website, and a copy of Kalshi's Compliance Manual v. 2.1.

Kalshi further certifies that it has posted a notice of pending certification with the Commission, along with a redacted copy of this submission, on Kalshi's website.

Please note that all confidential enclosures are submitted under a request for confidential FOIA treatment as noted on the attached FOIA confidential treatment request letter.



If you have any questions or comments or require further information, please do not hesitate to contact me.

Sincerely,
Elie Mishory
Chief Regulatory Officer
KalshiEX LLC
emishory@kalshi.com

Enclosures (due to Portal uploading restrictions, all confidential appendices are attached as a single confidential file and all non-confidential appendices are attached as a single non-confidential file):

Appendix A - Program Terms

Confidential Appendix B - Program Description and related documents

Confidential Appendix C - Market Maker Agreement

Appendix D - Rulebook (clean and track changes in one file)

Confidential Appendices E - Compliance Manual and Procedure

Appendix F - Exchange Notice

Confidential Appendix G - Exchange Notice

Request for FOIA confidential treatment

Appendix A - Initial Market Maker Program Terms and Conditions

Program Purpose

The purpose of this Program is to increase liquidity and tighten the spread on the central limit order book and enhance pricing efficiency. More liquidity and tighter spreads on the central limit order book will result in more efficient pricing which benefits all participants in the marketplace.

Program Scope and Duration

The program applies to all Kalshi markets. The Program will be effective March 11, 2024, and continues until March 11, 2026, unless Kalshi extends the Program. The Program will terminate at an earlier date if Kalshi so amends or terminates the Program.

Program Terms

Obligations:

Liquidity Conditions. In designated contracts during specified hours Program participants must:

- quote predetermined continuous two-sided markets
- maintain maximum bid/offer spreads
- maintain minimum quote sizes

Incentives:

Incentives for adhering to the Liquidity Conditions. Predetermined incentives will be available upon satisfying all Program obligations as determined by the Exchange.

Intra-firm trading by direct or indirect means shall be excluded from any financial incentives, even if such trading would be allowed under the Kalshi Rules. Any trading by a Program participant that is prohibited by the Kalshi Rules, Commission Regulations, and CFTC Regulations shall be excluded from any financial incentives.

Monitoring and Termination of Status

Kalshi shall monitor trading activity and performance in accordance with the specific terms of the Market Maker Agreement.

Appendix D - Rulebook



KalshiEX LLC Rulebook

Date: March 11, 2024

Version: 1. 12

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CHAPTER 1 DEFINITIONS

When used in this Rulebook the following terms shall have the respective meanings as follows:

“Affiliate” means, with respect to any Person, any Person who, directly or indirectly, Controls, is Controlled by, or is under common Control with, such other Person.

“Appeal Committee” means a committee of the Board to consider appeals under Chapter 9 .

“Applicable Law” means, with respect to any Person, any statute, law, regulation, rule or ordinance of any governmental or self-regulatory authority applicable to such Person, including the CEA and CFTC Regulations, and state regulations where applicable.

“Authorized Trader” means a natural person who is either employed by or is an agent of a Member and who is authorized by the Exchange as an Authorized User in accordance with Chapter 3. “Board” means the Board of Directors of Kalshi, which manages the Company and is constituted from time to time in accordance with the Operating Agreement.

“CFTC” or “Commission” means the U.S. Commodity Futures Trading Commission or any successor regulatory body.

“CFTC Regulations” means the rules and regulations promulgated by the CFTC, as amended.

“Commodity Exchange Act” or “CEA” means the Commodity Exchange Act, as amended from time to time.

“Contract” means any contract, agreement, or transaction approved for trading on Kalshi pursuant to these Rules.

“Contract Market” has the meaning set forth in CFTC Regulation § 1.3(h).

“Contract Specifications” means, with respect to any Contract, the rules or other trading protocols containing specifications for such Contract, as adopted, amended, supplemented or otherwise modified from time to time by the Company.

“Derivatives Clearing Organization” has the meaning set forth in Section 1a(15) of the CEA.

“Director” means any member of the Board.

“Disciplinary Panel” means the panel appointed by the Board at the recommendation of the Chief Compliance Officer to act in an adjudicative role and fulfill various adjudicative

responsibilities and duties described in Chapter 9.

“Emergency” means the occurrences or circumstances which, in the opinion of the Board, require immediate action, and which threaten, or may threaten, the fair and orderly trading in, or the settlement or integrity of, any Contract, including, without limitation, the following:

- (1) any activity that manipulates or attempts to manipulate a Contract on Kalshi
- (2) any circumstance that may materially affect the performance of a Contract, including failure to clear and any failure of the payment systems;
- (3) any action taken by any domestic or foreign regulatory, self-regulatory, judicial, arbitral, or governmental (whether national, state or municipal) or quasi-governmental authority, or any agency, department, instrumentality, or sub-division thereof; or other Person exercising, or entitled to exercise any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power; or any other Contract Market, Derivatives Clearing Organization, board of trade, or other exchange or trade association (foreign or domestic) that may have a direct impact on trading on Kalshi or the settlement legality or enforceability of any Contract;
- (4) any actual, attempted or threatened corner, squeeze, congestion, manipulative activity or undue concentration of positions in a Contract;
- (5) any circumstance that may have a severe, adverse effect upon the functions and facilities of Kalshi, including, but not limited to, acts of God, fire, flood or other natural disasters, bomb threats, acts of terrorism or war, severely inclement weather, or failure or malfunction of all or a portion of the Kalshi Platform, or other system breakdowns or interruptions such as power, computer, communication or transportation systems or the Internet;
- (6) the bankruptcy or insolvency of any Derivatives Clearing Organization or the imposition of any injunction or other restraint by any government agency, clearing house, court or arbitrator upon a Derivatives Clearing Organization which may affect the ability of a Derivatives Clearing Organization to trade in or perform on a Contract;
- (7) any circumstance in which it appears to the Board that a Derivatives Clearing Organization or any other Person:
 - (i) has failed to perform on a Contract;
 - (ii) is insolvent; or
 - (iii) is in a financial or operational condition or is conducting business such that the Derivatives Clearing Organization or Person cannot be permitted to continue in business without jeopardizing the safety of Customer funds, Members, Kalshi or the Derivatives Clearing Organization;
- (8) any circumstance which may have a material impact on the reliability or transparency of the Underlying related to a Contract; or
- (9) any other unusual, unforeseeable or adverse circumstance as determined by the Company.

“Expiration” means the time on the Expiration Date established pursuant to these Rules at which a Contract expires and the Expiration Value of that Contract is determined.

“Expiration Date” means the date established by these Rules on which the Expiration Value of each Contract is determined.

“Expiration Value” means the rate, level, amount, measure, or other value of the Underlying at Expiration.

“Government Agency” means any governmental entity (including the United States, a State, or a foreign government).

“Kalshi” or “Company” means KalshiEX LLC, or any successor thereto.

“LedgerX” means LedgerX LLC, or its successor, a registered Derivatives Clearing Organization.

“Market Maker” means a Member that is designated as a Market Maker and granted certain privileges in exchange for maintaining certain requirements as set forth in Chapter 4 of these Rules.

“Market Outcome” means the result of the Contract. If the Expiration Value is encompassed within the Payout Criterion, then the “Market Outcome” is YES. Otherwise, the “Market Outcome” is NO.

“Material Relationship” has the meaning attributed to such term in Rule 2.2(g).

“Member” means any Person who is authorized to access or utilize Kalshi and is bound by these Rules as they may be amended from time to time. .

“Member Account” means an account carried by Kalshi’s Derivatives Clearing Organization partner, LedgerX, on behalf of a Member.

“Officer” has the meaning attributed to such term in Rule 2.3.

“Order” means either a bid or an offer for a Contract.

“Outcome Review Committee” means a committee of the Board to determine Market Outcomes in accordance with Chapter 7.

“Oversight Panel” means any panel, or any subcommittee thereof, authorized by Kalshi to recommend or establish policies or procedures with respect to Kalshi’s surveillance, compliance, rule enforcement, or disciplinary responsibilities.

“Payout Criterion” of a Contract means the Expiration Value or set of Expiration Values that will cause that Contract to pay a Settlement Value to the holder of a long position in such Contract. The holder of a position in a Contract that receives a Settlement Value is considered to be “in-the-money” while the holder of a position in a Contract that does not receive a Settlement Value is considered to be “out-of-the-money”.

“Person” means a natural person or entity.

“Platform” means the Kalshi electronic trade execution system that is used for trading Contracts, including any licensed software that is a part thereof from time to time, and any successor electronic trading system thereto.

“Position Accountability Levels” means the level of loss that can be incurred as a result of a position in a Contract that is held or controlled by a Market Maker above which Kalshi may impose restrictions or obligations on the Market Maker as set forth in Rule 4.5.

“Position Limit” means the maximum loss that can be incurred as a result of a position in a Contract that is allowed to be held or controlled by one Member as prescribed by Kalshi and/or the Commission.

“Public Director” means an individual with the qualifications set forth in Rule 2.2(g).

“Regulatory Agency” means any governmental or self-regulatory authority applicable to Kalshi, including the CFTC and applicable foreign regulators.

“Regulatory Oversight Committee” means the committee of the Board constituted in accordance with Rule 2.6.

“Rulebook” or “Rules” means the Kalshi Rulebook, interpretations, orders, resolutions, advisories, notices, statements of policy, decisions, manuals, and directives of the Company or LedgerX.

“Self-Regulatory Organization” shall, unless otherwise provided, have the meaning set forth in CFTC Regulation § 1.3(ee) and, in addition, shall include a Contract Market, Derivatives Clearing Organization, and registered futures association.

“Settlement” means payment to Members who have the right to receive money pursuant to a Contract, held until Expiration.

“Settlement Date” means the date on which Settlement occurs.

“Settlement Value” means the amount which the holder of a Contract may receive for a Contract held until Expiration.

“Source Agency” means the agency that publishes the Underlying and/or Expiration Value for any Contract.

“Trade” or “Transaction” means any purchase or sale of any Contract on Kalshi, either directly or indirectly.

“Underlying” means the index, rate, risk, measure, instrument, differential, indicator, value, contingency, occurrence, or extent of an occurrence the Expiration Value of which determines whether a Contract is in-the-money.

CHAPTER 2 MARKET GOVERNANCE

RULE 2.1 OWNERSHIP

KalshiEX LLC (“Kalshi” or the “Company”) is a Delaware limited liability company. The management and operation of Kalshi is governed by the Operating Agreement and the Rules. Member status does not confer any equity interest or voting rights in the Company.

RULE 2.2 BOARD OF DIRECTORS

The Board has the power to manage and direct Kalshi including but not limited to the power to define the standards for membership in Kalshi and the power to amend, adopt, or repeal these Rules, and the power to oversee the business conduct of Members and impose penalties for violation of these Rules.

- (a) The Board shall manage the day to day business operations of the Company. The Board has the power and authority to call for review, and to affirm, modify, suspend or overrule, any and all decisions and actions of standing committees or special committees of the Board or any panel of the Officers related to the day to day business operations of the Company.
- (b) The chief executive officer of Kalshi shall serve as chairman of the Board.
- (c) Any authority or discretion by the Rules vested in any Officer or delegated to any committee or subcommittee shall not be construed to deprive the Board of such authority or discretion and, in the event of a conflict, the determination of the matter by the Board shall prevail. This does not apply to the Outcome Review Committee.

- (d) A majority of the Directors serving on the Board, including at least one Public Director, shall constitute a quorum for the transaction of business of the Board. At all times when the Board is conducting business at a meeting of the Board, a quorum of the Board must be present at such meeting, and the Board may act only by the decision of a majority of the Directors constituting a quorum of the Board by vote at a meeting, by unanimous written consent without a meeting, or as otherwise set forth in the Operating Agreement.
- (e) The Board shall comprise the number of Directors set forth in the Operating Agreement and shall include Public Directors as no less than 35% of the Board, at all times. Each Director (including Public Directors) shall be appointed in accordance with the Operating Agreement and shall serve until his or her successor is duly appointed, or until his or her earlier resignation or removal, with or without cause.
- (f) Each Director is entitled to indemnification pursuant to the Operating Agreement with respect to matters relating to the Company.
- (g) To qualify as a Public Director, an individual must be found, by the Board and on the record, to have no Material Relationship, as defined below, with the Company. The Board must make such a finding at the time the Public Director is elected and as often as necessary in light of all circumstances relevant to such Public Director, but in no case less than annually. A Material Relationship is one that reasonably could affect the independent judgment or decision-making of the Director. The Board need not consider previous service as a Director of the Company to constitute a Material Relationship. A Director shall be considered to have a Material Relationship with the Company if any of the following circumstances exist or have existed within the past year:
 - (1) Such Director is or was an Officer or an employee of the Company, or an officer or an employee of an Affiliate of the Company;
 - (2) Such Director is or was a Member, or an officer or director of a Member; or
 - (3) Such Director, or a firm with which the Director is an officer, director, or partner, receives more than \$100,000 in combined annual payments from Kalshi, or any Affiliate thereof, for legal, accounting, or consulting services.
- (h) If any immediate family of a Director are found to have a Material Relationship, then such Material Relationship will be determined to apply to the Director.
- (i) The Board shall have procedures, as may be adopted by the Board from time to time, to remove a Director where the conduct of such Director is likely to be prejudicial to the sound and prudent management of the Company.
- (j) The Board shall review its performance and that of its individual directors annually.

RULE 2.3 OFFICERS

- (a) The Board shall appoint a Chief Executive Officer, Chief Operating Officer, Chief Compliance Officer, and other such officers of Kalshi as it may deem necessary or appropriate from time to time (collectively, the “Officers”).
- (b) Any Officer may also be a director, officer, partner or employee of the Company or of any of its Affiliates, subject to disclosure and resolution of conflicts of interest.
- (c) The Officers shall have such powers and duties in the management of the Company as the Board may prescribe from time to time, subject to any limitations set forth in the Operating Agreement.
- (d) Each Officer is entitled to indemnification pursuant to the Operating Agreement with respect to matters relating to the Company.

RULE 2.4 RESTRICTIONS ON WHO MAY BE MEMBERS OF THE BOARD, MEMBERS OF COMMITTEES , OR TEN PERCENT OR GREATER OWNERS

- (a) An individual may not serve as a Director or Officer, serve on a committee or subcommittee established by the Board, including the Disciplinary Panel, or hold a 10% or greater ownership interest in the Company, if the individual:
 - (1) Within the prior three years has been found, by a final decision of a court of competent jurisdiction, an administrative law judge, the CFTC, or any Self-Regulatory Organization, to have committed a disciplinary offense;
 - (2) Within the prior three years has entered into a settlement agreement in which any of the findings or, in the absence of such findings, any of the acts charged included a disciplinary offense;
 - (3) Is currently suspended from trading on a Designated Contract Market or a Swap Execution Facility, is suspended or expelled from membership in a Self-Regulatory Organization, is serving any sentence of probation, or owes any portion of a fine or penalty imposed pursuant to either: a finding by final decision of a court of competent jurisdiction, an administrative law judge, the CFTC or any Self-Regulatory Organization that such person committed a disciplinary offense; or a settlement agreement in which any of the findings or, in the absence of such findings, any of the acts charged included a disciplinary offense;
 - (4) Is currently subject to an agreement with the CFTC or Self-Regulatory Organization not to apply for registration with the CFTC or for membership in the Self-Regulatory Organization;
 - (5) Is currently, or within the past three years has been, subject to a revocation or suspension of registration by the CFTC, or has been convicted within the past three years of any of the felonies listed in Section 8a(2)(D)(ii) through (iv) of the CEA;

- (6) Is currently subject to a denial, suspension or disqualification from serving on a disciplinary panel, arbitration panel or governing board of any self-regulatory organization as that term is defined in Section 3(a)(26) of the Securities Exchange Act of 1934; or
- (7) Is subject to a statutory disqualification pursuant to Section 8a(2) of the CEA.

For purposes of this Rule 2.4(a), the terms “disciplinary offense,” “final decision” and “settlement agreement” have the meaning given those terms in CFTC Regulation 1.63(a).

- (b) Any Director, Officer, member of a committee established by the Board and any individual nominated to serve in any such role, shall immediately notify the Chief Executive Officer if such individual is subject to one or more of the criteria in Rule 2.4(a). Prior to nomination to the Board, each individual shall certify that he or she is not disqualified pursuant to Rule 2.4(a). Upon appointment, each Director, Officer, and a member of a committee shall provide to the Company, where applicable, changes in registration information within 30 days and certification of compliance accordingly. The Company shall verify information supporting Board compliance with eligibility criteria.
- (c) To serve as a Director, an individual must possess the ability to contribute to the effective oversight and management of the Company, taking into account the needs of the Company and such factors as the individual’s experience, perspective, skills and knowledge of the industry in which the Company operates.
- (d) A Director or Officer must meet any qualifications set forth from time to time in the Operating Agreement and these Rules.
- (e) An individual may not serve on any Disciplinary Panel, arbitration panel, or the Appeals Committee during any proceeding affecting or concerning such individual, to be determined in a reasonable manner by the Company.
- (f) If the Company determines that an individual subject to this Rule 2.4 no longer meets the criteria set forth in Rule 2.4(a), the Company shall inform the CFTC of such determination. The Company shall provide to the CFTC, upon request, an individual’s certification of compliance with the criteria set forth in Rule 2.4(a).

RULE 2.5 COMMITTEES AND SUBCOMMITTEES

- (a) The Board may create, appoint Directors to serve on, and delegate powers to, committees and subcommittees. There shall be a Regulatory Oversight Committee, Disciplinary Panel, Outcome Review Committee, and Appeals Committee. The Board shall designate the chairperson of each such committee.

- (b) Each committee and subcommittee shall assist in the supervision, management and control of the affairs of the Company within its particular area of responsibility, subject to the authority of the Board.
- (c) Subject to the authority of the Board, each committee and subcommittee shall determine the manner and form in which its proceedings shall be conducted. A majority of the members serving on a committee or subcommittee, including at least one Public Director, shall constitute a quorum for the transaction of business of a committee or subcommittee. Each committee and subcommittee may act only by the decision of a quorum, by vote at a meeting or by unanimous written consent without a meeting.

RULE 2.6 REGULATORY OVERSIGHT COMMITTEE

- (a) The Regulatory Oversight Committee shall be a standing committee of the Board consisting of only Public Directors, as appointed from time to time. No less than two Public Directors shall serve on the Regulatory Oversight Committee.
- (b) Each member of the Regulatory Oversight Committee shall serve for a term of one calendar year from the date of his or her appointment or for the remainder of his or her term as a Public Director, and until the due appointment of his or her successor, or until his or her earlier resignation or removal, with or without cause, as a member of the Regulatory Oversight Committee or as a Public Director. A member of the Regulatory Oversight Committee may serve multiple terms.
- (c) The Regulatory Oversight Committee shall oversee the Company's regulatory program on behalf of the Board. The Board shall delegate sufficient authority, dedicate sufficient resources, and allow sufficient time for the Regulatory Oversight Committee to fulfill its mandate. The Regulatory Oversight Committee shall make such recommendations to the Board that will, in its judgment, best promote the interests of the Company. The Regulatory Oversight Committee shall also have such other powers and perform such other duties as set forth in the Rules and as the Board may delegate to it from time to time.
- (d) The Regulatory Oversight Committee shall appoint individuals to the Disciplinary Panel in accordance with these Rules, Applicable Law and the composition requirements of the Disciplinary Panel. The Committee shall appoint at least one person who would not be disqualified from serving as a Public Director.
- (e) The Regulatory Oversight Committee shall prepare an annual report that assesses the Company's self-regulatory program for the Board and the CFTC. The annual report sets forth the regulatory program's expenses, describes its staffing and structure, catalogues disciplinary actions taken during the year, and reviews the performance of the Disciplinary Panel, as provided in Exhibit B to Part 38 of the CFTC Regulations

- (f) Without limiting the generality of the foregoing, the Regulatory Oversight Committee shall have the authority to:
- (1) Monitor the regulatory program of the Company for sufficiency, effectiveness, and independence;
 - (2) Oversee all facets of the regulatory program, including trade practice and market surveillance; audits, examinations, and other regulatory responsibilities with respect to Members (including ensuring compliance with financial integrity, financial reporting, sales practice, recordkeeping, and other requirements); and the conduct of investigations;
 - (3) Review the size and allocation of the regulatory budget and resources; and the number, hiring, termination, and compensation of regulatory personnel;
 - (4) Supervise the Chief Compliance Officer of the Company, who will report directly to the Regulatory Oversight Committee;
 - (5) Recommend changes that would ensure fair, vigorous, and effective regulation; and
 - (6) Review all regulatory proposals prior to implementation and advise the Board as to whether and how such changes may impact regulation.

RULE 2.7 DISCIPLINARY PANEL, APPEALS COMMITTEE, AND OUTCOME REVIEW COMMITTEE

- (a) The Disciplinary Panel shall be:
- (1) A standing committee consisting of at least three members, including at least one person who would not be disqualified from serving as a Public Director. No member of the Disciplinary Panel shall also be a member of the Company's compliance staff or any person involved in adjudicating any other stage of the same proceeding. The Board may establish more than one Disciplinary Panel. The Regulatory Oversight Committee will appoint individuals for membership on the Disciplinary Panel. Each Disciplinary Panel shall include members with sufficient differing experience and Member interests so as to ensure fairness and to prevent special treatment or preference for any Person.
 - (2) Responsible for conducting hearings, rendering decisions, and imposing sanctions with respect to any Disciplinary Action. The Disciplinary Panel shall also have such other powers and perform such other duties as set forth in the Rules and as the Board may determine from time to time.
- (b) Each member of the Disciplinary Panel shall serve for a term of one calendar year from the date of his or her appointment, and until the due appointment of his or her successor, or until his or her earlier resignation or removal, with or without cause, as a member of the Disciplinary Panel. A member of the Disciplinary Panel may serve for multiple terms.
- (c) The Appeals Committee shall be:

- (1) A standing committee consisting of at least three members of the Board. The members of the Appeals Committee and its Chairperson shall be appointed by the Chairperson of the Board, provided that, at all times the Appeals Committee shall include at least one Public Director.
 - (2) Responsible for conducting hearings of appeals of decisions of the Disciplinary Panel, rendering decisions of such appeals, and imposing sanctions with respect to such appeals. The Appeals Committee shall also have such other powers and perform such other duties as set forth in these Rules and as the Board may determine from time to time.
- (d) Each member of the Appeals Committee shall serve for a term of one calendar year from the date of his or her appointment or, if shorter, for the remainder of his or her term as a Public Director, as applicable, until the due appointment of his or her successor, or until his or her earlier resignation or removal, with or without cause, as a member of the Appeals Committee or as a Public Director. A member of the Appeals Committee may serve multiple terms.
- (e) The Outcome Review Committee shall be:
- a. A standing committee consisting of three members who are appointed by the Regulatory Oversight Committee. At least two of the members must be Public Directors. Members of the Regulatory Oversight Committee may also concurrently serve on the Outcome Review Committee.
 - b. Responsible for determining Market Outcomes as provided in Rule 7.1.
- (f) Each member of the Outcome Review Committee shall serve for a term of one calendar year from the date of his or her appointment or, if shorter, for the remainder of his or her term as a Public Director, as applicable, until the due appointment of his or her successor, or until his or her earlier resignation or removal, with or without cause, as a member of the Outcome Review Committee or as a Public Director. A member of the Outcome Review Committee may serve multiple terms.

RULE 2.8 EMERGENCY RULES

- (a) Kalshi may adopt emergency Rules in response to the emergencies that are described in paragraph (c) of this Rule. In the event of one of those emergencies, the Board or at least two members of the management team may, without giving prior notice to, or securing prior approval from the Commission, adopt a temporary emergency rule to address the emergency. Adoption of a temporary emergency rule requires the CEO's approval. Adoption of a temporary emergency rule by the management team requires the written authorization and acknowledgement of two members of the management team, indicating the emergency action to be taken and the reasons for that action, before the action is taken.
- (b) Any temporary emergency rule adopted under this Rule may authorize Kalshi to act as the Board or management team deems necessary or appropriate to meet the emergency, and those actions may

adversely affect the ability to trade on the Platform. Therefore, the chance of an emergency is one of the risks that Members should consider when deciding whether to trade on the Platform.

(c) For the purposes of this Rule, an “emergency” is

- (1) Any activity that manipulates or attempts to manipulate a Contract on the Platform;
- (2) Any circumstance that may materially affect the performance of the Contracts traded on Kalshi;
- (3) Any action taken by the United States, any foreign government, any state or local governmental body, any other contract market or board of trade, or any other exchange, market, facility, or trade association (foreign or domestic) that may have a direct impact on trading on Kalshi;
- (4) Any circumstances that may have a severe, adverse impact upon the physical functions of Kalshi including, for example, natural disasters such as fire or flood, terrorist acts such as bomb threats, physical plant breakdowns such as plumbing, heating, or air conditioning problems, system breakdowns such as power, telephony, cable, trading systems, or computer systems failures or interruptions to communications, the network, or the Internet;
- (5) The imposition of any injunction or other restraint by any government agency, court, or arbitrator that may affect the ability of a Member to perform on Contracts;
- (6) Any circumstance in which it appears that a Kalshi Member or any other person is in such operational condition, or is conducting business in such a manner, that such person cannot be permitted to continue in business without jeopardizing the safety of Kalshi Members or Kalshi itself; and
- (7) Any other unusual, unforeseeable, and adverse circumstance which, in the opinion of the governing board, requires immediate action and threatens or may threaten such things as the fair and orderly trading in, or the liquidation of or delivery pursuant to Contracts traded on Kalshi.

(d) If deemed necessary to combat perceived market threats caused by an emergency, a Kalshi official authorized to do so may suspend trading on the Platform during the duration of the emergency or take any other action that the official thinks is necessary or appropriate. The official will order an end to the action taken in response to the emergency as soon as the official determines that the emergency has sufficiently abated to permit the Platform to function properly. Reasonable actions resulting under this Rule include but are not limited to:

- (1) Modification to limits on positions;
- (2) Reduction of positions and exposure by participating Members to certain Contracts;
- (3) Cancellation of a Contract and the return of any funds paid to enter Trades on the Contract;
- (4) Extension/shortening of expiration and/or closing date;
- (5) Suspension and curtailing of trading; and
- (6) Changing a Contract’s terms and conditions and/or specifications.

- (e) Kalshi will make every effort practicable to notify the Director of the Division of Market Oversight, his delegates, and/or other persons designated by the Commission's Regulations that Kalshi intends to implement, modify, or terminate a temporary emergency rule pursuant to Rule 2.4(a) or an action in response to an emergency pursuant to Rule 2.4(d) prior to the implementation, modification, or termination of the rule or action. If it is not possible to notify the Commission prior to the implementation, modification, or termination of the rule or action, Kalshi will notify the Commission of the implementation, modification, or termination of the rule or action at the earliest possible time, and in no event more than 24 hours after implementation, modification, or termination.
- (f) Any time that Kalshi takes action in response to an emergency, either under Rule 2.4(a) or Rule 2.4(d), Kalshi shall publish a notice of such action on its website, notify Members through the API, and notify Members via email. Kalshi will likewise document its decision-making process and reasons for taking emergency action.

RULE 2.9 VOTING BY INTERESTED BOARD MEMBERS

Core Principle 16 of Section 5(d) of the Commodity Exchange Act ("CEA") requires that contract markets have adequate procedures to prevent conflicts of interest. In this regard, Kalshi has adopted provisions of Commission Regulation 1.69 as Rules provided herein. Commission Regulation 1.69 prohibits a member of the Board or any disciplinary or oversight committee or subcommittee from taking part in any deliberations or voting on any matter in which the board, committee, or subcommittee member has an interest or has a relationship with a named party in interest. Regulation 1.69 also requires disclosure by Board, committee, or subcommittee members of interests and relationships in certain circumstances. Consequently, Board, committee, and subcommittee members shall not deliberate or vote on any matter in which the Board, committee, or subcommittee member has an interest or has a relationship with a named party in interest and shall disclose such interests in accordance with Regulation 1.69.

RULE 2.10 INDEMNIFICATION OF DIRECTORS, OFFICERS, AND OTHERS

- (a) Kalshi will indemnify, to the full extent authorized by law, any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative in nature, by reason of the fact that such person is or was a director, officer, employee, or agent of Kalshi or is or was serving at the request of Kalshi as a director, officer, employee, or agent of Kalshi against expenses, including attorneys' fees, judgments, fines, and amounts paid in connection with such action, suit, or proceeding.
- (b) Indemnification shall not be deemed exclusive of any other rights to which a person may be entitled under any agreement or as a matter of law or otherwise.

- (c) Kalshi may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, or agent of Kalshi against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not Kalshi would have the power to indemnify such person against such liability under the provisions of this Rule.
- (d) Notwithstanding the above, no person shall be indemnified from liability for fraud, bad faith, willful misconduct, or gross negligence. Further, no person shall be indemnified against a civil penalty imposed by the Commission under Section 6b of the CEA.

RULE 2.11 PROHIBITION ON USE OF MATERIAL, NON-PUBLIC INFORMATION

- (a) Commission Regulation 1.59 prohibits employees and members of the Board from using or disclosing material, nonpublic information gained through their employment or board service in certain circumstances. This Rule prohibits the use and disclosure forbidden by Commission Regulation 1.59. In this regard, Kalshi has adopted provisions of Regulation 1.59 as a Rule of Kalshi in Chapter 11 of these Rules.
- (b) No member of the Board or any committee established by the Board or these Rules will use or disclose material, nonpublic information obtained as a result of participation on the Board or such committee for any purpose other than the performance of official duties as a board or committee member.
- (c) No employee, consultant, or member of the Board or any committee of Kalshi will disclose to any other person material, nonpublic information obtained as a result of such person's employment for purposes inconsistent with such person's official duties.
- (d) No employee, consultant, or member of the Board or any committee of Kalshi will trade for such person's account, or for or on behalf of any other account, in any commodity interest on the basis of any material, non-public information obtained through special access related to the performance of such person's duties as an employee, consultant, or member of the Board or committee.
- (e) No Member who inadvertently or otherwise comes into possession of any material, non-public information held by Kalshi or any employee, consultant, or member of the Board or any committee of Kalshi gained through their employment by or service to Kalshi will disclose to anyone such material, non-public information or trade for such person's account, or for or on behalf of any other account, in any commodity interest on the basis of such material, nonpublic information.

- (f) For purposes of this Rule, the terms “material information,” “nonpublic information,” “linked exchange,” “commodity interest,” and “related commodity interest” have the same meanings as they do in Commission Regulation 1.59.
- (g) Any director, officer, or employee of Kalshi who violates any provision of this Rule will be required to indemnify Kalshi for any losses, damages, or costs caused by that violation.

RULE 2.12 LIMITATION ON TRADING BY AFFILIATES

The Company, pursuant to approval by the Board, permits an affiliated entity (the “Affiliate”) to participate on its Platform, subject to the following provisions:

- (a) The Affiliate is a Member of the Platform.
- (b) The Company has ensured the Affiliate does not have access to the Company’s material non-public information, and the Company ensures the Affiliate’s access to information is limited to public information available to all Members. (The provision of information to common directors of the Company, any affiliate or the holding company shall not constitute a violation of this proscription.) The Company ensures the Affiliate maintains operational independence from the Company. Operational independence means that the Affiliate member must:
 - a. Have and maintain operations, including servers, databases, accounts, tools, software, and development tooling, separate from the Company;
 - b. Have no access to Company operations;
 - c. Be subject to all of the rules in this Rulebook, including the rules regarding Membership (see Chapter 3);
 - d. Have access to the Platform limited to that set forth in the rules in this Rulebook (see Chapter 5);
 - e. Not have access to material non-public information, including but not limited to information regarding order flow, trading, settlement, contracts, and compliance; and
 - f. Have and maintain physical separation from the Company.
- (c) All capital underlying trading by an affiliate will not originate from sources the Company.
- (d) Any algorithms employed by any affiliate(s) must not be readily exploitable (e.g., be not readily subject to manipulation, hacking).
- (e) Affiliate entities trading on the Platform as Members may have multiple purposes, and there may be multiple affiliate entities trading as Members on the Platform.
 - a. The Affiliate participates on the Platform and provides liquidity to the Platform by placing orders on either (or both) sides of a market at competitive price levels. The Affiliate’s trading activity includes aggressing and/or passive trading. The Affiliate’s business purpose is profitability, and liquidity provision is a significant part of its business model. The Affiliate’s capitalization derives from the holding company that owns the Company and

- Entity, and one or more employees of the Company serve on the board of directors of the Company, the Affiliate, and the holding company that owns both.
- b. The Affiliate has no obligation to trade all or even any contracts at any time, and other Kalshi Members should not rely on the potential presence of the Affiliate to make markets or otherwise augment or provide liquidity in any contract.
 - c. If additional affiliates of the Company commence trading on the Platform, or if the information about the trading activities of the Affiliate changes materially, the Company has put in place necessary controls to ensure that it updates this Rulebook and notifies the marketplace promptly to disclose any affiliate's purpose in trading on the Platform, and provides a summary of the procedures in place to manage and disclose actual or potential conflicts of interest and effects on trading to ensure market integrity and fairness are preserved.

RULE 2.13 CONSENT TO JURISDICTION

Any Person initiating or executing a transaction subject to these Rules, directly or indirectly, and any Person for whose benefit such a transaction has been initiated or executed, expressly consents to the jurisdiction of Kalshi and agrees to be bound by and comply with the Rules of the Company in relation to such transactions, including, but not limited to, Rules requiring cooperation and participation in investigatory and disciplinary processes.

RULE 2.14 RECORDKEEPING

- (a) Kalshi shall keep, or cause to be kept, complete and accurate books and records of accounts and activities of the Company, including all books, records and other documentation required to be maintained pursuant to the CEA and CFTC Regulations. This includes, among other things, all trade records and investigatory or disciplinary files, in accordance with the requirements of Commission Regulation 1.31.
- (b) Kalshi shall retain all such books and records in accordance with the CEA and CFTC Regulations.
- (c) Kalshi will provide information required to be maintained or provided pursuant to the CEA and CFTC Regulations to the Commission, the U.S. Securities and Exchange Commission, the U.S. Department of Justice or any representative of a prudential regulator as authorized by the Commission, upon request, in each case in the form and manner required under these Rules, and/or the CEA and CFTC Regulations. This shall include any records relating to swaps defined in section 1a(47)(A)(v) of the Act open to inspection and examination by the U.S. Securities and Exchange Commission.

RULE 2.15 INFORMATION-SHARING AGREEMENTS

- (a) Kalshi may enter into any information-sharing agreements or other arrangements or procedures, including an information-sharing agreement or other arrangement or procedure with any Person or body (including but not limited to a Regulatory Agency) if the Company considers such agreement, arrangement or procedures to be in furtherance of the Company's purpose or duties under these Rules or Applicable Law.
- (b) Kalshi may provide information to a duly authorized foreign governmental authority, as directed by the CFTC, in accordance with an information-sharing agreement or other arrangements or procedures executed with such foreign governmental authority or the CFTC.

RULE 2.16 RECORDKEEPING AND REPORTING REQUIREMENTS

- (a) In the event the Board rejects a recommendation or supersedes an action of the Regulatory Oversight Committee or the Chief Compliance Officer, Kalshi shall maintain documentation detailing:
 - (1) The recommendation or action of the Regulatory Oversight Committee or the Chief Compliance Officer as the case may be;
 - (2) The rationale for such recommendation or action;
 - (3) The rationale of the Board for rejecting such recommendation or superseding such action; and
 - (4) The course of action that the Board decided to take contrary to such recommendation or action.
- (b) Kalshi shall record and report to the CFTC all data required to be reported to the CFTC under Part 16 of CFTC Regulations, in the form and manner required by CFTC Regulations.
- (c) Kalshi shall keep and maintain books and records identifying each Order submitted to the Company and each Transaction effected pursuant to these Rules, including the identification of the execution method (e.g., central limit order book) with respect to each such Order and Transaction. These books and records shall be kept and maintained in accordance with the CEA and CFTC Regulations.
- (d) Kalshi shall submit to the CFTC within thirty days after each Board election a list of the Board's Directors, the Member interests they represent, and how the composition of the Board meets the requirements of CFTC Regulation 1.64(b) and the Company's Rules and procedures.
- (e) In accordance with the CFTC Letter No 21-11 ("Letter") issued on April 22, 2021, Kalshi relies upon no-action relief with respect to various swap data reporting requirements under Parts 43 and 45 of the Commission's regulations for contracts traded on or pursuant to the rules of the Company. Kalshi will comply with all conditions of such relief as set forth in that Letter.

RULE 2.17 PUBLIC INFORMATION

- (a) Accurate, complete and current copies of these Rules and Contract Specifications will be published on the Company website.
- (b) Kalshi shall make public on a daily basis information on settlement prices, volume, open interest, and opening and closing ranges for actively traded Contracts.
- (c) Except as provided herein, Kalshi shall publish on its Website a Member Notice with respect to each addition to, modification of, or clarification of, the Rules, the Matching Engine, and any Company Contract Specification prior to the earlier of:
 - (1) The effective date thereof; and
 - (2) The filing of such change with the Commission.
- (d) If confidential treatment is sought with respect to any information the Company submits to a Regulatory Agency, only the public version of such filing shall be disclosed.
- (e) Any Member Notice shall be deemed to have been made to all Members and any other such Person as may be required by sending such Member Notice to the email address on file with the Company and by posting the Member Notice on the Company website.

CHAPTER 3 MEMBERSHIP

RULE 3.1 MEMBERS - APPLICATIONS, AGREEMENTS, ELIGIBILITY CRITERIA, CLASSIFICATIONS, AND PRIVILEGES

- (a) Kalshi will provide access to the Platform (including but not limited to the central limit order book) and related services in an impartial, transparent, fair and non-discriminatory manner.
- (b) To be eligible to become a Member, an applicant must:
 - (1) Be a Person;
 - (2) Provide Kalshi with any information or documentation Kalshi deems necessary in order to verify the applicant's identity, perform a criminal background check, or otherwise review information provided on an application or by a third-party provider;
 - (3) Maintain an account, or accounts, in the Member's name with a U.S. Financial Institution that the Member will use to fund its Kalshi account at LedgerX, and to receive funds from its Kalshi account, or, if the Member is a non-United States resident, have an account or accounts in the Member's name with either a US Financial Institution or a Foreign Bank capable of transacting with LedgerX either directly, through a correspondent account, or other acceptable intermediary

- that the Member will use to fund its Kalshi account at LedgerX, and to receive funds from its Kalshi account via one of the acceptable methods as stated on the Kalshi website;
- (4) Not be subject to any economic or trade sanctions programs administered by OFAC or other relevant U.S. or non-U.S. authority; and must not be listed on OFAC's List of Specially Designated Nationals and Blocked Persons; and
 - (5) Certify the following:
 - a. The applicant is old enough to enter into a legally enforceable contract and has reached the required age as stated on the Member Agreement;
 - b. The applicant has read, understands and agrees to comply with the Kalshi Rulebook, Terms of Use, Privacy Policy, and Member Agreement;
 - c. The applicant will trade only for itself and will not serve as an intermediary for any other Person.
- (c) In order to become a Member, an applicant must complete an online member application (the "Member Application") and provide Kalshi with any other relevant information upon request. Kalshi may return any account balance and terminate any account upon the discovery that the Member Application was completed by anyone other than the Person identified on the Member Application. All funds deposited by Members shall constitute "Member Property" in accordance with CFTC Regulations.
- (d) Submission of a Member Application to Kalshi constitutes the applicant's agreement to be bound by these Rules and other policies of Kalshi. Among other things, this also includes the applicant's agreement to become a member of Kalshi's clearing partner, LedgerX, and be bound by LedgerX's Rules in its capacity as a Designated Clearing Organization.
- (e) Kalshi may in its sole discretion approve, deny, or condition any Member application as Kalshi deems necessary or appropriate.
- (1) In the event that Company staff decides to decline or condition an application for admission as a Member, or to terminate a Person's status as Member, Company staff shall notify such Person thereof in a written notice sent to the address provided by the Person in the Member Application and Agreement or maintained in the Company's registry of Members. The written notice will specify the basis for the Company's decision. Such Person may, within 28 business days, request in writing that the Company reconsider the determination.
 - (2) Within 28 business days of receiving a request for reconsideration, the Company shall confirm, reverse or modify the denial, condition or terminate the Member status of such Person, and shall promptly notify such Person accordingly in writing. The Company may, in its sole discretion, schedule a hearing (in person or by teleconference), request additional information from such Person or establish any other process that it believes is necessary or appropriate to consider the request for reconsideration.

(3) The Company's decision is the final action of the Company and is not subject to appeal.

- (a) A Member may not maintain and/or trade more than one Kalshi account.
- (f) Applicants for Member status of the Company may withdraw their applications at any time without prejudice or without losing their right to apply at a future time.
- (a) Kalshi will apply Member access criteria in a fair and nondiscriminatory manner that is not anti-competitive.

RULE 3.2 MEMBER OBLIGATIONS

- (a) Each Member must comply with these Rules, applicable provisions of the Commodity Exchange Act, and relevant Commission regulations. Each Member must also cooperate promptly and fully with Kalshi, its agents, and/or the Commission in any investigation, call for information, inquiry, audit, examination, or proceeding. Such cooperation shall include providing Kalshi with access to information on the activities of such Member in any referenced market that provides the underlying prices for any Contract. Additionally, each Member must update its e-mail address within 24 hours after any change and update all other information provided in its Member Application within five days after that information has changed. If any Member thereof fails to satisfy these obligations, Kalshi may revoke or suspend the Member's privileges in full or in part. Each Member may also be subject to civil or criminal prosecution.
- (b) Each Member consents to allow Kalshi to provide all information Kalshi has about the Member, including the Member's trading activity, to the Commission or any other Regulatory Agency, law enforcement authority, or judicial tribunal, including (as may be required by information sharing agreements or other contractual, regulatory, or legal provisions) foreign regulatory or self-regulatory bodies, law enforcement authorities, or judicial tribunals without notice to the Member.
- (c) Each Member consents to Kalshi providing information related to Know Your Customer or Anti-Money Laundering to its Derivatives Clearing Organization, LedgerX.
- (d) Each Member is required to review the "Notices" section of the Kalshi website to make itself aware of material changes to these Rules or other notices that may affect your rights and obligations as a Member of Kalshi.
- (e) Each Member must immediately notify Kalshi in writing upon becoming aware:
 - (1) That the Member has had access or trading privileges suspended, or membership denied, in any commodity, securities, or swaps exchange, brokerage, association, or Regulatory Agency;

- (2) That the Member has been convicted of, pled guilty or no contest to, or entered a plea agreement to, any felony in any domestic, foreign or military court;
 - (3) That the Member has been convicted of, plead guilty or no contest to, or entered a plea agreement to a misdemeanor in any domestic, foreign or military court which involves:
 - (i) Embezzlement, theft, extortion, fraud, fraudulent conversion, forgery, tax evasion, counterfeiting, false pretenses, bribery, gambling, racketeering, or misappropriation of funds, securities or properties; or
 - (ii) Any transaction in or advice concerning swaps, futures, options on futures, leveraged transactions or securities;
 - (4) That the Member has been subject to, or associated with a firm that was subject to regulatory proceedings before any governmental or Regulatory Agency;
 - (5) That the Member is currently a party to any investigation or proceeding, the resolution of which could result in an event described in Rule 3.3(d)(1)-(4);
 - (6) Of any other material change in any information contained in the Member Application;
 - (7) Of becoming subject to early warning reporting under Commission Regulation 1.12;
 - (8) Of becoming the subject of a bankruptcy petition, receivership proceeding, or the equivalent, or being unable to meet any financial obligation as it becomes due; or
 - (9) Of information that concerns any financial or business developments that may materially affect the Members' ability to continue to comply with participation requirements.
- (f) A Member is not required to engage in trading activity or maintain a minimum balance in its account after initial funding.
- (g) Each Member, upon a request of the Company or any Regulatory Agency, must promptly respond to any requests for information, including by providing any necessary information for the Company to perform any of the functions described in CEA Section 5(h).
- (h) Each Member shall maintain appropriate books and records of its trading, including records of any activity in the underlying commodity and related derivatives markets, and make such records available, upon request, to Kalshi.

RULE 3.3 REJECTION OF APPLICANT AND LIMITATIONS OF TRADING PRIVILEGES

- (a) Notwithstanding Kalshi's authority granted under any other Rule, Kalshi may, in its sole discretion, deny any Member application, or suspend, revoke, limit, condition, restrict, or qualify the trading privileges of any account owner pursuant to this section (a) or authorized trader of an account owner as it deems necessary or appropriate.
- (b) An account owner who has had trading privileges limited pursuant to Section (a) of this Rule will be provided, in writing, the reason such action was taken.

- (c) If Kalshi denies the Member Application of any Person or places limitations on trading privileges pursuant to this section, the applicant whose trading privileges have been limited may appeal the decision by filing with Kalshi a petition for review of such membership denial or trading limitation. The petition should describe in detail the reasons why the Member Application should be granted, or trading limitations removed. The petition must be filed within twenty-eight (28) calendar days from the date upon which notice of the denial of membership or limitation of trading privileges was provided by Kalshi. The decision of the Company will be final. A Person that has been denied membership by the Company will not be eligible for reapplication during the six months immediately following such denial.
- (d) If trading privileges are limited pursuant to Section (a) of this Rule, Kalshi may initiate a transfer of the Member's balance to the bank account on record, or cause for the same to be affected by the Derivatives Clearing Organization.
- (e) Kalshi has full discretion to limit or restrict a Member from trading in specific Contracts or categories of Contracts to mitigate risks of market manipulation

RULE 3.4 COMMUNICATIONS BETWEEN KALSHI AND MEMBERS

- (a) Each Member must provide Kalshi with its current electronic mail address and immediately notify the Company of any changes. All communications between Kalshi and its Members, including confirmation of all Transactions executed on a Member Account, may be transmitted by electronic mail on the Kalshi website or via the Kalshi API.
- (b) A Member is responsible for promptly reviewing and, if necessary, responding to all electronic communications from Kalshi.
- (c) Kalshi may record conversations and retain copies of electronic communications between the Company and Members. Any such recordings may be retained by the Company in such manner and for such periods of time as Kalshi may deem necessary or appropriate. Kalshi shall retain such records for the retention periods necessary to comply with CFTC Regulation 1.35 or such longer period as the Company deems appropriate.

RULE 3.5 MEMBER FUNDS MAINTAINED WITH THE COMPANY

All Member funds deposited with Kalshi's clearing partner, LedgerX, shall be held in accordance with CFTC Regulations in accounts identified as Member Accounts. Such funds shall be segregated by LedgerX and treated as belonging to such Members.

RULE 3.6 DUES, FEES, AND EXPENSES PAYABLE BY MEMBERS

- (a) Members are not required to pay dues.
- (b) Members may be charged fees in connection with the trading of Contracts in such amounts as may be revised from time to time to be reflected on the Company's Website.
- (c) Members may be charged fees for Settlement of Contracts in an amount to be reflected from time to time on Kalshi's website.
- (d) Kalshi may cause and/or instruct LedgerX to deduct from the Member Account fees or expenses incurred in connection with the Member's trading or account activity or Kalshi's administration in connection with that activity, such as fees for wire transfer or other payment methods processing fees. All such fees will be charged in an amount to be reflected from time to time on the Company's Website.
- (e) If Kalshi determines in the future to impose dues or additional fees, the Member will be provided notice of the change at the time the amended fees are filed with the Commission. The new fee structure will be implemented no earlier than on the first available trade date for which the change may be implemented according to the Commission's self-certification filing requirements as set forth in Commission Regulation 40.6(a).
- (f) Kalshi may from time to time establish incentive programs that provide participants with incentives that encourage membership and trading,

CHAPTER 4 MARKET MAKERS

RULE 4.1 ELIGIBILITY TO BE DESIGNATED AS A MARKET MAKER

- (a) Only Members in good standing may become a Market Maker.
- (b) Kalshi shall have sole discretion to allow a Member to become a Market Maker.
- (c) Kalshi may set any specific requirements that the Member must abide by in order to become a Market Maker.
- (d) A Member must complete and file a market maker agreement with Kalshi to be considered for Market Maker status.

- (e) The designation of any Market Maker may be suspended, terminated or restricted by Kalshi at any time and for any reason.
- (f) Kalshi may designate more than one Market Maker, and there may be more than one Market Maker participating on the Exchange.
- (g) There may be more than one Market Maker program in place at Kalshi at any given time.

RULE 4.2 DESIGNATION AS A MARKET MAKER

- (a) To determine whether a Member shall be designated as a Market Maker, Kalshi shall consider the Member's available financial resources, relevant experience, business reputation, and any other relevant factor.
- (b) No Member shall be designated as a Market Maker without the Member's consent.
- (c) Kalshi may periodically conduct an evaluation of any Market Maker to determine whether it has fulfilled performance standards relating to, among other things, quality of the markets, competitive market making, observance of ethical standards, and administrative soundness. If the Market Maker fails to meet minimum performance standards, Kalshi may, among other things, suspend, terminate or restrict the Market Maker's designation.

RULE 4.3 MARKET MAKER BENEFITS

Market Makers may receive benefits, including but not limited to financial benefits, reduced fees, differing position limits, and enhanced access, in accordance with any relevant Market Maker program in place at Kalshi for fulfilling the market maker obligations.

RULE 4.4 MARKET MAKER OBLIGATIONS

- (a) A Market Maker's transactions must be reasonably calculated to contribute to the maintenance of a fair and orderly market, and a Market Maker shall not make bids or offers or enter into transactions that are inconsistent with this goal.
- (b) A Market Maker is obligated to perform all requirements and obligations delineated in the relevant Market Maker agreement and in the relevant Market Maker program in place at Kalshi. These requirements and obligations include but are not limited to maintaining two-sided markets within a defined spread and with a minimum depth during trading.

RULE 4.5 MARKET MAKER POSITION ACCOUNTABILITY LEVELS

- (a) The provisions in this Rule apply only to Contracts that are included in a market maker program and the Market Maker is required to adhere to the Market Maker Obligations set forth in Rule 4.4(b) in regard to such Contracts. For all other Contracts, Market Makers are subject to the Position Limits set forth in Rule 5.4 and in product certifications.
- (b) Market Makers are subject to the following Position Accountability Levels:
 - (i) For Contracts with a generally applicable Position Limit of \$25k, the Position Accountability Level for market makers will be \$1M;
 - (ii) For Contracts with a generally applicable Position Limit higher than \$25k, the Position Accountability Level will be \$10M.
- (c) If a Market Maker exceeds the Position Accountability Level, the Market Maker will be required to provide information regarding its position to Kalshi's Compliance staff. The Compliance staff may allow the Market Maker to continue to add to its position, require the Market Maker to exit from the portion of the position that exceeds the position accountability level, or impose a limit on the position that the Market Maker cannot exceed. Market Makers will be allowed to hold positions in excess of the Position Accountability Levels only to the extent necessary for the Market Maker to perform its obligations as a Market Maker, as determined by the Company.
- (d) Market Makers are not subject to Position Limits set forth in Rule 5.4 and in product certifications; those Position Limits are generally applicable to all members except for Market Makers. However, in no instance may a Market Maker's position exceed any applicable limit established by the CFTC.

CHAPTER 5 METHOD FOR MEMBERS TO TRADE CONTRACTS

RULE 5.1 PRIOR REVIEW OF THESE RULES AND ACCEPTANCE OF TERMS OF MEMBER AGREEMENT

- (a) No Person may become a Member of Kalshi or trade any Contracts on the Platform unless such Person has received, read, understood, and accepted the Kalshi Rulebook, Terms of Use, Privacy Policy, and Member Agreement, and has certified having done so.

RULE 5.2 MEMBER ACCESS TO KALSHI

- (a) During the Kalshi Member application process, an applicant to become a Member will be required to choose a unique user identification ("ID") and password. The applicant will be required to enter the ID and password to log onto and access secure portions of the Kalshi website. Each time the applicant submits its ID and password to Kalshi in order to log onto Kalshi, the applicant affirms that it

understands and agrees to be bound by these Rules and other policies of Kalshi, as amended.

- (b) After a Member Application has been approved by Kalshi, the applicant shall be notified of its designation as a Member. As a Member, such Person will be able to access the Platform, execute Trades, and otherwise access information regarding, or perform functions in, such a Person's account using its ID and password.
- (c) For account security and audit trail purposes, each Member agrees that Kalshi may maintain logs of its IP address used to access the Kalshi website.
- (d) Each Member will be responsible for protecting its ID and password from improper disclosure. In addition, a Member may not knowingly or negligently permit any Person not authorized by Kalshi and by the Member to use the ID and password to access the secure portion of the Kalshi website. Each Member is required to immediately notify Kalshi if it knows, or has reason to believe, that its ID or password have been disclosed to any Person not authorized by Kalshi and the Member to use such ID and/or password.
- (e) Each Member will be liable for all costs and any losses that it may incur from Transactions executed on the Platform by any Person, authorized or not, using its ID and password. Kalshi will not be responsible in any way for unauthorized Transactions in a Member Account.
- (f) Each Member is responsible for contracting with an Internet service provider through which it will access the Kalshi website and for having a backup service provider if the Member thinks it is necessary. Each Member is also responsible for maintaining an Internet connection speed adequate for its needs. Kalshi will not be responsible in any way for any orders delayed or trades missed or not executed in a timely fashion because of failure of the Member's Internet service provider or slowness of its Internet connection speed. No communication from a Member will be deemed to have been received by Kalshi until that communication is logged by the Kalshi server.
- (g) Kalshi in its discretion may place a Member Account on hold (prohibiting any order activity) or on hold-liquidation only (allowing only orders to liquidate existing positions). In such circumstances, Kalshi will promptly notify the affected Member of the nature of and reason for the action.

RULE 5.3 TRADING CONTRACTS – MEMBERS

- (a) Members will be able to trade Contracts by entering Orders on such Contracts. After logging into the secure portion of the Kalshi website, the Member will input its Orders into the Platform.
- (b) When a Member's Order is matched by an Order from another Member:

- (1) If the Member's Order is to enter into one or more Contracts for which it does not have an offsetting position in its account, Kalshi will check the Member Account to ensure it has enough funds to cover its maximum loss under the Contract(s) it is attempting to enter into. If the Member does not have the necessary funds in its account, Kalshi will cancel its order prior to trade execution. If the Member does have the necessary funds in its account, Kalshi will execute the trade. Upon trade execution, Kalshi will cause and/or instruct LedgerX to:
 - (i) Debit the funds from the Member Account in an amount necessary to cover the maximum loss;
 - (ii) Credit those funds towards the appropriate settlement account;
 - (iii) Place the Contracts that were the subject of the Order into the Member Account; and
 - (iv) Notify the Member by electronic mail that the Trade has been executed.
 - (2) If the Transaction involves entering into one or more Contracts for which a Member has an offsetting position in its account, upon execution of the Trade Kalshi will cause and/or instruct LedgerX to:
 - (i) Close the offsetting position in the Member Account;
 - (ii) Debit the settlement account in the amount of any gains realized by the offsetting Transaction and any funds that were debited from the Member Account at the time the Contract(s) that is being closed was entered into and that were not also used to pay any losses on such Contract(s);
 - (iii) Credit those amounts to the Member Account; and
 - (iv) Notify the Member by electronic mail that the Trade has been executed.
- (c) If a Member's Order is placed on the Platform and not immediately matched by an Order from another Member, it will rest on the Platform until it is matched and executed in accordance with the procedures outlined above in this Rule, until the Member cancels it, or until it is cancelled by Kalshi or its Derivatives Clearing Organization partner upon the Expiration of the Contract or otherwise in accordance with these Rules.

RULE 5.4 ORDER ENTRY

(a) Member Orders

- (1) A Member will enter Orders to trade Contracts by electronic transmission over the Internet. Order rate limiter functionality will cap the maximum number of orders that may be submitted to the Exchange per second (or per a specific time period expressed in seconds) per Member in order to prevent a risk of harm to the Company.
- (2) A Member will enter an Order to trade one or more Contracts by indicating to Kalshi in the manner required by Kalshi:
 - (i) Order direction (i.e., buy/yes or sell/no);

- (ii) Price at which the Member wants to buy or sell the Contract; and
 - (iii) Number of Contracts the Member wants to buy or sell.
- (3) In order to enter an Order to trade one or more Contracts, a Member will be required to submit the Order to Kalshi. Once the Order is accepted by Kalshi, Kalshi will assign to the Order an Order ID. This ID will appear next to the associated Order on the Member's Order Ticket and Order History account pages. The Member will be responsible for any and all Order entries confirmed for its account and accepted by Kalshi.
- (4) Any Member submitting Orders, or any other messages directly to Kalshi, including but not limited to messages related to the cancellation or amendment of an Order, whether manually or via automated functionality, must ensure adequate controls are in place to prevent excessive messaging or other activity that may be deemed detrimental or disruptive to the Company.
- (b) Kalshi's trading system will keep an electronic record of all orders to trade Contracts, and all executed Contract trades. The records kept by Kalshi will include all of the terms identified in paragraph (a) of this Rule as well as the date and time that the Transaction was completed to the nearest thousandth of a second and the member ID, for all executed Contract trades and to the nearest thousandth of a second for all Orders to trade Contracts.
- (c) A Kalshi Contract will not be void or voidable due to:
 - (1) A violation by Kalshi of the provisions of sections 5 or 5h of the CEA or Part 38 of CFTC Regulations;
 - (2) Any CFTC proceeding to alter or supplement a rule, term or condition under section 8a(7) of the CEA or to declare an emergency under section 8a(9) of the CEA; or
 - (3) Any other proceeding where the effect of which is to alter or supplement a specific term or condition or trading rule or procedures, or requires Kalshi to adopt a specific term or condition, trading rule or procedure, or to take or refrain from taking a specific action.

RULE 5.5 HANDLING OF CUSTOMER ORDERS

- (a) All trading on Kalshi's Central Limit Order Book is conducted on a fully anonymous basis.
- (b) Disclosing Orders Prohibited:
 - (1) It is a violation of this Rule 5.5 for any Person to disclose another Person's Order to buy or sell any Contracts except as may be requested by Kalshi or the Commission.
 - (2) It is a violation of this Rule 5.5 for any Person to act or direct another Person to act based on non-public order information, however acquired.

RULE 5.6 DISPUTED ORDERS

- (a) If a Member believes that an Order to trade one or more Contracts was incorrectly executed or rejected by Kalshi that Member may request a review of the Order by providing the confirmation number for the order and stating the grounds for its disagreement with the handling of the order.
- (b) Upon receipt of a request for review of an Order and the accompanying confirmation number, Kalshi will review its electronic audit trail to determine if the Kalshi trading system correctly interpreted and executed the Order.
- (c) If the review described in paragraph (b) of this Rule reveals that the Kalshi trading system made a mistake, the Order will be canceled and the accounts of all Members that were party to the Order will be returned to their state before the Trade was executed.
- (d) If the review described in paragraph (b) of this Rule reveals that the Kalshi trading system did not make a mistake, Kalshi will inform the Member who requested the review of its determination that the Order was properly handled, the evidence supporting that determination, and that an adjustment will not be made.
- (e) A Member may appeal a determination under paragraph (d) of this Rule to a Kalshi compliance officer through the electronic mail address provided on the Kalshi website. The Member making the appeal will be required to provide a response to the evidence described in paragraph (d) of this Rule that the order was properly handled, and the Member may provide any other information it wishes to disclose. If the Member's appeal does not contain a response to the evidence described in paragraph (d), it will be rejected. The compliance officer will decide on the appeal no later than 10 days after its receipt, and that decision will be final.
- (f) Kalshi will document in writing all requests for review of orders received by Kalshi, the time and manner in which Kalshi reviewed its electronic audit trail in response to the request, the outcome of that review, and the action or actions taken by Kalshi in response to that review, including the results of any appeal filed under paragraph (e) of this Rule and the review conducted by the compliance officer in deciding that appeal.

RULE 5.7 PRIORITY OF ORDERS

Kalshi's central limit order book matches orders in an open and competitive manner. Subject to the provisions of Rule 5.10(b) regarding orders, Kalshi's trading algorithms execute all trades by matching orders according first by price and then time priority. This means that orders and quotes entered at different prices will be executed in order of price, from best to worst, regardless of what time they were

placed on the Platform, and orders and quotes placed on the Platform at the same price will be executed in order of time, from oldest to most recent.

RULE 5.8 FILLING ORDERS TO TRADE CONTRACTS

- (a) Subject to the provisions of Rule 5.10(b) regarding orders, the Kalshi trading system will fill all orders to trade Contracts on an “or better” basis. To illustrate, if a Member places an Order to buy a Contract or Contracts at a price higher than the price of the best sell offer on the Platform, the system will fill that Order to buy at the better sell offer price(s) until all available sell offers under or equal to that buy Order’s limit price are filled or until that buy order is completely filled. Likewise, if a Member enters a sell order at a price lower than the price of the best bid, the system will fill that sell order at the better bid price(s) until all available bids over that sell order’s limit price are filled or that sell order is completely filled. If an order is only partially filled, the unfilled portion of that order will remain in the order book as a resting order at the limit price specified. Should an opposite Order at the same price or better than the original Order subsequently be placed on the system, the unfilled portion of the original Order will be executed opposite that new Order at the original Order’s limit price.
- (b) A written record of all of the terms of each Trade entered into on Kalshi or pursuant to the Rules will be available immediately upon execution on the Kalshi interface on the Member’s activity page. Such record shall legally supersede any previous agreement and serve as a confirmation of each such trade. Kalshi will send confirmation messages to Members upon execution of a Trade via the API, mobile application, and/or website, if such Members are online at the time. However, please note that if any applicable Member is not online at the time of execution, such Member will see the confirmation(s) when it next logs on to the interface. The contract type, size, execution time and execution method for each Trade will be made available on the website to all Members after execution of the relevant Trade.

RULE 5.9 CANCELLATION OF ORDERS

- (a) A Member can submit instructions, via Kalshi’s interface (website, mobile application) or the API, to cancel an Order which that Member has placed on the Platform if that Order has not yet been executed. Upon submission of instructions to either cancel or modify an Order that has not been executed, the Kalshi system will withdraw the Order from the order book and confirm the cancellation of the Order.
- (b) Kalshi will attempt to cancel an existing Order as soon as possible after a Member enters a cancellation instruction. However, the Order may be executed before Kalshi is able to cancel it. If an Order has been filled in whole or in part, a Member may cancel only that portion of the Order (if any) that has not been executed.

RULE 5.10 TRADE CANCELLATIONS

- (a) As a designated contract market, Kalshi has the authority to adjust Trade prices or cancel Trades when necessary to mitigate market disrupting events caused by malfunctions on its Platform or errors in Orders submitted by Members. However, due to the fully collateralized and short-term nature of trading on Kalshi, the circumstances in which this authority may be exercised are limited.
- (b) Kalshi, in its discretion and in accordance with these Rules, may cancel a Trade that has been executed on the market at a price that is inconsistent with prevailing market conditions due to improper or erroneous orders or quotes being matched on the Platform. Likewise, because of the nature of Kalshi Contracts, there will generally be no cancellation or adjustment of an erroneous trade except in extraordinary circumstances as determined by the Company.
- (c) In addition to a Contract adjustment raised under Chapter 7 of these Rules, Kalshi may review a Trade based on its own analysis of the market or pursuant to a request for review by a Member or other third party. A request for a review by a Member or other third party must be received by Kalshi no later than fifteen (15) minutes after the trade has been executed on the Platform and before Expiration of the Contract. Kalshi will promptly determine whether the Trade will be subject to review and then promptly post notice indicating that the Trade is under review.
 - (1) During the review, Kalshi will calculate a fair market value for the Contract at the time of the questioned Trade by utilizing the last value or price of the Contract at the time of the Trade and/or any other relevant market information obtained or presented to the Company.
 - (2) Once a fair market value has been calculated, a twenty (20) cent range will be added above and below such fair market value to determine the “No Cancellation Range”.
 - (3) If a Trade has been executed within the No Cancellation Range, the executed Trade will stand. If a Trade has not been executed within the No Cancellation Range, Kalshi shall have the authority, but not the obligation, to cancel or adjust such Trade. Once a Trade is determined to be cancelled or adjusted, Kalshi will:
 - (i) notify all interested Members to the Trade as soon as practicable following such determination; and
 - (ii) publish its decision on the Kalshi website.
 - (4) The decisions of Kalshi regarding fair market value of the Contract, the No Cancellation Range, the cancellation of a Trade, or any other determination hereunder shall be final and not subject to appeal.

RULE 5.11 VIEWING THE MARKET AND EXECUTED ORDERS

Kalshi will, at all times, allow its Members to view the current best bid and offer on the Platform, the open interest, the trade volume, as well as the depth of the order book up to the fifth level of prices.

RULE 5.12 HOURS FOR TRADING CONTRACTS

Trading shall be available at all times outside of any maintenance windows, which may be announced from time to time.

RULE 5.13 PROHIBITED TRANSACTIONS AND ACTIVITIES

Except as otherwise permitted by these rules:

- (a) Members are prohibited from entering Orders on the Platform if there are insufficient funds or Contracts in the Member's settlement account to satisfy such orders if they are executed. Kalshi may, in its discretion, take such action against a Member if the circumstances warrant, subject to Rule 9.2(f) and Rule 9.6.
- (b) No Person shall enter into or attempt to enter into any non-competitive trade on the Platform, including any accommodation trade or any trade that has been directly or indirectly prearranged. For example, a Member may not agree in advance with another Member that one of the Members will enter an order and the other Member will attempt to trade against that order by timing the submission of orders or otherwise.
- (c) No Person shall enter into or attempt to enter into any trade on the Platform that:
 - (1) Does not result in a change in beneficial ownership;
 - (2) Is designed to unnaturally inflate trading volume;
 - (3) In any way attempts to circumvent the Platform's order processing, trade ordering, trade execution systems, or otherwise to circumvent exposure of the order to open and competitive bidding on the Platform; or
 - (4) That has some other illegitimate purpose.
- (d) No Person shall enter into any trade designed or used to cause any price for a Contract other than a true and bona fide price to be reported, registered, or recorded by the Platform.
- (e) No Person shall trade in, transfer, assign, or otherwise dispose of Contracts other than as provided for in these Rules.

- (f) No Person shall enter into or agree to transfer or transfer the benefit of any position in any Contract to another person other than through a transaction executed through the Platform.
- (g) (1) No Member shall trade for a Person other than itself.
- (2) No Member may deposit funds or allow funds to be deposited into their Kalshi account from any bank account or credit card or debit card or other account not held in the same name as their Kalshi account (except as otherwise provided in these Rules).
- (3) The Company may deposit funds into a Member's Kalshi account, including but not limited to, in the event of an order cancellation, trade cancellation, expiration value adjustment, ledger adjustment, refund of wire transfer fees, or incentive program.
- (h) No Person shall engage in any activity that presents a risk of harm to Kalshi, its Members, or the public.
- (i) No Person shall engage in any activity that adversely affects the integrity of the Platform or its underlying systems.
- (j) No Person subject to arbitration under these rules shall fail to abide by an arbitration decision or award handed down under Chapter 10 of these Rules.
- (k) No Person shall intentionally provide misleading, erroneous, or fraudulent information to Kalshi on a Member Application or otherwise.
- (l) No Person shall create a false appearance of a partnership, agency, employment or affiliate relationship with Kalshi and no Person shall unlawfully solicit customer funds for deposit at Kalshi.
- (m) No Member may operate or solicit in any capacity that may require registration with the CFTC without being properly registered.
- (n) No Person shall engage in any activity that is intended to, or has the effect of, manipulating the market in violation of Sections 6(c) and 9(a)(2) of the CEA and no Person shall engage in any other activity that would violate the CEA or the Commission's Regulations.
- (o) No Member shall deposit funds into its Kalshi account from an account which does not hold sufficient funds at the time of deposit, and at the time the deposit is presented by Kalshi for payment.
- (p) No Member shall make a false representation to a third party regarding any deposit made into that Member's Kalshi account which would result in a chargeback or stop payment of funds to the

Member Account.

- (q) No Member shall allow its Member Account balance to become negative by any means. In the event that a Member's settlement account balance becomes negative, the Member must immediately deposit additional funds to correct the deficiency. Any Member whose settlement account carries a negative balance for 30 days or more is subject to summary termination of membership. Kalshi may, in its discretion, take such other action against a Member if the circumstances warrant, subject to Rule 9.2(f) and Rule 9.6.
- (r) No Member shall engage in conduct or practices inconsistent with just and equitable principles of trade or conduct or practices detrimental to the best interests of the Company.
- (s) If a Member is an Insider that has access to material non-public information that is the subject of an Underlying of any Contract or that has the ability to exert any influence on the subject of an Underlying of any Contract, that Member is prohibited from attempting to enter into any trade or entering into any trade, either directly or indirectly, on the market in such Contracts. An "Insider" means any person who has access to or is in a position to have access to material nonpublic information before such information is made publicly available. A Member who is an employee or affiliate of a Source Agency for any Contract is prohibited from attempting to enter into any trade or entering into any trade, either directly or indirectly, on the market in such Contracts.
- (t) If a Member is a decision maker, either directly or indirectly, or has any influence, either directly or indirectly, no matter the scale and importance of the influence, on the outcome of the Underlying (event) of any Contract, that Member is prohibited from attempting to enter into any trade or entering into any trade, either directly or indirectly, on the market in such Contracts.
- (u) No Person shall engage in any activity that constitutes fraudulent or abusive trading, including but not limited to violating bids or offers, demonstrating intentional or reckless disregard for the orderly execution of transactions during the closing period, or spoofing.
- (v) No Person shall engage in any trading activity intended to accomplish a "money pass", "wash trade" or "front-running" as such terms are defined by the Commission and any regulations promulgated thereunder.
- (w) No Person shall, directly or indirectly, intentionally or recklessly:
 - (1) Use or employ, or attempt to use or employ, any manipulative device, scheme, or artifice to defraud;

- (2) Make, or attempt to make, any untrue or misleading statement of a material fact or to omit to state a material fact necessary in order to make the statements made not untrue or misleading; or
- (3) Engage, or attempt to engage, in any act, practice, or course of business, which operates or would operate as a fraud or deceit upon any Person.

RULE 5.14 POSITION LIMITS

- (a) Kalshi has imposed Position Limits on all Contracts as specified in each contract's Terms and Conditions. Any Member who exceeds a Position Limit shall be deemed in violation of this Rule 5.14. In addition, any Member entering bids or offers, if accepted, which would cause that Member to exceed the applicable Position Limit shall be in violation of this rule. As described in Chapter 4, a Market Maker is expressly excluded from this Rule with respect to contracts that are part of a market maker program and the market maker is subject to the obligations described in Chapter 4.
- (b) If a Member fails to reduce any position in a manner and time as directed by Kalshi, Kalshi shall have the authority to liquidate the applicable position to a level below the defined Position Limit stipulated under the relevant Contract in Chapter 13 of these Rules.
- (c) In addition to the restrictions and requirements imposed in Section 5.14(a) and (b), the first violation of a Position Limit by a Member may result in a letter of warning to be issued by the Kalshi Compliance Department to the Member or the initiation of proceedings in accordance with Chapter 9 of these rules.
- (d) In addition to the restrictions and requirements placed in Section 5.14(c), any subsequent violation of a Position Limit by a Member within 12 months after a violation that resulted in a letter of warning, will result in the initiation of proceedings in accordance with Chapter 9 of these Rules.
- (e) Position limits shall apply to
 - (1) All positions in accounts for which any Person by power of attorney or otherwise, directly or indirectly holds positions or controls trading; and
 - (2) Positions held by two or more Persons acting pursuant to an express or implied agreement or understanding the same as if the positions were held by, or the trading of the position were done by, a single Person.

CHAPTER 6 CLEARING AND SETTLING CONTRACT TRADES, SETTLEMENT, AND MEMBER WITHDRAWAL REQUESTS

RULE 6.1 CLEARANCE

- (a) In its capacity as a registered Derivative Clearing Organization, LedgerX shall serve as the clearing party to all orders matched pursuant to Chapter 5.
- (b) All Member positions are fully cash collateralized, and no Member can take positions that would lead to an exposure that exceeds the funds deposited in the Member Account.
- (c) Upon the successful matching of orders pursuant to Rules 5.3 or 5.4 the Derivatives Clearing Organization shall immediately, through the process of novation, be substituted as, and assume the position of, seller to the Member buying and buyer to the Member selling the relevant contract. Upon such substitution, the buying and selling Members shall be released from their obligations to each other, and such Member shall be deemed to have bought the contracts from or sold the contracts to the Derivatives Clearing Organization, as the case may be, and the Derivatives Clearing Organization shall have all the rights and be subject to all the liabilities of such Member with respect to such transaction. Such substitution shall be effective in law for all purposes.
- (d) If a trade is rejected for clearing by the Derivatives Clearing Organization for any reason, such trade is void *ab initio*.
- (e) In the event of any conflict or inconsistency between these Rules and the LedgerX Rules with respect to any Member's responsibilities or obligations under the LedgerX Rules, the LedgerX Rules shall prevail. As stated in Rule 3.1(c), all Members are bound by the LedgerX Rules.

RULE 6.2 SETTLING CONTRACT TRADES

Kalshi will maintain, on its system, a record of Member balances and Contracts. Kalshi's Derivatives Clearing Organization partner, LedgerX, will also maintain a Member Account, which will reflect funds used by Members to buy and sell Contracts. Kalshi may also maintain a "proprietary account," which will be credited with all fees debited from Member Accounts due to trades and Settlements.

RULE 6.3 SETTLEMENT

- (a) When a Contract expires and has a Payout Criterion that encompasses the Expiration Value of the Underlying, such Contract will pay the Settlement Value for such Contracts (e.g. \$1.00) to the holders of long positions in such Contracts. Conversely, when a Contract expires and has a Payout Criterion that does NOT encompass the Expiration Value of the Underlying, such Contract will pay the

Settlement Value for such Contracts (e.g. \$1.00) to the holders of short positions in such Contracts.

(b) On the Settlement Date, Kalshi will cause and/or instruct LedgerX to:

- (1) Notify all Members whether they will receive a Settlement Value pursuant to Rule 6.3(a),
- (2) Settle the Contracts by debiting the settlement account in an amount no less than the Settlement Value for such Contracts multiplied by the total number of outstanding in-the-money Contract positions and credit those funds to the applicable Member Accounts of the Members holding the in-the-money Contract positions following any holding period described in Rule 6.3(c),
- (3) Delete all Contracts from Members' accounts, as applicable.

(c) Before Settlement, Kalshi may, at its sole discretion initiate the Market Outcome Review Process as provided in Rule 7.1.

(d) Kalshi will distribute notification via electronic mail at Settlement to all Members who hold the relevant Contract.

RULE 6.4 SETTLING MEMBER WITHDRAWAL REQUESTS

- (a) Within one business day of when a Member requests to withdraw funds from its Kalshi account, Kalshi will transmit such request to LedgerX in electronic batch mode transmission. LedgerX will then cause and/or instruct its settlement bank to process the request and distribute funds to the account at the U.S. Financial Institution or Foreign Bank in the case of a non-United States resident Member who does not have an account at a US Financial Institution, registered with Kalshi by the Member (unless the Member has unsatisfied outstanding obligations on Kalshi, in which case such balances may be retained as necessary to satisfy such obligations or until the Member otherwise satisfies such obligations, or unless such transfer would otherwise violate applicable law or regulation as determined by either Kalshi or LedgerX in its sole discretion). The Member should refer to Kalshi's website under the Fee Schedule for all fees and costs associated with withdrawal of funds from the Member's Kalshi account. The processing of a Member withdrawal request may be suspended or denied if circumstances, whether present or imminent, would make the request impossible or impractical to fulfill, cause a potential risk of harm to Kalshi, its Members, or LedgerX, violate applicable law or regulation as determined by either Kalshi or LedgerX in its sole discretion, or if, either Kalshi or LedgerX determine in its sole discretion that the funds are relevant to a pending investigation.
- (b) Members are responsible for providing accurate account numbers to allow Kalshi and its clearing partner, LedgerX, to effect transfers to Members.

CHAPTER 7 MARKET OUTCOME REVIEW AND ADJUSTMENTS NECESSITATED BY MATERIAL CHANGES IN THE UNDERLYING

RULE 7.1 THE MARKET OUTCOME REVIEW PROCESS

- (a) Before Settlement, Kalshi may initiate the Market Outcome Review Process, at its sole discretion and by taking into account several factors including any circumstances that may have a material impact on the reliability or transparency of the Underlying related to the Contract. Under this process, the Outcome Review Committee will determine the final Market Outcome. Settlement will occur on the date that the Outcome Review Committee reaches a determination on the Contract's final Market Outcome. If the Market Outcome Review Process is initiated, Kalshi will post on its website that the Contract's Market Outcome is under review.
- (b) The Outcome Review Committee shall review all relevant evidence and determine a final Market Outcome within a 24 hour period after the Outcome Review Process is initiated.
- (c) The Outcome Review Committee has full discretion in resolving the Market Outcome Review Process. The determinations made by the Outcome Review Committee are final.

RULE 7.2 CONTRACT MODIFICATIONS

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, including but not limited to if a Contract's Source Agency is unavailable or undergoes significant modifications, 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.

CHAPTER 8 INVESTMENT OF MEMBER ACCOUNT FUNDS

RULE 8.1 INVESTMENT OF MEMBER ACCOUNT FUNDS

- (a) Member funds on deposit with LedgerX will be held in a settlement account segregated as Member Property, as that term is defined in CFTC Regulation 190.09(a).
- (b) LedgerX may invest such funds subject to the limitations and conditions set forth in Commission Regulations 22.2(e)(1) and 1.25.

- (c) LedgerX may pay interest to Members' accounts at a floating rate to be determined by LedgerX on funds in Members' accounts in excess of an amount to be determined by LedgerX.
- (d) LedgerX will retain all profit from investment of Member funds not paid to Members.

CHAPTER 9 DISCIPLINE AND RULE ENFORCEMENT

RULE 9.1 MONITORING THE MARKET

- (a) Kalshi's trading system will record and store for a period of not less than 5 years in a searchable, read-only database a record of all data entered into the Kalshi trading system, including the Member's identity and the information in Rule 5.4. Such records shall be maintained in a readily available manner during the first two years. Kalshi shall conduct market surveillance and trade practice surveillance using this data with programs designed to alert Kalshi when potentially unusual trading activity takes place. Kalshi, through the compliance department, will initiate review and, where appropriate, investigate such unusual trading activity. The compliance department will also investigate any time it has other reason to believe that inappropriate activity of any sort is taking place on the Kalshi Platform or its website.
- (b) All Persons within Kalshi's jurisdiction are subject to this Chapter 9 if they are alleged to have violated, to have aided and abetted a violation, to be violating, or to be about to violate, any Rule or any provision of Applicable Law for which Kalshi possesses disciplinary jurisdiction.

RULE 9.2 INVESTIGATIONS, HEARINGS, AND APPEALS

- (a) The Compliance Department shall investigate unusual trading activity or other activity that the Compliance Department has reasonable cause to believe could constitute a violation of these Rules, or upon the receipt of a request from Commission staff. Kalshi's Disciplinary Panel adjudicates findings by the compliance department that are disputed by Members. The Disciplinary Panel and the Compliance Department may not communicate regarding the merits of a matter brought before the hearing officer without informing the Member who is the subject of the communication of its substance and allowing the Member an opportunity to respond. The Compliance Department and Disciplinary Panel may compel testimony, subpoena documents, and require statements under oath from any Member. Disciplinary Panel, Compliance Department staff and other employees or agents of Kalshi working under their supervision, may not be a Member or trade, directly or indirectly, in any commodity interest traded on or subject to the rules of any registered contract market. Members of the Disciplinary Panel shall be individuals that do not have a direct interest (financial, personal or otherwise) in the matter, but in no event may be members of the Compliance Department or any Persons involved in adjudicating any other stage of the same proceeding. Likewise, members of the Disciplinary Panel may not operate under the direction or control of any person or persons with

trading privileges on the Platform and may not include persons whose interests conflict with their enforcement duties.

- (b) The Compliance Department shall investigate unusual trading activity or other activity that the compliance department has reasonable cause to believe could constitute a violation of these Rules, and shall enforce the Rules and prosecute possible Rule violations within Kalshi's disciplinary jurisdiction. The Compliance Department will endeavor to complete any investigation within twelve months, unless there exists significant reason to extend it beyond such period. Upon the conclusion of any investigation, the Compliance Department will draft a document detailing the facts that led to the opening of the investigation, the facts that were found during the investigation, and the Compliance Department's analysis and conclusion. If the Compliance Department concludes that there is reasonable cause to believe a Member has violated Kalshi's Rules or other applicable statutes or regulations, the Compliance Department will submit to the Member whose activity is the subject of the investigation a notice of charges, by electronic mail to that Member's last known email address, that will include:
 - (1) The reason the investigation was initiated;
 - (2) The charges or a summary of the charges, including the rule or rules alleged to have been violated;
 - (3) The response, if any, or a summary of the response;
 - (4) A summary of the investigation conducted;
 - (5) Findings of fact and the Compliance Department's conclusions as to each charge, including which of these Rules the Member or its authorized representative violated, if any;
 - (6) A summary of the Member's, and any relevant authorized representative's, disciplinary history, if any;
 - (7) The period within which a hearing on the charges may be requested; and
 - (8) The penalty, if any, proposed by the Company.
- (c) If the Compliance Department initiates an investigation in which any Affiliate of Kalshi is a subject, the Chief Compliance Officer shall notify the Commission's Division of Market Oversight of that fact. At the conclusion of any such investigation, the Chief Compliance Officer shall provide the Commission's Division of Market Oversight with a copy of the documentation specified in paragraph (b) of this Rule.
- (d) The Member whose activity is the subject of the investigation may contest the Compliance Department's findings by forwarding a response to those findings by electronic mail to the Compliance Department within 15 days. The Member has a right to examine all relevant books, documents, or other evidence in the possession or under the control of Kalshi, except that Kalshi may withhold from inspection any documents that:

- (1) Are privileged or that constitute attorney work product;
- (2) Were prepared by any employee of Kalshi but which will not be offered in evidence in the disciplinary proceedings;
- (3) May disclose a technique or guideline used in examinations, investigations, or enforcement proceedings; or
- (4) Disclose the identity of a confidential source.

The Member's response must contain a detailed response to the findings and conclusions as to each charge and any other information the Member thinks is relevant. The outcome of settlement negotiations between the Member and the Compliance Department may include, but is not limited to, a letter of warning.

- (e) The Member whose activity is the subject of the investigation may request to enter settlement negotiations by forwarding a response to the Compliance Department's findings by electronic mail to the Compliance Department within 15 days. The Member has a right to examine all relevant books, documents, or other evidence in the possession or under the control of Kalshi, except that Kalshi may withhold from inspection any documents that:

- (1) Are privileged or that constitute attorney work product;
- (2) Were prepared by any employee of Kalshi but which will not be offered in evidence in the disciplinary proceedings;
- (3) May disclose a technique or guideline used in examinations, investigations, or enforcement proceedings; or
- (4) Disclose the identity of a confidential source. The Member's response must contain a response to each charge and the Member may provide any other information the Member thinks is relevant. The outcome of settlement negotiations between the Member and the Compliance Department may include, but is not limited to, a letter of warning.

- (f) If the findings of the Compliance Department are not contested by the Member, Kalshi will deem those findings admitted by the Member, the findings of fact and the Compliance Department's conclusions as to each charge shall become final and the Compliance Department shall impose the penalty (if any) proposed by the Compliance Department. The Member will be notified of the imposition of any penalty and sent a copy of the notice of disciplinary action by electronic mail to that Member's last known email address.

- (g) If the findings of the Compliance Department are contested, the Compliance Department's report and the Member's response will be submitted to the Disciplinary Panel. The hearing officer may not have a financial, personal or other direct interest in the matter under consideration.

- (1) The Disciplinary Panel will conduct a hearing with the Compliance Department and the Member within 20 business days of receipt of the Member's response contesting the compliance officer's finding and/or proposed sanction which the parties may attend telephonically. However, the Member is entitled to appear personally at the hearing, to cross-examine any persons appearing as witnesses at the hearing, and to call witnesses and to present such evidence as may be relevant to the charges.
- (2) The formal rules of evidence shall not apply, but the hearing must be fair. The Compliance Department shall present its case on all charges and sanctions that are the subject of the hearing.
- (3) Prior to the hearing, the parties may (but need not) submit proposed findings, briefs, and exhibits (including affidavits), and during the hearing the parties may present witnesses. Persons within Kalshi's jurisdiction who are called as witnesses must participate in the hearing and produce evidence, as requested. Kalshi shall likewise make reasonable efforts to secure the presence of all other persons called as witnesses whose testimony would be relevant to the matter at hand.
- (4) Within 20 business days after that hearing, the hearing officer will issue findings, which will be delivered to the Member by electronic mail to the Member's last known email address. The findings of the hearing officer will contain the following information:
 - (i) A summary of the charges and any answer to the charges;
 - (ii) A summary of the evidence received;
 - (iii) Findings and conclusions with respect to each charge;
 - (iv) An indication of each specific rule that the member was found to have violated;
 - (v) A declaration of any penalty to be imposed on the Member as the result of the findings and conclusions;
 - (vi) The effective date and duration of that penalty; and
 - (vii) A statement that the Member has the right to appeal any adverse decision by the panel to the Appeals Committee and must do so within 15 days.
- (5) The panel's decision shall be final on the date it is signed by the hearing Disciplinary Panel. The hearing officer's decision shall become the final decision of Kalshi after the appeal period has lapsed.
- (6) The hearing will be recorded, and all information submitted by the parties (including the Compliance Department's report and the Member's response) as well as the recording of the hearing, will be preserved by the Compliance Department, along with the hearing officer's findings, as the record of the proceedings (the "hearing record"). For the avoidance of doubt, if the Member has requested a hearing, a copy of the hearing shall be made and become a part of the record of the proceeding. The record shall be one that is capable of being accurately transcribed; however, it need not be transcribed unless the transcript is requested by Commission staff or the Member, the decision is appealed pursuant to the Rules of Kalshi, or is reviewed by the Commission pursuant to section 8c of the Act. In all other instances a summary record of a hearing is permitted.

- (h) Either the Member or the Compliance Department may appeal the decision of the panel within 15 days by filing an appeal by electronic mail with the Appeals Committee and forwarding a copy to the other parties to the appeal. Any penalties will be stayed pending appeal unless the hearing officer determines that a stay pending appeal would likely be detrimental to the Company, other Members, or the public. The Appeals Committee will review the hearing record and any information submitted by the Compliance Department and the Member on appeal and issue its decision, which shall be final on the date of such issuance. The Member shall be notified of the decision by electronic mail to the Member's last known email address. The hearing record, any information submitted on appeal, and the Appeals Committee's decision shall be preserved as the record on appeal. The decision will contain the information listed in paragraph (f) of this Rule, outside of (f)(5), as well as:
- (1) A statement that any person aggrieved by the action may have a right to appeal the action pursuant to Part 9 of the Commission's Regulations, within 30 days of service; and
 - (2) A statement that any person aggrieved by the action may petition the Commission for a stay pursuant to Part 9 of the Commission's Regulations, within 10 days of service.
- (i) No Kalshi officer or employee shall interfere with or attempt to influence the process or resolution of any disciplinary action, except to the extent provided under these Rules with respect to a proceeding in which a Person is a member of the relevant Disciplinary Panel or Appeals Committee.

RULE 9.3 SETTLEMENT OF INVESTIGATIONS

- (a) Kalshi may enter into settlements with any Member who is the subject of an investigation. The Member may initiate a settlement offer. Any settlement offer shall be forwarded to a Kalshi disciplinary panel with a recommendation by the Compliance Department that the proposed settlement be accepted, rejected, or modified. A settlement offer may be withdrawn at any time before it is accepted by the hearing officer.
- (b) The panel may accept or reject a proposed settlement, and the decision of the relevant panel will be final. In addition, the panel may propose a modification to the proposed settlement for consideration by the Member or its authorized representative and the Compliance Department.
- (c) Any settlement under this Rule will be written and will state:
- (1) The charges or a summary of the charges;
 - (2) The response, if any, or a summary of the response;
 - (3) A summary of the investigation conducted;
 - (4) Findings and conclusions as to each charge, including each act the person charged was found to have committed or omitted, be committing or omitting, or be about to commit or omit, and each of these Rules that such act or practice violated, is violating, or is about to violate; and
 - (5) Any penalty imposed and the penalty's effective date.

- (d) Failed settlement negotiations, or withdrawn settlement offers, will not prejudice a Member or otherwise affect subsequent procedures in the rule enforcement process.

RULE 9.4 NOTICE AND PUBLICATION OF DISCIPLINARY ACTION

- (a) Kalshi will provide to the Person charged, notice of the disciplinary action, appeal determination, or settlement in which sanctions are imposed, no later than two business days after it becomes final in accordance with the provisions of Commission Regulation 38.710.
- (b) Kalshi will make public notice of the disciplinary action by posting on its website, in accordance with Commission Regulation 9.13, the information required by Commission Regulation 9.11. The disciplinary action will be considered final on the date the notice of the disciplinary action is published on the Kalshi website.

RULE 9.5 PENALTIES

As a result of a disciplinary proceeding or as part of a settlement, Kalshi may impose one or more of the following penalties, commensurate with the violation committed, in consideration of any relevant disciplinary history, and including full restitution where Member harm is identified and where such restitution can be reasonably determined:

- (a) A letter of warning, censure, or reprimand (although no more than one such letter may be issued to the same Person found to have committed the same rule violation within a rolling twelve-month period);
- (b) A fine or penalty fee for each violation of any Rule or Applicable Law sufficient to deter recidivism, which Kalshi may cause and/or instruct LedgerX to deduct from the Member Account balance;
- (c) Disgorgement of profits that resulted from the violation of any Rule, plus the cost of damages to any unoffending counterparties, which Kalshi may cause and/or instruct LedgerX to deduct from the Member Account balance;
- (d) Suspension of Member status or privileges for a specified period, including partial suspension of such privileges (for example, suspension of trading privileges in particular types of Contracts or of placement of certain types of orders);
- (e) Revocation of Member status or privileges, including partial revocation of such privileges (for example, revocation of trading privileges in particular types of Contracts or of placement of certain types of orders); and

- (f) Interest, at the prime rate, as reported by the Wall Street Journal as of the date the amount becomes due, on any outstanding account balance, monetary fine, penalty fee, or disgorgement amount owed, compounded monthly and calculated from the date when the amount was first due and payable.

RULE 9.6 SUMMARY SUSPENSION

- (a) Kalshi may summarily suspend or restrict a Member privileges if the Chief Compliance Officer believes suspension or restriction is necessary to protect the markets, Kalshi, the public, or other Members.
- (b) Whenever practicable Kalshi will notify the Member whose privileges are to be summarily suspended by electronic mail before the action is taken. If prior notice is not practicable, the Member shall be served with notice by electronic mail at the earliest opportunity. This notice shall:
 - (1) State the action taken or to be taken;
 - (2) Briefly state the reasons for the action;
 - (3) State the time and date when the action became or becomes effective and its duration; and
 - (4) State that any Member aggrieved by the action may petition the Commission for a stay of the effective date of the action pending a hearing pursuant to Part 9 of the Commission's Regulations, within 10 days of service.
- (c) The Member whose privileges are to be summarily suspended shall be given an opportunity for appeal under the procedures outlined in Rule 9.2(f) of these Rules. The decision affirming, modifying, or reversing the summary suspension shall be furnished by electronic mail to the suspended Member and the Commission no later than one business day after it is issued. The decision shall contain:
 - (1) A description of the action taken and the reasons for the action;
 - (2) A brief summary of the evidence received during the appeal process;
 - (3) Findings and conclusions;
 - (4) A determination as to whether the summary action that was taken should be affirmed, modified, or reversed;
 - (5) A declaration of any action to be taken against the suspended Member as the result of that determination;
 - (6) The effective date and duration of that action;
 - (7) A determination of the appropriate relief based on the findings and conclusions;
 - (8) A statement that any person aggrieved by the action may have a right to appeal the action pursuant to Part 9 of the Commission's Regulations, within 30 days of service; and
 - (9) A statement that any person aggrieved by the action may petition the Commission for a stay pursuant to Part 9 of the Commission's Regulations, within 10 days of service.

RULE 9.7 REPRESENTATION BY COUNSEL

- A Member who is a subject of any proceedings under this Chapter has the right to retain and be represented by counsel or any other representative of its choosing in all succeeding stages of the disciplinary process, except any member of Kalshi's Board of Directors or Disciplinary Panel, any employee of Kalshi, or any person substantially related to the underlying investigations, such as material witness or respondent.

RULE 9.8 REPORTING VIOLATIONS TO THE COMMISSION

- (a) Whenever Kalshi suspends, expels, fines or otherwise disciplines or denies any Person access to the Platform, Kalshi will make the disclosures required by Commission Regulations.
- (b) Kalshi will submit to the Commission a schedule listing all those Company Rule violations which constitute disciplinary offenses as defined in paragraph (a)(6)(i) of CFTC Regulation 1.63 and, to the extent necessary to reflect revisions, will submit an amended schedule within thirty days of the end of each calendar year. Kalshi will maintain the schedule required by this section and post the schedule on Kalshi's website.
- (c) Kalshi will submit to the Commission within thirty days of the end of each calendar year a certified list of any Members or Persons who have been removed from any Disciplinary Panel, the Board or any Company committee pursuant to these Rules or Applicable Law during the prior year.
- (d) Whenever Kalshi finds by final decision that a Member or Person has violated a Rule or otherwise committed a disciplinary offense and such finding makes such person ineligible to serve on Kalshi's Disciplinary Panels, Company committees, or the Board, Kalshi shall inform the Commission of such finding and the length of the ineligibility in a notice it is required to provide to the Commission pursuant to either CEA Section 17(h)(1) or CFTC Regulation 9.11.

CHAPTER 10 - ARBITRATION

RULE 10.1 GENERAL

- (a) If so elected by a Member, any Claim by the Member against a Member (including any related counterclaims) shall be settled by arbitration in accordance with this Chapter 10.
- (b) A Claim brought pursuant to this Rule 10.1 shall be adjudicated by qualified arbitrators appointed in accordance with Rule 10.5 below.

- (c) Persons to a dispute resolved in accordance with this Chapter 10 shall have the right to retain and be represented by legal counsel or any other representation of its choosing, except any Director or a member of the Disciplinary Panel or person substantially related to the underlying investigations, such as material witnesses or respondents during such proceedings. Persons to a dispute resolved in accordance with this Chapter 10 shall be responsible for their own costs, expenses and attorneys' fees incurred in connection with the dispute. Notwithstanding the foregoing, the Person that prevails shall be entitled to recover from the other party all costs, expenses and reasonable attorneys' fees incurred in any arbitration arising out of or relating to this Chapter 10, and in any legal action or administrative proceeding to enforce any arbitration award or relief.
- (d) Any award or relief granted by the arbitrators hereunder shall be final and binding on the parties hereto and may be enforced by any court of competent jurisdiction.
- (e) For purposes of this Chapter 10, the term "Claim" means any dispute which arises out of any Kalshi Contract, which dispute does not require for adjudication the presence of essential witnesses or third parties over whom Kalshi does not have jurisdiction or who are otherwise not available. The term "Claim" does not include disputes arising from underlying commodity transactions which are not a part of, or directly connected with, any Kalshi Contract.

RULE 10.2 FAIR AND EQUITABLE ARBITRATION PROCEDURES

- (a) A Person desiring to initiate an arbitration as provided in Rule 10.1 shall file a notice of arbitration (a "Notice") within two years from the time the Claim arose. The Notice must set forth the name and address of the party or parties against whom the Claim is being asserted, the nature and substance of the Claim, the relief requested, and the factual and legal bases alleged to underlie such relief.
- (b) The Notice shall be accompanied by a non-refundable check payable to Kalshi in payment of the arbitration fee. The amount of the fee shall be (i) \$500 for a Claim requesting relief totaling less than \$5,000 in the aggregate or (ii) \$1,000 for a Claim requesting relief totaling \$5,000 or more in the aggregate.
- (c) Upon receipt, Kalshi shall promptly convene an arbitration panel in accordance with Rule 10.5. Kalshi shall deliver a copy of the Notice to each other party and to the arbitration panel.
- (d) Within 20 days following the delivery of the Notice, each respondent shall file a written response (a "Response") with Kalshi, with a copy to the claimant, setting forth its or his position and any counterclaims, as applicable. If the Response sets forth one or more counterclaims, the claimant shall file within 20 days a written reply to such counterclaims with the Company, with a copy to the claimant.

- (e) Once each party has had an opportunity to respond to the Claim and all counterclaims, the arbitration panel shall promptly schedule a hearing. Notwithstanding, Claims requesting relief totaling less than \$5,000 in the aggregate may, in the interests of efficiency and economy, be resolved without hearing.
- (f) The chairman of the arbitration panel shall preside over the hearing and shall make such determinations on the relevancy and procedure as will promote a fair and expeditious adjudication.
- (g) The arbitration panel shall consider all relevant, probative testimony and documents submitted by the parties. The arbitration panel shall not be bound by the formal rules of evidence.
- (h) The final decision of the panel shall be by majority vote of the arbitrators, as applicable.
- (i) Within 60 days after the termination of the hearing, the arbitration panel shall render its final decision in writing and deliver a copy thereof either in person or by first-class mail to each of the parties. The arbitration panel may grant any remedy or relief which it deems just and equitable, including, without limitation, the awarding of interest and the arbitration fee.
- (j) The final decision of the arbitration panel shall not be subject to appeal within Kalshi.
- (k) No verbatim record shall be made of the proceedings, unless requested by a party who shall bear the cost of such record.

RULE 10.3 WITHDRAWAL OF ARBITRATION CLAIM

Any Notice may be withdrawn at any time before the Response is filed in accordance with this Chapter 10. If a Response has been filed, any withdrawal shall require consent of the party against which the Claim is asserted.

RULE 10.4 PENALTIES

- (a) Any failure on the part of a Member to arbitrate a dispute subject to this Chapter 10, or the commencement by any such Member of a suit in any court prior to arbitrating a case that is required to be arbitrated pursuant to this Chapter 10, violates these Rules and shall subject such Member to disciplinary proceedings pursuant to Chapter 9.
- (b) The Chief Compliance Officer, in consultation with the Regulatory Oversight Committee, may summarily suspend, pursuant to Rule 9.6, a Member that fails to timely satisfy an arbitration award rendered in any arbitration pursuant to this Chapter 10.

RULE 10.5 ARBITRATION PANEL

- (a) On an as-needed basis, Kalshi shall convene an arbitration panel to adjudicate an arbitration claim under this Chapter 10. For a Claim requesting relief totaling less than \$5,000 in the aggregate, the arbitration panel shall consist of one individual. For a Claim requesting relief totaling \$5,000 or more in the aggregate, the arbitration panel shall consist of three individuals.
- (b) Members of the arbitration panel shall be individuals that do not have a direct interest (financial, personal or otherwise) in the matter.
- (c) Any member of the arbitration panel may disqualify himself for any reason he deems appropriate.
- (d) Each member of the arbitration panel shall conduct himself in a manner consistent with the American Bar Association/American Arbitration Association's "Code of Ethics for Arbitrators in Commercial Disputes," which Kalshi hereby adopts as its own code of ethics for arbitrators.
- (e) Each member of the arbitration panel must have no less than five years' experience in the financial services industry, and no less than one arbitrator must have no less than five years' experience in the commodity futures or swap industry.
- (f) In the event that members of the arbitration panel do not satisfy the requirements of this Rule 10.5, then the Regulatory Oversight Committee may substitute a new member for the arbitration panel or act as the arbitration panel, to the extent that the substituted member or the Regulatory Oversight Committee, as the case may be, does not have a direct interest (financial, personal or otherwise) in the matter.

CHAPTER 11 LIMITATION OF LIABILITY; TIME PERIOD IN WHICH TO BRING ACTIONS; GOVERNING LAW

RULE 11.1 PROPERTY RIGHTS

- (a) Each Member hereby acknowledges and agrees that KalshiEX LLC owns and shall retain all right, title and interest in and to Kalshi, all components thereof, including, without limitation, all related applications, all application programming interfaces, user interface designs, software and source code and any and all intellectual property rights therein, including, without limitation, all registered or unregistered, as applicable, copyright, trademark, service mark, trade secret, trade name, data or database rights, design rights, moral rights, inventions, whether or not capable of protection by patent or registration, rights in commercial information or technical information, including know-how, research and development data and manufacturing methods, patent, and other intellectual property and ownership rights, including applications for the grant of any of the same, in or to Kalshi and all

other related proprietary rights of Kalshi and/or any of its Affiliates (together, with any and all enhancements, corrections, bug fixes, updates and other modifications to any of the foregoing and any and all data or information of any kind, other than Proprietary Data and Personal Information, transmitted by means of any of the foregoing, including, without limitation, market data, the “Proprietary Information”). Each Member further acknowledges and agrees that the Proprietary Information is the exclusive, valuable and confidential property of Kalshi. Each Member acknowledges and agrees that it shall not reverse engineer, copy, bug fix, correct, update, transfer, reproduce, republish, broadcast, create derivative works based on or otherwise modify, in any manner, all or any part of Kalshi or the Proprietary Information. Each Member further agrees to keep the Proprietary Information confidential and not to transfer, rent, lease, copy, loan, sell or distribute, directly or indirectly, all or any portion of the Company or any Proprietary Information.

- (b) Subject to the provisions of this Rule 11.1, each Member hereby acknowledges and agrees that Kalshi is the owner of all rights, title and interest in and to all intellectual property and other proprietary rights (including all copyright, patent, trademark or trade secret rights) in market data, and all derivative works based thereon, and further agree not to distribute, create derivative works based on, or otherwise use or commercially exploit market data and any such derivative works, provided that Members may use market data for their own internal business purposes. Without limiting the generality of the foregoing, Members may not distribute, sell or retransmit market data exchange to any third party.
- (c) Notwithstanding any other provision of this Rule 11.1, each Member retains such rights as it may enjoy under applicable law with respect to market data solely in the form such market data was submitted to Kalshi by such Member.
- (d) Transaction data shall not be disclosed publicly other than on an aggregated or anonymous basis, or in a manner that does not directly or indirectly identify any Member who has submitted such data.
- (e) Kalshi shall not condition access to the Company upon a Member’s consent to the use of Proprietary Data and Personal Information for business or marketing purposes. Proprietary Data and Personal Information may not be used by the Company for business and marketing purposes unless the Member has clearly consented to the use of Proprietary Data and Personal Information in such manner. Kalshi, where necessary, for regulatory purposes, may share Proprietary Data and Personal Information with one or more Designated Contract Markets or Derivative Clearing Organizations. Nothing in this Rule shall preclude Kalshi from disclosing Proprietary Data and Personal Information:
 - (1) As required by Applicable Law or legal process;
 - (2) As Kalshi may deem necessary or appropriate in connection with any litigation affecting the Company;

- (3) To any Company Representative authorized to receive such information within the scope of his or her duties;
- (4) To a third party performing regulatory or operational services for the Company, provided that such party has executed a confidentiality and non-disclosure agreement in a form approved by Kalshi;
- (5) To a duly authorized representative of the CFTC lawfully requesting Proprietary Data and Personal Information;
- (6) In a manner in which a Member consents to such disclosure;
- (7) Pursuant to the terms of an information-sharing agreement; or
- (8) As permitted by CFTC Regulations.

RULE 11.2 SIGNATURES

Rather than rely on an original signature, Kalshi may elect to rely on a signature that is transmitted, recorded or stored by any electronic, optical, or similar means (including but not limited to telecopy, imaging, photocopying, electronic mail, electronic data interchange, telegram, or telex) as if it were (and the signature shall be considered and have the same effect as) a valid and binding original.

RULE 11.3 LIMITATION OF LIABILITY

- (a) EACH MEMBER OF KALSHI AGREES THAT NEITHER KALSHI NOR ITS OFFICERS, DIRECTORS, AGENTS, EMPLOYEES, AND/OR SOFTWARE, HARDWARE, AND SERVICE PROVIDERS (COLLECTIVELY REFERRED TO AS “KALSHI PARTIES”) SHALL HAVE ANY RESPONSIBILITY FOR COMPLIANCE BY MEMBER WITH ANY LAW OR REGULATION GOVERNING MEMBER’S CONDUCT. MOREOVER, EACH MEMBER OF KALSHI ALSO AGREES THAT NO KALSHI PARTY SHALL BE LIABLE IN ANY MANNER WHATSOEVER FOR ANY LOSS OR DAMAGE SUSTAINED BY MEMBER, INCLUDING ANY CONSEQUENTIAL LOSS, LOSS OF PROFIT OR LOSS OF TRADING OPPORTUNITY, AS A RESULT OF ANY ACTUAL OR PROPOSED TRANSACTIONS OR AS A DIRECT OR INDIRECT RESULT OF ANY SERVICES PROVIDED BY KALSHI PARTIES (INCLUDING, WITHOUT LIMITATION, ANY FAILURE IN KALSHI’S SYSTEMS OR ANY INACCURATE INFORMATION PROVIDED BY A KALSHI PARTY), UNLESS THE RELEVANT KALSHI PARTY IS DETERMINED BY FINAL RULING OF AN ARBITRATION PROCEEDING TO HAVE ACTED OR FAILED TO ACT IN A MANNER THAT IS GROSSLY NEGLIGENT, RECKLESS, OR FRAUDULENT. FOR THE AVOIDANCE OF DOUBT, NOTHING IN THIS RULE IS INTENDED TO LIMIT THE LIABILITY OF ANY PERSON AS MAY BE PROVIDED IN THE CEA, THE REGULATIONS OF THE COMMISSION, OR BY ACTS OF WILLFUL OR WANTON MISCONDUCT OR FRAUD.
- (b) EACH MEMBER OF KALSHI AGREES THAT IT MAY NOT BRING ANY ACTION AGAINST A KALSHI PARTY UNLESS IT BRINGS SUCH ACTION WITHIN 2 YEARS OF THE FIRST

OCCURRENCE OR LACK OF OCCURRENCE OF THE ACT OR OMISSION COMPLAINED OF.

- (c) EACH MEMBER OF KALSHI AGREES THAT ANY ACTION IT BRINGS AGAINST A KALSHI PARTY WILL BE GOVERNED BY NEW YORK LAW, WITHOUT REGARD TO STATUTES, PRECEDENT, LEGAL DOCTRINE, OR CONTRACTUAL PROVISIONS THAT WOULD REQUIRE THE APPLICATION OF THE LAWS OF A DIFFERENT JURISDICTION.
- (d) EACH MEMBER OF KALSHI AGREES THAT ANY ACTION IT BRINGS AGAINST A KALSHI PARTY OR AGAINST ANOTHER KALSHI MEMBER WILL BE RESOLVED BY BINDING ARBITRATION, IN ACCORDANCE WITH THE RULES OF THIS CHAPTER AND OTHER RULES OF KALSHI, IF APPLICABLE.

CHAPTER 12 COMMISSION REGULATIONS THAT HAVE BEEN ADAPTED TO BE PART OF THE RULES

The following Rules are adaptations of regulations adopted by the Commission. They must be followed by Members and Kalshi itself, and any violation of these regulations will be a punishable violation of the Rules.

RULE 12.1 ACTIVITIES OF SELF-REGULATORY ORGANIZATION EMPLOYEES AND GOVERNING MEMBERS WHO POSSESS MATERIAL, NON-PUBLIC INFORMATION (ADAPTED FROM COMMISSION REGULATION 1.59)

- (a) Employees of self-regulatory organizations; Self-regulatory organization rules.
 - (1) Employees of Kalshi are prohibited from:
 - (i) Trading, directly or indirectly, in any commodity interest traded on Kalshi;
 - (ii) Trading directly or indirectly in any commodity interest traded on or cleared by a contract market, swap execution facility, or clearing organization other than Kalshi and in any commodity interest traded on or cleared by a linked exchange if the employee has access to material non-public information concerning such commodity interest.
 - (2) Employees of Kalshi are prohibited from disclosing to any other person any material, non-public information which such employee obtains as a result of his or her employment at Kalshi where such employee has or should have a reasonable expectation that the information disclosed may assist another person in trading any commodity interest; however, this Rule does not prohibit disclosures made in the course of an employee's duties, or disclosures made to another self-regulatory organization, linked exchange, court of competent jurisdiction or representative of any agency or department of the federal or state government acting in his or her official capacity.

- (b) Members of Kalshi's governing boards and committees and Kalshi consultants; Kalshi's Rules. No member of Kalshi's governing board or of a committee of Kalshi and no Kalshi consultant shall use or disclose, for any purpose other than the performance of such person's official duties as a governing board or committee member or consultant, material, non-public information obtained as a result of such person's official duties.
- (c) Prohibited conduct.
 - (1) No person who is an employee of, a member of the governing board of, or a member of any committee of, or a consultant of Kalshi shall:
 - (i) Trade for such person's own account, or for or on behalf of any other account, in any commodity interest on the basis of any material, non-public information obtained through special access related to the performance of such person's official duties as an employee, board or committee member, or consultant; or
 - (ii) Disclose for any purpose inconsistent with the performance of such person's official duties as an employee, board or committee member, or consultant, any material, non-public information obtained through special access related to the performance of such duties.
 - (2) No person shall trade for such person's own account, or for or on behalf of any account, in any commodity interest, on the basis of any material, non-public information that such person knows was obtained in violation of paragraph (c)(1) from an employee of, a member of the governing board of, a member of any committee, or a consultant of a self-regulatory organization.

RULE 12.2 SERVICE ON SELF-REGULATORY ORGANIZATION GOVERNING BOARDS OR COMMITTEES BY PERSONS WITH DISCIPLINARY HISTORIES (ADAPTED FROM COMMISSION REGULATION 1.63)

- (a) A person is ineligible to serve on any Kalshi disciplinary committees, arbitration panels, oversight panels or governing board if that person:
 - (1) Was found within the prior three years by a final decision of a self-regulatory organization, an administrative law judge, a court of competent jurisdiction or the Commission to have committed a disciplinary offense;
 - (2) Entered into a settlement agreement within the prior three years in which any of the findings or, in the absence of such findings, any of the acts charged included a disciplinary offense;
 - (3) Currently is suspended from trading on any contract market, is suspended or expelled from membership with any self-regulatory organization, is serving any sentence of probation or owes any portion of a fine imposed pursuant to either:
 - (i) A finding by a final decision of a self-regulatory organization, an administrative law judge, a court of competent jurisdiction or the Commission that such person committed a disciplinary offense; or

- (ii) A settlement agreement in which any of the findings or, in the absence of such findings, any of the acts charged included a disciplinary offense.
 - (4) Currently is subject to an agreement with the Commission or any self-regulatory organization not to apply for registration with the Commission or membership in any self-regulatory organization;
 - (5) Currently is subject to or has had imposed on him within the prior three years a Commission registration revocation or suspension in any capacity for any reason, or has been convicted within the prior three years of any of the felonies listed in section 8a(2)(D) (ii) through (iv) of the Act; or
 - (6) Currently is subject to a denial, suspension or disqualification from serving on the disciplinary committee, arbitration panel or governing board of any self-regulatory organization as that term is defined in section 3(a)(26) of the Securities Exchange Act of 1934.
- (b) No person may serve on a disciplinary committee, arbitration panel, oversight panel or governing board of Kalshi if such person is subject to any of the conditions listed in paragraphs (a)(1)-(6) of this Rule.
- (c) Kalshi shall submit to the Commission a schedule listing all those rule violations which constitute disciplinary offenses and to the extent necessary to reflect revisions shall submit an amended schedule within 30 days of the end of each calendar year. Kalshi must maintain and keep current the schedule required by this section, post the schedule in a public place designed to provide notice to members and otherwise ensure its availability to the general public.
- (d) Kalshi shall submit to the Commission within 30 days of the end of each calendar year a certified list of any persons who have been removed from its disciplinary committees, arbitration panels, oversight panels or governing board pursuant to the requirements of this regulation during the prior year.
- (e) Whenever Kalshi finds by final decision that a person has committed a disciplinary offense and such finding makes such person ineligible to serve on that self-regulatory organization's disciplinary committees, arbitration panels, oversight panels or governing board, Kalshi shall inform the Commission of that finding and the length of the ineligibility in any notice it is required to provide to the Commission pursuant to either section 17(h)(1) of the Act or Commission Regulation 9.11.

RULE 12.3 VOTING BY INTERESTED MEMBERS OF SELF-REGULATORY ORGANIZATION GOVERNING BOARDS AND VARIOUS COMMITTEES (ADAPTED FROM COMMISSION REGULATION 1.69)

- (a) Kalshi shall maintain in effect Rules that have been submitted to the Commission pursuant to Section 5c(c) of the Act and Part 40 of the Commission Regulations to address the avoidance of conflicts of interest in the execution of its self-regulatory functions. Such Rules provide for the following:
- (1) Relationship with named party in interest —

- (i) Nature of relationship. A member of Kalshi's governing board, disciplinary committee or oversight panel must abstain from such body's deliberations and voting on any matter involving a named party in interest where such member:
 - (A) Is a named party in interest;
 - (B) Is an employer, employee, or fellow employee of a named party in interest;
 - (C) Is associated with a named party in interest through a "broker association" as defined in Commission Regulation 156.1;
 - (D) Has any other significant, ongoing business relationship with a named party in interest, not including relationships limited to executing futures or option transactions opposite of each other or to clearing futures or option transactions through the same clearing member; or
 - (E) Has a family relationship with a named party in interest.
 - (ii) Disclosure of relationship. Prior to the consideration of any matter involving a named party in interest, each member of a Kalshi governing board, disciplinary committee or oversight panel must disclose to the appropriate Kalshi staff whether he or she has one of the relationships listed in paragraph (a)(1)(i) of this Rule with a named party in interest.
 - (iii) Procedure for determination. Kalshi must establish procedures for determining whether any member of its governing board, disciplinary committees or oversight committees is subject to a conflicts restriction in any matter involving a named party in interest. Taking into consideration the exigency of the committee action, such determinations should be based upon:
- (2) Financial interest in a significant action —
- (i) Nature of interest. A member of a Kalshi governing board, disciplinary committee or oversight panel must abstain from such body's deliberations and voting on any significant action if the member knowingly has a direct and substantial financial interest in the result of the vote based upon either exchange or non-exchange positions that could reasonably be expected to be affected by the action.
 - (ii) Disclosure of interest. Prior to the consideration of any significant action, each member of a Kalshi governing board, disciplinary committee or oversight panel must disclose to the appropriate Kalshi staff the position information referred to in paragraph (a)(2)(iii) of this Rule that is known to him or her. This requirement does not apply to members who choose to abstain from deliberations and voting on the subject of significant action.
 - (iii) Procedure for determination. Kalshi must establish procedures for determining whether any member of its governing board, disciplinary committees or oversight committees is subject to a conflict restriction under this section in any significant action. Such determination must include a review of:
 - (A) Gross positions held at Kalshi in the member's personal accounts or "controlled accounts," as defined in Commission Regulation 1.3(j);
 - (B) Gross positions held at Kalshi in proprietary accounts, as defined in Commission Regulation 1.17(b)(3), at the member's affiliated firm;

- (C) Gross positions held at Kalshi in accounts in which the member is a principal, as defined in Commission Regulation 3.1(a);
 - (D) Net positions held at Kalshi in “customer” accounts, as defined in Commission Regulation 1.17(b)(2), at the member’s affiliated firm; and
 - (E) Any other types of positions, whether maintained at Kalshi or elsewhere, held in the member’s personal accounts or the proprietary accounts of the member’s affiliated firm that the self-regulatory organization reasonably expects could be affected by the significant action.
- (iv) Bases for determination. Taking into consideration the exigency of the significant action, such determinations should be based upon:
- (A) The most recent large trader reports and clearing records available to Kalshi;
 - (B) Information provided by the member with respect to positions pursuant to paragraph (a)(2)(ii) of this Rule; and
 - (C) Any other source of information that is held by and reasonably available to Kalshi.
- (3) Participation in deliberations.
- (i) Under the Rules required by this section, a Kalshi governing board, disciplinary committee or oversight panel may permit a member to participate in deliberations prior to a vote on a significant action for which he or she otherwise would be required to abstain, pursuant to paragraph (a)(2) of this Rule, if such participation would be consistent with the public interest and the member recuses himself or herself from voting on such action.
 - (ii) In making a determination as to whether to permit a member to participate in deliberations on a significant action for which he or she otherwise would be required to abstain, the deliberating body shall consider the following factors:
 - (A) Whether the member’s participation in deliberations is necessary for the deliberating body to achieve a quorum in the matter; and
 - (B) Whether the member has unique or special expertise, knowledge or experience in the matter under consideration.
 - (iii) Prior to any determination pursuant to paragraph (a)(3)(i) of this Rule, the deliberating body must fully consider the position information which is the basis for the member’s direct and substantial financial interest in the result of a vote on a significant action pursuant to paragraph (a)(2) of this Rule.
- (4) Documentation of determination. Kalshi’s governing boards, disciplinary committees, and oversight panels must reflect in their minutes or otherwise document that the conflicts determination procedures required by this section have been followed. Such records also must include:
- (i) The names of all members who attended the meeting in person or who otherwise were present by electronic means;
 - (ii) The name of any member who voluntarily recused himself or herself or was required to abstain from deliberations and/or voting on a matter and the reason for the recusal or abstention, if stated; and

- (iii) Information on the position information that was reviewed for each member.

CHAPTER 13 TERMS OF CONTRACTS TRADED ON KALSHI

The following Rules set forth the terms of the Contracts traded on Kalshi. You should not trade any Contract unless you are certain that you completely understand and accept its terms. Additional information with respect to each Contract can be found on the homepage for the specific Contract.

RULE 13.1 TERMS THAT ARE UNIFORM ACROSS CONTRACTS

There are certain terms that are uniform across Contracts.

- (a) The minimum unit of trading is one Contract.
- (b) All Contract prices are quoted in U.S. Dollars and cents per Contract.
- (c) The minimum quote increment for each Contract is \$0.01 per Contract.

All Market Outcomes will be posted on Kalshi's website no later than 11:59 pm ET on the day that such Market Outcomes are determined. If the Market Outcome Review Process is initiated under Rule 7.1, the final Market Outcome will be posted on Kalshi's website no later than 11:59 pm ET on the day that the Outcome Review Committee reaches a determination on the Contract's final Market Outcome.

- (d) Halted Markets – In the event that any market irregularities are declared by the Chief Executive Officer of Kalshi, or to prevent or reduce the potential risk of price distortions or market disruptions, a market may be paused or halted for trading, and the Commission will be notified, if required, pursuant to Commission Regulations. An explanation will be posted on the Kalshi Notices section of the website within a reasonable amount of time but no later than 24 hours after the initiation of the halt.
- (e) Discretion to Refrain from Listing Contracts – Kalshi may, in its discretion, temporarily refrain from the listing of any Contract due to the unavailability of the Underlying upon which the Contract is based, or any other condition Kalshi determines may be detrimental to the listing of the Contract.
- (f) Contract Modifications – Specifications shall be fixed as of the first day of trading of a Contract, except as provided in Rule 2.8 and Rule 7.2 of these Rules or as set forth in Rules specific to a Contract. If any U.S. governmental agency or body issues an order, ruling, directive or law that conflicts with the requirements of these Rules, such order, ruling, directive or law shall be construed to take precedence and become part of these Rules, and all open and new Contracts shall be subject to such government orders.

- (g) Any change in instructions, order, ruling, directive, or law issued or enacted by any court or agency of the Federal Government of the United States that conflicts with the Rules contained in this Rulebook shall take precedence, immediately become a part of these Rules, and be effective for all currently traded and newly listed Contracts.

Appendix D - Rulebook



KalshiEX LLC Rulebook

Date: March 11, 2024 ~~December 16, 2023~~

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CHAPTER 1 DEFINITIONS

When used in this Rulebook the following terms shall have the respective meanings as follows:

“Affiliate” means, with respect to any Person, any Person who, directly or indirectly, Controls, is Controlled by, or is under common Control with, such other Person.

“Appeal Committee” means a committee of the Board to consider appeals under Chapter 9 .

“Applicable Law” means, with respect to any Person, any statute, law, regulation, rule or ordinance of any governmental or self-regulatory authority applicable to such Person, including the CEA and CFTC Regulations, and state regulations where applicable.

“Authorized Trader” means a natural person who is either employed by or is an agent of a Member and who is authorized by the Exchange as an Authorized User in accordance with Chapter 3. “Board” means the Board of Directors of Kalshi, which manages the Company and is constituted from time to time in accordance with the Operating Agreement.

“CFTC” or “Commission” means the U.S. Commodity Futures Trading Commission or any successor regulatory body.

“CFTC Regulations” means the rules and regulations promulgated by the CFTC, as amended.

“Commodity Exchange Act” or “CEA” means the Commodity Exchange Act, as amended from time to time.

“Contract” means any contract, agreement, or transaction approved for trading on Kalshi pursuant to these Rules.

“Contract Market” has the meaning set forth in CFTC Regulation § 1.3(h).

“Contract Specifications” means, with respect to any Contract, the rules or other trading protocols containing specifications for such Contract, as adopted, amended, supplemented or otherwise modified from time to time by the Company.

“Derivatives Clearing Organization” has the meaning set forth in Section 1a(15) of the CEA.

“Director” means any member of the Board.

“Disciplinary Panel” means the panel appointed by the Board at the recommendation of the Chief Compliance Officer to act in an adjudicative role and fulfill various adjudicative

responsibilities and duties described in Chapter 9.

“Emergency” means the occurrences or circumstances which, in the opinion of the Board, require immediate action, and which threaten, or may threaten, the fair and orderly trading in, or the settlement or integrity of, any Contract, including, without limitation, the following:

- (1) any activity that manipulates or attempts to manipulate a Contract on Kalshi
- (2) any circumstance that may materially affect the performance of a Contract, including failure to clear and any failure of the payment systems;
- (3) any action taken by any domestic or foreign regulatory, self-regulatory, judicial, arbitral, or governmental (whether national, state or municipal) or quasi-governmental authority, or any agency, department, instrumentality, or sub-division thereof; or other Person exercising, or entitled to exercise any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power; or any other Contract Market, Derivatives Clearing Organization, board of trade, or other exchange or trade association (foreign or domestic) that may have a direct impact on trading on Kalshi or the settlement legality or enforceability of any Contract;
- (4) any actual, attempted or threatened corner, squeeze, congestion, manipulative activity or undue concentration of positions in a Contract;
- (5) any circumstance that may have a severe, adverse effect upon the functions and facilities of Kalshi, including, but not limited to, acts of God, fire, flood or other natural disasters, bomb threats, acts of terrorism or war, severely inclement weather, or failure or malfunction of all or a portion of the Kalshi Platform, or other system breakdowns or interruptions such as power, computer, communication or transportation systems or the Internet;
- (6) the bankruptcy or insolvency of any Derivatives Clearing Organization or the imposition of any injunction or other restraint by any government agency, clearing house, court or arbitrator upon a Derivatives Clearing Organization which may affect the ability of a Derivatives Clearing Organization to trade in or perform on a Contract;
- (7) any circumstance in which it appears to the Board that a Derivatives Clearing Organization or any other Person:
 - (i) has failed to perform on a Contract;
 - (ii) is insolvent; or
 - (iii) is in a financial or operational condition or is conducting business such that the Derivatives Clearing Organization or Person cannot be permitted to continue in business without jeopardizing the safety of Customer funds, Members, Kalshi or the Derivatives Clearing Organization;
- (8) any circumstance which may have a material impact on the reliability or transparency of the Underlying related to a Contract; or
- (9) any other unusual, unforeseeable or adverse circumstance as determined by the Company.

“Expiration” means the time on the Expiration Date established pursuant to these Rules at which a Contract expires and the Expiration Value of that Contract is determined.

“Expiration Date” means the date established by these Rules on which the Expiration Value of each Contract is determined.

“Expiration Value” means the rate, level, amount, measure, or other value of the Underlying at Expiration.

“Government Agency” means any governmental entity (including the United States, a State, or a foreign government).

“Kalshi” or “Company” means KalshiEX LLC, or any successor thereto.

“LedgerX” means LedgerX LLC, or its successor, a registered Derivatives Clearing Organization.

“Market Maker” means a Member that is designated as a Market Maker and granted certain privileges in exchange for maintaining certain requirements as set forth in Chapter 4 of these Rules.

“Market Outcome” means the result of the Contract. If the Expiration Value is encompassed within the Payout Criterion, then the “Market Outcome” is YES. Otherwise, the “Market Outcome” is NO.

“Material Relationship” has the meaning attributed to such term in Rule 2.2(g).

“Member” means any Person who is authorized to access or utilize Kalshi and is bound by these Rules as they may be amended from time to time. .

“Member Account” means an account carried by Kalshi’s Derivatives Clearing Organization partner, LedgerX, on behalf of a Member.

“Officer” has the meaning attributed to such term in Rule 2.3.

“Order” means either a bid or an offer for a Contract.

“Outcome Review Committee” means a committee of the Board to determine Market Outcomes in accordance with Chapter 7.

“Oversight Panel” means any panel, or any subcommittee thereof, authorized by Kalshi to recommend or establish policies or procedures with respect to Kalshi’s surveillance, compliance, rule enforcement, or disciplinary responsibilities.

“Payout Criterion” of a Contract means the Expiration Value or set of Expiration Values that will cause that Contract to pay a Settlement Value to the holder of a long position in such Contract. The holder of a position in a Contract that receives a Settlement Value is considered to be “in-the-money” while the holder of a position in a Contract that does not receive a Settlement Value is considered to be “out-of-the-money”.

“Person” means a natural person or entity.

“Platform” means the Kalshi electronic trade execution system that is used for trading Contracts, including any licensed software that is a part thereof from time to time, and any successor electronic trading system thereto.

“Position Accountability Levels” means the level of loss that can be incurred as a result of a position in a Contract that is held or controlled by a Market Maker above which Kalshi may impose restrictions or obligations on the Market Maker as set forth in Rule 4.5.

“Position Limit” means the maximum loss that can be incurred as a result of a position in a Contract that is allowed to be held or controlled by one Member as prescribed by Kalshi and/or the Commission.

“Public Director” means an individual with the qualifications set forth in Rule 2.2(g).

“Regulatory Agency” means any governmental or self-regulatory authority applicable to Kalshi, including the CFTC and applicable foreign regulators.

“Regulatory Oversight Committee” means the committee of the Board constituted in accordance with Rule 2.6.

“Rulebook” or “Rules” means the Kalshi Rulebook, interpretations, orders, resolutions, advisories, notices, statements of policy, decisions, manuals, and directives of the Company or LedgerX.

“Self-Regulatory Organization” shall, unless otherwise provided, have the meaning set forth in CFTC Regulation § 1.3(ee) and, in addition, shall include a Contract Market, Derivatives Clearing Organization, and registered futures association.

“Settlement” means payment to Members who have the right to receive money pursuant to a Contract, held until Expiration.

“Settlement Date” means the date on which Settlement occurs.

“Settlement Value” means the amount which the holder of a Contract may receive for a Contract held until Expiration.

“Source Agency” means the agency that publishes the Underlying and/or Expiration Value for any Contract.

“Trade” or “Transaction” means any purchase or sale of any Contract on Kalshi, either directly or indirectly.

“Underlying” means the index, rate, risk, measure, instrument, differential, indicator, value, contingency, occurrence, or extent of an occurrence the Expiration Value of which determines whether a Contract is in-the-money.

CHAPTER 2 MARKET GOVERNANCE

RULE 2.1 OWNERSHIP

KalshiEX LLC (“Kalshi” or the “Company”) is a Delaware limited liability company. The management and operation of Kalshi is governed by the Operating Agreement and the Rules. Member status does not confer any equity interest or voting rights in the Company.

RULE 2.2 BOARD OF DIRECTORS

The Board has the power to manage and direct Kalshi including but not limited to the power to define the standards for membership in Kalshi and the power to amend, adopt, or repeal these Rules, and the power to oversee the business conduct of Members and impose penalties for violation of these Rules.

- (a) The Board shall manage the day to day business operations of the Company. The Board has the power and authority to call for review, and to affirm, modify, suspend or overrule, any and all decisions and actions of standing committees or special committees of the Board or any panel of the Officers related to the day to day business operations of the Company.
- (b) The chief executive officer of Kalshi shall serve as chairman of the Board.
- (c) Any authority or discretion by the Rules vested in any Officer or delegated to any committee or subcommittee shall not be construed to deprive the Board of such authority or discretion and, in the event of a conflict, the determination of the matter by the Board shall prevail. This does not apply to the Outcome Review Committee.

- (d) A majority of the Directors serving on the Board, including at least one Public Director, shall constitute a quorum for the transaction of business of the Board. At all times when the Board is conducting business at a meeting of the Board, a quorum of the Board must be present at such meeting, and the Board may act only by the decision of a majority of the Directors constituting a quorum of the Board by vote at a meeting, by unanimous written consent without a meeting, or as otherwise set forth in the Operating Agreement.
- (e) The Board shall comprise the number of Directors set forth in the Operating Agreement and shall include Public Directors as no less than 35% of the Board, at all times. Each Director (including Public Directors) shall be appointed in accordance with the Operating Agreement and shall serve until his or her successor is duly appointed, or until his or her earlier resignation or removal, with or without cause.
- (f) Each Director is entitled to indemnification pursuant to the Operating Agreement with respect to matters relating to the Company.
- (g) To qualify as a Public Director, an individual must be found, by the Board and on the record, to have no Material Relationship, as defined below, with the Company. The Board must make such a finding at the time the Public Director is elected and as often as necessary in light of all circumstances relevant to such Public Director, but in no case less than annually. A Material Relationship is one that reasonably could affect the independent judgment or decision-making of the Director. The Board need not consider previous service as a Director of the Company to constitute a Material Relationship. A Director shall be considered to have a Material Relationship with the Company if any of the following circumstances exist or have existed within the past year:
 - (1) Such Director is or was an Officer or an employee of the Company, or an officer or an employee of an Affiliate of the Company;
 - (2) Such Director is or was a Member, or an officer or director of a Member; or
 - (3) Such Director, or a firm with which the Director is an officer, director, or partner, receives more than \$100,000 in combined annual payments from Kalshi, or any Affiliate thereof, for legal, accounting, or consulting services.
- (h) If any immediate family of a Director are found to have a Material Relationship, then such Material Relationship will be determined to apply to the Director.
- (i) The Board shall have procedures, as may be adopted by the Board from time to time, to remove a Director where the conduct of such Director is likely to be prejudicial to the sound and prudent management of the Company.
- (j) The Board shall review its performance and that of its individual directors annually.

RULE 2.3 OFFICERS

- (a) The Board shall appoint a Chief Executive Officer, Chief Operating Officer, Chief Compliance Officer, and other such officers of Kalshi as it may deem necessary or appropriate from time to time (collectively, the “Officers”).
- (b) Any Officer may also be a director, officer, partner or employee of the Company or of any of its Affiliates, subject to disclosure and resolution of conflicts of interest.
- (c) The Officers shall have such powers and duties in the management of the Company as the Board may prescribe from time to time, subject to any limitations set forth in the Operating Agreement.
- (d) Each Officer is entitled to indemnification pursuant to the Operating Agreement with respect to matters relating to the Company.

RULE 2.4 RESTRICTIONS ON WHO MAY BE MEMBERS OF THE BOARD, MEMBERS OF COMMITTEES , OR TEN PERCENT OR GREATER OWNERS

- (a) An individual may not serve as a Director or Officer, serve on a committee or subcommittee established by the Board, including the Disciplinary Panel, or hold a 10% or greater ownership interest in the Company, if the individual:
 - (1) Within the prior three years has been found, by a final decision of a court of competent jurisdiction, an administrative law judge, the CFTC, or any Self-Regulatory Organization, to have committed a disciplinary offense;
 - (2) Within the prior three years has entered into a settlement agreement in which any of the findings or, in the absence of such findings, any of the acts charged included a disciplinary offense;
 - (3) Is currently suspended from trading on a Designated Contract Market or a Swap Execution Facility, is suspended or expelled from membership in a Self-Regulatory Organization, is serving any sentence of probation, or owes any portion of a fine or penalty imposed pursuant to either: a finding by final decision of a court of competent jurisdiction, an administrative law judge, the CFTC or any Self-Regulatory Organization that such person committed a disciplinary offense; or a settlement agreement in which any of the findings or, in the absence of such findings, any of the acts charged included a disciplinary offense;
 - (4) Is currently subject to an agreement with the CFTC or Self-Regulatory Organization not to apply for registration with the CFTC or for membership in the Self-Regulatory Organization;
 - (5) Is currently, or within the past three years has been, subject to a revocation or suspension of registration by the CFTC, or has been convicted within the past three years of any of the felonies listed in Section 8a(2)(D)(ii) through (iv) of the CEA;

- (6) Is currently subject to a denial, suspension or disqualification from serving on a disciplinary panel, arbitration panel or governing board of any self-regulatory organization as that term is defined in Section 3(a)(26) of the Securities Exchange Act of 1934; or
- (7) Is subject to a statutory disqualification pursuant to Section 8a(2) of the CEA.

For purposes of this Rule 2.4(a), the terms “disciplinary offense,” “final decision” and “settlement agreement” have the meaning given those terms in CFTC Regulation 1.63(a).

- (b) Any Director, Officer, member of a committee established by the Board and any individual nominated to serve in any such role, shall immediately notify the Chief Executive Officer if such individual is subject to one or more of the criteria in Rule 2.4(a). Prior to nomination to the Board, each individual shall certify that he or she is not disqualified pursuant to Rule 2.4(a). Upon appointment, each Director, Officer, and a member of a committee shall provide to the Company, where applicable, changes in registration information within 30 days and certification of compliance accordingly. The Company shall verify information supporting Board compliance with eligibility criteria.
- (c) To serve as a Director, an individual must possess the ability to contribute to the effective oversight and management of the Company, taking into account the needs of the Company and such factors as the individual’s experience, perspective, skills and knowledge of the industry in which the Company operates.
- (d) A Director or Officer must meet any qualifications set forth from time to time in the Operating Agreement and these Rules.
- (e) An individual may not serve on any Disciplinary Panel, arbitration panel, or the Appeals Committee during any proceeding affecting or concerning such individual, to be determined in a reasonable manner by the Company.
- (f) If the Company determines that an individual subject to this Rule 2.4 no longer meets the criteria set forth in Rule 2.4(a), the Company shall inform the CFTC of such determination. The Company shall provide to the CFTC, upon request, an individual’s certification of compliance with the criteria set forth in Rule 2.4(a).

RULE 2.5 COMMITTEES AND SUBCOMMITTEES

- (a) The Board may create, appoint Directors to serve on, and delegate powers to, committees and subcommittees. There shall be a Regulatory Oversight Committee, Disciplinary Panel, Outcome Review Committee, and Appeals Committee. The Board shall designate the chairperson of each such committee.

- (b) Each committee and subcommittee shall assist in the supervision, management and control of the affairs of the Company within its particular area of responsibility, subject to the authority of the Board.
- (c) Subject to the authority of the Board, each committee and subcommittee shall determine the manner and form in which its proceedings shall be conducted. A majority of the members serving on a committee or subcommittee, including at least one Public Director, shall constitute a quorum for the transaction of business of a committee or subcommittee. Each committee and subcommittee may act only by the decision of a quorum, by vote at a meeting or by unanimous written consent without a meeting.

RULE 2.6 REGULATORY OVERSIGHT COMMITTEE

- (a) The Regulatory Oversight Committee shall be a standing committee of the Board consisting of only Public Directors, as appointed from time to time. No less than two Public Directors shall serve on the Regulatory Oversight Committee.
- (b) Each member of the Regulatory Oversight Committee shall serve for a term of one calendar year from the date of his or her appointment or for the remainder of his or her term as a Public Director, and until the due appointment of his or her successor, or until his or her earlier resignation or removal, with or without cause, as a member of the Regulatory Oversight Committee or as a Public Director. A member of the Regulatory Oversight Committee may serve multiple terms.
- (c) The Regulatory Oversight Committee shall oversee the Company's regulatory program on behalf of the Board. The Board shall delegate sufficient authority, dedicate sufficient resources, and allow sufficient time for the Regulatory Oversight Committee to fulfill its mandate. The Regulatory Oversight Committee shall make such recommendations to the Board that will, in its judgment, best promote the interests of the Company. The Regulatory Oversight Committee shall also have such other powers and perform such other duties as set forth in the Rules and as the Board may delegate to it from time to time.
- (d) The Regulatory Oversight Committee shall appoint individuals to the Disciplinary Panel in accordance with these Rules, Applicable Law and the composition requirements of the Disciplinary Panel. The Committee shall appoint at least one person who would not be disqualified from serving as a Public Director.
- (e) The Regulatory Oversight Committee shall prepare an annual report that assesses the Company's self-regulatory program for the Board and the CFTC. The annual report sets forth the regulatory program's expenses, describes its staffing and structure, catalogues disciplinary actions taken during the year, and reviews the performance of the Disciplinary Panel, as provided in Exhibit B to Part 38 of the CFTC Regulations

- (f) Without limiting the generality of the foregoing, the Regulatory Oversight Committee shall have the authority to:
- (1) Monitor the regulatory program of the Company for sufficiency, effectiveness, and independence;
 - (2) Oversee all facets of the regulatory program, including trade practice and market surveillance; audits, examinations, and other regulatory responsibilities with respect to Members (including ensuring compliance with financial integrity, financial reporting, sales practice, recordkeeping, and other requirements); and the conduct of investigations;
 - (3) Review the size and allocation of the regulatory budget and resources; and the number, hiring, termination, and compensation of regulatory personnel;
 - (4) Supervise the Chief Compliance Officer of the Company, who will report directly to the Regulatory Oversight Committee;
 - (5) Recommend changes that would ensure fair, vigorous, and effective regulation; and
 - (6) Review all regulatory proposals prior to implementation and advise the Board as to whether and how such changes may impact regulation.

RULE 2.7 DISCIPLINARY PANEL, APPEALS COMMITTEE, AND OUTCOME REVIEW COMMITTEE

- (a) The Disciplinary Panel shall be:
- (1) A standing committee consisting of at least three members, including at least one person who would not be disqualified from serving as a Public Director. No member of the Disciplinary Panel shall also be a member of the Company's compliance staff or any person involved in adjudicating any other stage of the same proceeding. The Board may establish more than one Disciplinary Panel. The Regulatory Oversight Committee will appoint individuals for membership on the Disciplinary Panel. Each Disciplinary Panel shall include members with sufficient differing experience and Member interests so as to ensure fairness and to prevent special treatment or preference for any Person.
 - (2) Responsible for conducting hearings, rendering decisions, and imposing sanctions with respect to any Disciplinary Action. The Disciplinary Panel shall also have such other powers and perform such other duties as set forth in the Rules and as the Board may determine from time to time.
- (b) Each member of the Disciplinary Panel shall serve for a term of one calendar year from the date of his or her appointment, and until the due appointment of his or her successor, or until his or her earlier resignation or removal, with or without cause, as a member of the Disciplinary Panel. A member of the Disciplinary Panel may serve for multiple terms.
- (c) The Appeals Committee shall be:

- (1) A standing committee consisting of at least three members of the Board. The members of the Appeals Committee and its Chairperson shall be appointed by the Chairperson of the Board, provided that, at all times the Appeals Committee shall include at least one Public Director.
 - (2) Responsible for conducting hearings of appeals of decisions of the Disciplinary Panel, rendering decisions of such appeals, and imposing sanctions with respect to such appeals. The Appeals Committee shall also have such other powers and perform such other duties as set forth in these Rules and as the Board may determine from time to time.
- (d) Each member of the Appeals Committee shall serve for a term of one calendar year from the date of his or her appointment or, if shorter, for the remainder of his or her term as a Public Director, as applicable, until the due appointment of his or her successor, or until his or her earlier resignation or removal, with or without cause, as a member of the Appeals Committee or as a Public Director. A member of the Appeals Committee may serve multiple terms.
- (e) The Outcome Review Committee shall be:
- a. A standing committee consisting of three members who are appointed by the Regulatory Oversight Committee. At least two of the members must be Public Directors. Members of the Regulatory Oversight Committee may also concurrently serve on the Outcome Review Committee.
 - b. Responsible for determining Market Outcomes as provided in Rule 7.1.
- (f) Each member of the Outcome Review Committee shall serve for a term of one calendar year from the date of his or her appointment or, if shorter, for the remainder of his or her term as a Public Director, as applicable, until the due appointment of his or her successor, or until his or her earlier resignation or removal, with or without cause, as a member of the Outcome Review Committee or as a Public Director. A member of the Outcome Review Committee may serve multiple terms.

RULE 2.8 EMERGENCY RULES

- (a) Kalshi may adopt emergency Rules in response to the emergencies that are described in paragraph (c) of this Rule. In the event of one of those emergencies, the Board or at least two members of the management team may, without giving prior notice to, or securing prior approval from the Commission, adopt a temporary emergency rule to address the emergency. Adoption of a temporary emergency rule requires the CEO's approval. Adoption of a temporary emergency rule by the management team requires the written authorization and acknowledgement of two members of the management team, indicating the emergency action to be taken and the reasons for that action, before the action is taken.
- (b) Any temporary emergency rule adopted under this Rule may authorize Kalshi to act as the Board or management team deems necessary or appropriate to meet the emergency, and those actions may

adversely affect the ability to trade on the Platform. Therefore, the chance of an emergency is one of the risks that Members should consider when deciding whether to trade on the Platform.

(c) For the purposes of this Rule, an “emergency” is

- (1) Any activity that manipulates or attempts to manipulate a Contract on the Platform;
- (2) Any circumstance that may materially affect the performance of the Contracts traded on Kalshi;
- (3) Any action taken by the United States, any foreign government, any state or local governmental body, any other contract market or board of trade, or any other exchange, market, facility, or trade association (foreign or domestic) that may have a direct impact on trading on Kalshi;
- (4) Any circumstances that may have a severe, adverse impact upon the physical functions of Kalshi including, for example, natural disasters such as fire or flood, terrorist acts such as bomb threats, physical plant breakdowns such as plumbing, heating, or air conditioning problems, system breakdowns such as power, telephony, cable, trading systems, or computer systems failures or interruptions to communications, the network, or the Internet;
- (5) The imposition of any injunction or other restraint by any government agency, court, or arbitrator that may affect the ability of a Member to perform on Contracts;
- (6) Any circumstance in which it appears that a Kalshi Member or any other person is in such operational condition, or is conducting business in such a manner, that such person cannot be permitted to continue in business without jeopardizing the safety of Kalshi Members or Kalshi itself; and
- (7) Any other unusual, unforeseeable, and adverse circumstance which, in the opinion of the governing board, requires immediate action and threatens or may threaten such things as the fair and orderly trading in, or the liquidation of or delivery pursuant to Contracts traded on Kalshi.

(d) If deemed necessary to combat perceived market threats caused by an emergency, a Kalshi official authorized to do so may suspend trading on the Platform during the duration of the emergency or take any other action that the official thinks is necessary or appropriate. The official will order an end to the action taken in response to the emergency as soon as the official determines that the emergency has sufficiently abated to permit the Platform to function properly. Reasonable actions resulting under this Rule include but are not limited to:

- (1) Modification to limits on positions;
- (2) Reduction of positions and exposure by participating Members to certain Contracts;
- (3) Cancellation of a Contract and the return of any funds paid to enter Trades on the Contract;
- (4) Extension/shortening of expiration and/or closing date;
- (5) Suspension and curtailing of trading; and
- (6) Changing a Contract’s terms and conditions and/or specifications.

- (e) Kalshi will make every effort practicable to notify the Director of the Division of Market Oversight, his delegates, and/or other persons designated by the Commission's Regulations that Kalshi intends to implement, modify, or terminate a temporary emergency rule pursuant to Rule 2.4(a) or an action in response to an emergency pursuant to Rule 2.4(d) prior to the implementation, modification, or termination of the rule or action. If it is not possible to notify the Commission prior to the implementation, modification, or termination of the rule or action, Kalshi will notify the Commission of the implementation, modification, or termination of the rule or action at the earliest possible time, and in no event more than 24 hours after implementation, modification, or termination.
- (f) Any time that Kalshi takes action in response to an emergency, either under Rule 2.4(a) or Rule 2.4(d), Kalshi shall publish a notice of such action on its website, notify Members through the API, and notify Members via email. Kalshi will likewise document its decision-making process and reasons for taking emergency action.

RULE 2.9 VOTING BY INTERESTED BOARD MEMBERS

Core Principle 16 of Section 5(d) of the Commodity Exchange Act ("CEA") requires that contract markets have adequate procedures to prevent conflicts of interest. In this regard, Kalshi has adopted provisions of Commission Regulation 1.69 as Rules provided herein. Commission Regulation 1.69 prohibits a member of the Board or any disciplinary or oversight committee or subcommittee from taking part in any deliberations or voting on any matter in which the board, committee, or subcommittee member has an interest or has a relationship with a named party in interest. Regulation 1.69 also requires disclosure by Board, committee, or subcommittee members of interests and relationships in certain circumstances. Consequently, Board, committee, and subcommittee members shall not deliberate or vote on any matter in which the Board, committee, or subcommittee member has an interest or has a relationship with a named party in interest and shall disclose such interests in accordance with Regulation 1.69.

RULE 2.10 INDEMNIFICATION OF DIRECTORS, OFFICERS, AND OTHERS

- (a) Kalshi will indemnify, to the full extent authorized by law, any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative in nature, by reason of the fact that such person is or was a director, officer, employee, or agent of Kalshi or is or was serving at the request of Kalshi as a director, officer, employee, or agent of Kalshi against expenses, including attorneys' fees, judgments, fines, and amounts paid in connection with such action, suit, or proceeding.
- (b) Indemnification shall not be deemed exclusive of any other rights to which a person may be entitled under any agreement or as a matter of law or otherwise.

- (c) Kalshi may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, or agent of Kalshi against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not Kalshi would have the power to indemnify such person against such liability under the provisions of this Rule.
- (d) Notwithstanding the above, no person shall be indemnified from liability for fraud, bad faith, willful misconduct, or gross negligence. Further, no person shall be indemnified against a civil penalty imposed by the Commission under Section 6b of the CEA.

RULE 2.11 PROHIBITION ON USE OF MATERIAL, NON-PUBLIC INFORMATION

- (a) Commission Regulation 1.59 prohibits employees and members of the Board from using or disclosing material, nonpublic information gained through their employment or board service in certain circumstances. This Rule prohibits the use and disclosure forbidden by Commission Regulation 1.59. In this regard, Kalshi has adopted provisions of Regulation 1.59 as a Rule of Kalshi in Chapter 11 of these Rules.
- (b) No member of the Board or any committee established by the Board or these Rules will use or disclose material, nonpublic information obtained as a result of participation on the Board or such committee for any purpose other than the performance of official duties as a board or committee member.
- (c) No employee, consultant, or member of the Board or any committee of Kalshi will disclose to any other person material, nonpublic information obtained as a result of such person's employment for purposes inconsistent with such person's official duties.
- (d) No employee, consultant, or member of the Board or any committee of Kalshi will trade for such person's account, or for or on behalf of any other account, in any commodity interest on the basis of any material, non-public information obtained through special access related to the performance of such person's duties as an employee, consultant, or member of the Board or committee.
- (e) No Member who inadvertently or otherwise comes into possession of any material, non-public information held by Kalshi or any employee, consultant, or member of the Board or any committee of Kalshi gained through their employment by or service to Kalshi will disclose to anyone such material, non-public information or trade for such person's account, or for or on behalf of any other account, in any commodity interest on the basis of such material, nonpublic information.

- (f) For purposes of this Rule, the terms “material information,” “nonpublic information,” “linked exchange,” “commodity interest,” and “related commodity interest” have the same meanings as they do in Commission Regulation 1.59.
- (g) Any director, officer, or employee of Kalshi who violates any provision of this Rule will be required to indemnify Kalshi for any losses, damages, or costs caused by that violation.

RULE 2.12 LIMITATION ON TRADING BY AFFILIATES

The Company, pursuant to approval by the Board, permits an affiliated entity (the “Affiliate”) to participate on its Platform, subject to the following provisions:

- (a) The Affiliate is a Member of the Platform.
- (b) The Company has ensured the Affiliate does not have access to the Company’s material non-public information, and the Company ensures the Affiliate’s access to information is limited to public information available to all Members. (The provision of information to common directors of the Company, any affiliate or the holding company shall not constitute a violation of this proscription.) The Company ensures the Affiliate maintains operational independence from the Company. Operational independence means that the Affiliate member must:
 - a. Have and maintain operations, including servers, databases, accounts, tools, software, and development tooling, separate from the Company;
 - b. Have no access to Company operations;
 - c. Be subject to all of the rules in this Rulebook, including the rules regarding Membership (see Chapter 3);
 - d. Have access to the Platform limited to that set forth in the rules in this Rulebook (see Chapter 5);
 - e. Not have access to material non-public information, including but not limited to information regarding order flow, trading, settlement, contracts, and compliance; and
 - f. Have and maintain physical separation from the Company.
- (c) All capital underlying trading by an affiliate will not originate from sources the Company.
- (d) Any algorithms employed by any affiliate(s) must not be readily exploitable (e.g., be not readily subject to manipulation, hacking).
- (e) Affiliate entities trading on the Platform as Members may have multiple purposes, and there may be multiple affiliate entities trading as Members on the Platform.
 - a. The Affiliate participates on the Platform and provides liquidity to the Platform by placing orders on either (or both) sides of a market at competitive price levels. The Affiliate’s trading activity includes aggressing and/or passive trading. The Affiliate’s business purpose is profitability, and liquidity provision is a significant part of its business model. The Affiliate’s capitalization derives from the holding company that owns the Company and

- Entity, and one or more employees of the Company serve on the board of directors of the Company, the Affiliate, and the holding company that owns both.
- b. The Affiliate has no obligation to trade all or even any contracts at any time, and other Kalshi Members should not rely on the potential presence of the Affiliate to make markets or otherwise augment or provide liquidity in any contract.
 - c. If additional affiliates of the Company commence trading on the Platform, or if the information about the trading activities of the Affiliate changes materially, the Company has put in place necessary controls to ensure that it updates this Rulebook and notifies the marketplace promptly to disclose any affiliate's purpose in trading on the Platform, and provides a summary of the procedures in place to manage and disclose actual or potential conflicts of interest and effects on trading to ensure market integrity and fairness are preserved.

RULE 2.13 CONSENT TO JURISDICTION

Any Person initiating or executing a transaction subject to these Rules, directly or indirectly, and any Person for whose benefit such a transaction has been initiated or executed, expressly consents to the jurisdiction of Kalshi and agrees to be bound by and comply with the Rules of the Company in relation to such transactions, including, but not limited to, Rules requiring cooperation and participation in investigatory and disciplinary processes.

RULE 2.14 RECORDKEEPING

- (a) Kalshi shall keep, or cause to be kept, complete and accurate books and records of accounts and activities of the Company, including all books, records and other documentation required to be maintained pursuant to the CEA and CFTC Regulations. This includes, among other things, all trade records and investigatory or disciplinary files, in accordance with the requirements of Commission Regulation 1.31.
- (b) Kalshi shall retain all such books and records in accordance with the CEA and CFTC Regulations.
- (c) Kalshi will provide information required to be maintained or provided pursuant to the CEA and CFTC Regulations to the Commission, the U.S. Securities and Exchange Commission, the U.S. Department of Justice or any representative of a prudential regulator as authorized by the Commission, upon request, in each case in the form and manner required under these Rules, and/or the CEA and CFTC Regulations. This shall include any records relating to swaps defined in section 1a(47)(A)(v) of the Act open to inspection and examination by the U.S. Securities and Exchange Commission.

RULE 2.15 INFORMATION-SHARING AGREEMENTS

- (a) Kalshi may enter into any information-sharing agreements or other arrangements or procedures, including an information-sharing agreement or other arrangement or procedure with any Person or body (including but not limited to a Regulatory Agency) if the Company considers such agreement, arrangement or procedures to be in furtherance of the Company's purpose or duties under these Rules or Applicable Law.
- (b) Kalshi may provide information to a duly authorized foreign governmental authority, as directed by the CFTC, in accordance with an information-sharing agreement or other arrangements or procedures executed with such foreign governmental authority or the CFTC.

RULE 2.16 RECORDKEEPING AND REPORTING REQUIREMENTS

- (a) In the event the Board rejects a recommendation or supersedes an action of the Regulatory Oversight Committee or the Chief Compliance Officer, Kalshi shall maintain documentation detailing:
 - (1) The recommendation or action of the Regulatory Oversight Committee or the Chief Compliance Officer as the case may be;
 - (2) The rationale for such recommendation or action;
 - (3) The rationale of the Board for rejecting such recommendation or superseding such action; and
 - (4) The course of action that the Board decided to take contrary to such recommendation or action.
- (b) Kalshi shall record and report to the CFTC all data required to be reported to the CFTC under Part 16 of CFTC Regulations, in the form and manner required by CFTC Regulations.
- (c) Kalshi shall keep and maintain books and records identifying each Order submitted to the Company and each Transaction effected pursuant to these Rules, including the identification of the execution method (e.g., central limit order book) with respect to each such Order and Transaction. These books and records shall be kept and maintained in accordance with the CEA and CFTC Regulations.
- (d) Kalshi shall submit to the CFTC within thirty days after each Board election a list of the Board's Directors, the Member interests they represent, and how the composition of the Board meets the requirements of CFTC Regulation 1.64(b) and the Company's Rules and procedures.
- (e) In accordance with the CFTC Letter No 21-11 ("Letter") issued on April 22, 2021, Kalshi relies upon no-action relief with respect to various swap data reporting requirements under Parts 43 and 45 of the Commission's regulations for contracts traded on or pursuant to the rules of the Company. Kalshi will comply with all conditions of such relief as set forth in that Letter.

RULE 2.17 PUBLIC INFORMATION

- (a) Accurate, complete and current copies of these Rules and Contract Specifications will be published on the Company website.
- (b) Kalshi shall make public on a daily basis information on settlement prices, volume, open interest, and opening and closing ranges for actively traded Contracts.
- (c) Except as provided herein, Kalshi shall publish on its Website a Member Notice with respect to each addition to, modification of, or clarification of, the Rules, the Matching Engine, and any Company Contract Specification prior to the earlier of:
 - (1) The effective date thereof; and
 - (2) The filing of such change with the Commission.
- (d) If confidential treatment is sought with respect to any information the Company submits to a Regulatory Agency, only the public version of such filing shall be disclosed.
- (e) Any Member Notice shall be deemed to have been made to all Members and any other such Person as may be required by sending such Member Notice to the email address on file with the Company and by posting the Member Notice on the Company website.

CHAPTER 3 MEMBERSHIP

RULE 3.1 MEMBERS - APPLICATIONS, AGREEMENTS, ELIGIBILITY CRITERIA, CLASSIFICATIONS, AND PRIVILEGES

- (a) Kalshi will provide access to the Platform (including but not limited to the central limit order book) and related services in an impartial, transparent, fair and non-discriminatory manner.
- (b) To be eligible to become a Member, an applicant must:
 - (1) Be a Person;
 - (2) Provide Kalshi with any information or documentation Kalshi deems necessary in order to verify the applicant's identity, perform a criminal background check, or otherwise review information provided on an application or by a third-party provider;
 - (3) Maintain an account, or accounts, in the Member's name with a U.S. Financial Institution that the Member will use to fund its Kalshi account at LedgerX, and to receive funds from its Kalshi account, or, if the Member is a non-United States resident, have an account or accounts in the Member's name with either a US Financial Institution or a Foreign Bank capable of transacting with LedgerX either directly, through a correspondent account, or other acceptable intermediary

- that the Member will use to fund its Kalshi account at LedgerX, and to receive funds from its Kalshi account via one of the acceptable methods as stated on the Kalshi website;
- (4) Not be subject to any economic or trade sanctions programs administered by OFAC or other relevant U.S. or non-U.S. authority; and must not be listed on OFAC's List of Specially Designated Nationals and Blocked Persons; and
 - (5) Certify the following:
 - a. The applicant is old enough to enter into a legally enforceable contract and has reached the required age as stated on the Member Agreement;
 - b. The applicant has read, understands and agrees to comply with the Kalshi Rulebook, Terms of Use, Privacy Policy, and Member Agreement;
 - c. The applicant will trade only for itself and will not serve as an intermediary for any other Person.
- (c) In order to become a Member, an applicant must complete an online member application (the "Member Application") and provide Kalshi with any other relevant information upon request. Kalshi may return any account balance and terminate any account upon the discovery that the Member Application was completed by anyone other than the Person identified on the Member Application. All funds deposited by Members shall constitute "Member Property" in accordance with CFTC Regulations.
- (d) Submission of a Member Application to Kalshi constitutes the applicant's agreement to be bound by these Rules and other policies of Kalshi. Among other things, this also includes the applicant's agreement to become a member of Kalshi's clearing partner, LedgerX, and be bound by LedgerX's Rules in its capacity as a Designated Clearing Organization.
- (e) Kalshi may in its sole discretion approve, deny, or condition any Member application as Kalshi deems necessary or appropriate.
- (1) In the event that Company staff decides to decline or condition an application for admission as a Member, or to terminate a Person's status as Member, Company staff shall notify such Person thereof in a written notice sent to the address provided by the Person in the Member Application and Agreement or maintained in the Company's registry of Members. The written notice will specify the basis for the Company's decision. Such Person may, within 28 business days, request in writing that the Company reconsider the determination.
 - (2) Within 28 business days of receiving a request for reconsideration, the Company shall confirm, reverse or modify the denial, condition or terminate the Member status of such Person, and shall promptly notify such Person accordingly in writing. The Company may, in its sole discretion, schedule a hearing (in person or by teleconference), request additional information from such Person or establish any other process that it believes is necessary or appropriate to consider the request for reconsideration.

(3) The Company's decision is the final action of the Company and is not subject to appeal.

- (a) A Member may not maintain and/or trade more than one Kalshi account.
- (f) Applicants for Member status of the Company may withdraw their applications at any time without prejudice or without losing their right to apply at a future time.
- (a) Kalshi will apply Member access criteria in a fair and nondiscriminatory manner that is not anti-competitive.

RULE 3.2 MEMBER OBLIGATIONS

- (a) Each Member must comply with these Rules, applicable provisions of the Commodity Exchange Act, and relevant Commission regulations. Each Member must also cooperate promptly and fully with Kalshi, its agents, and/or the Commission in any investigation, call for information, inquiry, audit, examination, or proceeding. Such cooperation shall include providing Kalshi with access to information on the activities of such Member in any referenced market that provides the underlying prices for any Contract. Additionally, each Member must update its e-mail address within 24 hours after any change and update all other information provided in its Member Application within five days after that information has changed. If any Member thereof fails to satisfy these obligations, Kalshi may revoke or suspend the Member's privileges in full or in part. Each Member may also be subject to civil or criminal prosecution.
- (b) Each Member consents to allow Kalshi to provide all information Kalshi has about the Member, including the Member's trading activity, to the Commission or any other Regulatory Agency, law enforcement authority, or judicial tribunal, including (as may be required by information sharing agreements or other contractual, regulatory, or legal provisions) foreign regulatory or self-regulatory bodies, law enforcement authorities, or judicial tribunals without notice to the Member.
- (c) Each Member consents to Kalshi providing information related to Know Your Customer or Anti-Money Laundering to its Derivatives Clearing Organization, LedgerX.
- (d) Each Member is required to review the "Notices" section of the Kalshi website to make itself aware of material changes to these Rules or other notices that may affect your rights and obligations as a Member of Kalshi.
- (e) Each Member must immediately notify Kalshi in writing upon becoming aware:
 - (1) That the Member has had access or trading privileges suspended, or membership denied, in any commodity, securities, or swaps exchange, brokerage, association, or Regulatory Agency;

- (2) That the Member has been convicted of, pled guilty or no contest to, or entered a plea agreement to, any felony in any domestic, foreign or military court;
 - (3) That the Member has been convicted of, plead guilty or no contest to, or entered a plea agreement to a misdemeanor in any domestic, foreign or military court which involves:
 - (i) Embezzlement, theft, extortion, fraud, fraudulent conversion, forgery, tax evasion, counterfeiting, false pretenses, bribery, gambling, racketeering, or misappropriation of funds, securities or properties; or
 - (ii) Any transaction in or advice concerning swaps, futures, options on futures, leveraged transactions or securities;
 - (4) That the Member has been subject to, or associated with a firm that was subject to regulatory proceedings before any governmental or Regulatory Agency;
 - (5) That the Member is currently a party to any investigation or proceeding, the resolution of which could result in an event described in Rule 3.3(d)(1)-(4);
 - (6) Of any other material change in any information contained in the Member Application;
 - (7) Of becoming subject to early warning reporting under Commission Regulation 1.12;
 - (8) Of becoming the subject of a bankruptcy petition, receivership proceeding, or the equivalent, or being unable to meet any financial obligation as it becomes due; or
 - (9) Of information that concerns any financial or business developments that may materially affect the Members' ability to continue to comply with participation requirements.
- (f) A Member is not required to engage in trading activity or maintain a minimum balance in its account after initial funding.
- (g) Each Member, upon a request of the Company or any Regulatory Agency, must promptly respond to any requests for information, including by providing any necessary information for the Company to perform any of the functions described in CEA Section 5(h).
- (h) Each Member shall maintain appropriate books and records of its trading, including records of any activity in the underlying commodity and related derivatives markets, and make such records available, upon request, to Kalshi.

RULE 3.3 REJECTION OF APPLICANT AND LIMITATIONS OF TRADING PRIVILEGES

- (a) Notwithstanding Kalshi's authority granted under any other Rule, Kalshi may, in its sole discretion, deny any Member application, or suspend, revoke, limit, condition, restrict, or qualify the trading privileges of any account owner pursuant to this section (a) or authorized trader of an account owner as it deems necessary or appropriate.
- (b) An account owner who has had trading privileges limited pursuant to Section (a) of this Rule will be provided, in writing, the reason such action was taken.

- (c) If Kalshi denies the Member Application of any Person or places limitations on trading privileges pursuant to this section, the applicant whose trading privileges have been limited may appeal the decision by filing with Kalshi a petition for review of such membership denial or trading limitation. The petition should describe in detail the reasons why the Member Application should be granted, or trading limitations removed. The petition must be filed within twenty-eight (28) calendar days from the date upon which notice of the denial of membership or limitation of trading privileges was provided by Kalshi. The decision of the Company will be final. A Person that has been denied membership by the Company will not be eligible for reapplication during the six months immediately following such denial.
- (d) If trading privileges are limited pursuant to Section (a) of this Rule, Kalshi may initiate a transfer of the Member's balance to the bank account on record, or cause for the same to be affected by the Derivatives Clearing Organization.
- (e) Kalshi has full discretion to limit or restrict a Member from trading in specific Contracts or categories of Contracts to mitigate risks of market manipulation

RULE 3.4 COMMUNICATIONS BETWEEN KALSHI AND MEMBERS

- (a) Each Member must provide Kalshi with its current electronic mail address and immediately notify the Company of any changes. All communications between Kalshi and its Members, including confirmation of all Transactions executed on a Member Account, may be transmitted by electronic mail on the Kalshi website or via the Kalshi API.
- (b) A Member is responsible for promptly reviewing and, if necessary, responding to all electronic communications from Kalshi.
- (c) Kalshi may record conversations and retain copies of electronic communications between the Company and Members. Any such recordings may be retained by the Company in such manner and for such periods of time as Kalshi may deem necessary or appropriate. Kalshi shall retain such records for the retention periods necessary to comply with CFTC Regulation 1.35 or such longer period as the Company deems appropriate.

RULE 3.5 MEMBER FUNDS MAINTAINED WITH THE COMPANY

All Member funds deposited with Kalshi's clearing partner, LedgerX, shall be held in accordance with CFTC Regulations in accounts identified as Member Accounts. Such funds shall be segregated by LedgerX and treated as belonging to such Members.

RULE 3.6 DUES, FEES, AND EXPENSES PAYABLE BY MEMBERS

- (a) Members are not required to pay dues.
- (b) Members may be charged fees in connection with the trading of Contracts in such amounts as may be revised from time to time to be reflected on the Company's Website.
- (c) Members may be charged fees for Settlement of Contracts in an amount to be reflected from time to time on Kalshi's website.
- (d) Kalshi may cause and/or instruct LedgerX to deduct from the Member Account fees or expenses incurred in connection with the Member's trading or account activity or Kalshi's administration in connection with that activity, such as fees for wire transfer or other payment methods processing fees. All such fees will be charged in an amount to be reflected from time to time on the Company's Website.
- (e) If Kalshi determines in the future to impose dues or additional fees, the Member will be provided notice of the change at the time the amended fees are filed with the Commission. The new fee structure will be implemented no earlier than on the first available trade date for which the change may be implemented according to the Commission's self-certification filing requirements as set forth in Commission Regulation 40.6(a).
- (f) Kalshi may from time to time establish incentive programs that provide participants with incentives that encourage membership and trading,

CHAPTER 4 MARKET MAKERS~~[RESERVED]~~

RULE 4.1 ELIGIBILITY TO BE DESIGNATED AS A MARKET MAKER

- (a) Only Members in good standing may become a Market Maker.
- (b) Kalshi shall have sole discretion to allow a Member to become a Market Maker.
- (c) Kalshi may set any specific requirements that the Member must abide by in order to become a Market Maker.
- (d) A Member must complete and file a market maker agreement with Kalshi to be considered for Market Maker status.

- (e) The designation of any Market Maker may be suspended, terminated or restricted by Kalshi at any time and for any reason.
- (f) Kalshi may designate more than one Market Maker, and there may be more than one Market Maker participating on the Exchange.
- (g) There may be more than one Market Maker program in place at Kalshi at any given time.

RULE 4.2 DESIGNATION AS A MARKET MAKER

- (a) To determine whether a Member shall be designated as a Market Maker, Kalshi shall consider the Member's available financial resources, relevant experience, business reputation, and any other relevant factor.
- (b) No Member shall be designated as a Market Maker without the Member's consent.
- (c) Kalshi may periodically conduct an evaluation of any Market Maker to determine whether it has fulfilled performance standards relating to, among other things, quality of the markets, competitive market making, observance of ethical standards, and administrative soundness. If the Market Maker fails to meet minimum performance standards, Kalshi may, among other things, suspend, terminate or restrict the Market Maker's designation.

RULE 4.3 MARKET MAKER BENEFITS

Market Makers may receive benefits, including but not limited to financial benefits, reduced fees, differing position limits, and enhanced access, in accordance with any relevant Market Maker program in place at Kalshi for fulfilling the market maker obligations.

RULE 4.4 MARKET MAKER OBLIGATIONS

- (a) A Market Maker's transactions must be reasonably calculated to contribute to the maintenance of a fair and orderly market, and a Market Maker shall not make bids or offers or enter into transactions that are inconsistent with this goal.
- (b) A Market Maker is obligated to perform all requirements and obligations delineated in the relevant Market Maker agreement and in the relevant Market Maker program in place at Kalshi. These requirements and obligations include but are not limited to maintaining two-sided markets within a defined spread and with a minimum depth during trading.

RULE 4.5 MARKET MAKER POSITION ACCOUNTABILITY LEVELS

- (a) The provisions in this Rule apply only to Contracts that are included in a market maker program and the Market Maker is required to adhere to the Market Maker Obligations set forth in Rule 4.4(b) in regard to such Contracts. For all other Contracts, Market Makers are subject to the Position Limits set forth in Rule 5.4 and in product certifications.
- (b) Market Makers are subject to the following Position Accountability Levels:
 - (i) For Contracts with a generally applicable Position Limit of \$25k, the Position Accountability Level for market makers will be \$1M;
 - (ii) For Contracts with a generally applicable Position Limit higher than \$25k, the Position Accountability Level will be \$10M.
- (c) If a Market Maker exceeds the Position Accountability Level, the Market Maker will be required to provide information regarding its position to Kalshi's Compliance staff. The Compliance staff may allow the Market Maker to continue to add to its position, require the Market Maker to exit from the portion of the position that exceeds the position accountability level, or impose a limit on the position that the Market Maker cannot exceed. Market Makers will be allowed to hold positions in excess of the Position Accountability Levels only to the extent necessary for the Market Maker to perform its obligations as a Market Maker, as determined by the Company.
- (d) Market Makers are not subject to Position Limits set forth in Rule 5.4 and in product certifications; those Position Limits are generally applicable to all members except for Market Makers. However, in no instance may a Market Maker's position exceed any applicable limit established by the CFTC.

CHAPTER 5 METHOD FOR MEMBERS TO TRADE CONTRACTS

RULE 5.1 PRIOR REVIEW OF THESE RULES AND ACCEPTANCE OF TERMS OF MEMBER AGREEMENT

- (a) No Person may become a Member of Kalshi or trade any Contracts on the Platform unless such Person has received, read, understood, and accepted the Kalshi Rulebook, Terms of Use, Privacy Policy, and Member Agreement, and has certified having done so.

RULE 5.2 MEMBER ACCESS TO KALSHI

- (a) During the Kalshi Member application process, an applicant to become a Member will be required to choose a unique user identification ("ID") and password. The applicant will be required to enter the ID and password to log onto and access secure portions of the Kalshi website. Each time the applicant submits its ID and password to Kalshi in order to log onto Kalshi, the applicant affirms that it

understands and agrees to be bound by these Rules and other policies of Kalshi, as amended.

- (b) After a Member Application has been approved by Kalshi, the applicant shall be notified of its designation as a Member. As a Member, such Person will be able to access the Platform, execute Trades, and otherwise access information regarding, or perform functions in, such a Person's account using its ID and password.
- (c) For account security and audit trail purposes, each Member agrees that Kalshi may maintain logs of its IP address used to access the Kalshi website.
- (d) Each Member will be responsible for protecting its ID and password from improper disclosure. In addition, a Member may not knowingly or negligently permit any Person not authorized by Kalshi and by the Member to use the ID and password to access the secure portion of the Kalshi website. Each Member is required to immediately notify Kalshi if it knows, or has reason to believe, that its ID or password have been disclosed to any Person not authorized by Kalshi and the Member to use such ID and/or password.
- (e) Each Member will be liable for all costs and any losses that it may incur from Transactions executed on the Platform by any Person, authorized or not, using its ID and password. Kalshi will not be responsible in any way for unauthorized Transactions in a Member Account.
- (f) Each Member is responsible for contracting with an Internet service provider through which it will access the Kalshi website and for having a backup service provider if the Member thinks it is necessary. Each Member is also responsible for maintaining an Internet connection speed adequate for its needs. Kalshi will not be responsible in any way for any orders delayed or trades missed or not executed in a timely fashion because of failure of the Member's Internet service provider or slowness of its Internet connection speed. No communication from a Member will be deemed to have been received by Kalshi until that communication is logged by the Kalshi server.
- (g) Kalshi in its discretion may place a Member Account on hold (prohibiting any order activity) or on hold-liquidation only (allowing only orders to liquidate existing positions). In such circumstances, Kalshi will promptly notify the affected Member of the nature of and reason for the action.

RULE 5.3 TRADING CONTRACTS – MEMBERS

- (a) Members will be able to trade Contracts by entering Orders on such Contracts. After logging into the secure portion of the Kalshi website, the Member will input its Orders into the Platform.
- (b) When a Member's Order is matched by an Order from another Member:

- (1) If the Member's Order is to enter into one or more Contracts for which it does not have an offsetting position in its account, Kalshi will check the Member Account to ensure it has enough funds to cover its maximum loss under the Contract(s) it is attempting to enter into. If the Member does not have the necessary funds in its account, Kalshi will cancel its order prior to trade execution. If the Member does have the necessary funds in its account, Kalshi will execute the trade. Upon trade execution, Kalshi will cause and/or instruct LedgerX to:
 - (i) Debit the funds from the Member Account in an amount necessary to cover the maximum loss;
 - (ii) Credit those funds towards the appropriate settlement account;
 - (iii) Place the Contracts that were the subject of the Order into the Member Account; and
 - (iv) Notify the Member by electronic mail that the Trade has been executed.
 - (2) If the Transaction involves entering into one or more Contracts for which a Member has an offsetting position in its account, upon execution of the Trade Kalshi will cause and/or instruct LedgerX to:
 - (i) Close the offsetting position in the Member Account;
 - (ii) Debit the settlement account in the amount of any gains realized by the offsetting Transaction and any funds that were debited from the Member Account at the time the Contract(s) that is being closed was entered into and that were not also used to pay any losses on such Contract(s);
 - (iii) Credit those amounts to the Member Account; and
 - (iv) Notify the Member by electronic mail that the Trade has been executed.
- (c) If a Member's Order is placed on the Platform and not immediately matched by an Order from another Member, it will rest on the Platform until it is matched and executed in accordance with the procedures outlined above in this Rule, until the Member cancels it, or until it is cancelled by Kalshi or its Derivatives Clearing Organization partner upon the Expiration of the Contract or otherwise in accordance with these Rules.

RULE 5.4 ORDER ENTRY

(a) Member Orders

- (1) A Member will enter Orders to trade Contracts by electronic transmission over the Internet. Order rate limiter functionality will cap the maximum number of orders that may be submitted to the Exchange per second (or per a specific time period expressed in seconds) per Member in order to prevent a risk of harm to the Company.
- (2) A Member will enter an Order to trade one or more Contracts by indicating to Kalshi in the manner required by Kalshi:
 - (i) Order direction (i.e., buy/yes or sell/no);

- (ii) Price at which the Member wants to buy or sell the Contract; and
 - (iii) Number of Contracts the Member wants to buy or sell.
- (3) In order to enter an Order to trade one or more Contracts, a Member will be required to submit the Order to Kalshi. Once the Order is accepted by Kalshi, Kalshi will assign to the Order an Order ID. This ID will appear next to the associated Order on the Member's Order Ticket and Order History account pages. The Member will be responsible for any and all Order entries confirmed for its account and accepted by Kalshi.
- (4) Any Member submitting Orders, or any other messages directly to Kalshi, including but not limited to messages related to the cancellation or amendment of an Order, whether manually or via automated functionality, must ensure adequate controls are in place to prevent excessive messaging or other activity that may be deemed detrimental or disruptive to the Company.
- (b) Kalshi's trading system will keep an electronic record of all orders to trade Contracts, and all executed Contract trades. The records kept by Kalshi will include all of the terms identified in paragraph (a) of this Rule as well as the date and time that the Transaction was completed to the nearest thousandth of a second and the member ID, for all executed Contract trades and to the nearest thousandth of a second for all Orders to trade Contracts.
- (c) A Kalshi Contract will not be void or voidable due to:
 - (1) A violation by Kalshi of the provisions of sections 5 or 5h of the CEA or Part 38 of CFTC Regulations;
 - (2) Any CFTC proceeding to alter or supplement a rule, term or condition under section 8a(7) of the CEA or to declare an emergency under section 8a(9) of the CEA; or
 - (3) Any other proceeding where the effect of which is to alter or supplement a specific term or condition or trading rule or procedures, or requires Kalshi to adopt a specific term or condition, trading rule or procedure, or to take or refrain from taking a specific action.

RULE 5.5 HANDLING OF CUSTOMER ORDERS

- (a) All trading on Kalshi's Central Limit Order Book is conducted on a fully anonymous basis.
- (b) Disclosing Orders Prohibited:
 - (1) It is a violation of this Rule 5.5 for any Person to disclose another Person's Order to buy or sell any Contracts except as may be requested by Kalshi or the Commission.
 - (2) It is a violation of this Rule 5.5 for any Person to act or direct another Person to act based on non-public order information, however acquired.

RULE 5.6 DISPUTED ORDERS

- (a) If a Member believes that an Order to trade one or more Contracts was incorrectly executed or rejected by Kalshi that Member may request a review of the Order by providing the confirmation number for the order and stating the grounds for its disagreement with the handling of the order.
- (b) Upon receipt of a request for review of an Order and the accompanying confirmation number, Kalshi will review its electronic audit trail to determine if the Kalshi trading system correctly interpreted and executed the Order.
- (c) If the review described in paragraph (b) of this Rule reveals that the Kalshi trading system made a mistake, the Order will be canceled and the accounts of all Members that were party to the Order will be returned to their state before the Trade was executed.
- (d) If the review described in paragraph (b) of this Rule reveals that the Kalshi trading system did not make a mistake, Kalshi will inform the Member who requested the review of its determination that the Order was properly handled, the evidence supporting that determination, and that an adjustment will not be made.
- (e) A Member may appeal a determination under paragraph (d) of this Rule to a Kalshi compliance officer through the electronic mail address provided on the Kalshi website. The Member making the appeal will be required to provide a response to the evidence described in paragraph (d) of this Rule that the order was properly handled, and the Member may provide any other information it wishes to disclose. If the Member's appeal does not contain a response to the evidence described in paragraph (d), it will be rejected. The compliance officer will decide on the appeal no later than 10 days after its receipt, and that decision will be final.
- (f) Kalshi will document in writing all requests for review of orders received by Kalshi, the time and manner in which Kalshi reviewed its electronic audit trail in response to the request, the outcome of that review, and the action or actions taken by Kalshi in response to that review, including the results of any appeal filed under paragraph (e) of this Rule and the review conducted by the compliance officer in deciding that appeal.

RULE 5.7 PRIORITY OF ORDERS

Kalshi's central limit order book matches orders in an open and competitive manner. Subject to the provisions of Rule 5.10(b) regarding orders, Kalshi's trading algorithms execute all trades by matching orders according first by price and then time priority. This means that orders and quotes entered at different prices will be executed in order of price, from best to worst, regardless of what time they were

placed on the Platform, and orders and quotes placed on the Platform at the same price will be executed in order of time, from oldest to most recent.

RULE 5.8 FILLING ORDERS TO TRADE CONTRACTS

- (a) Subject to the provisions of Rule 5.10(b) regarding orders, the Kalshi trading system will fill all orders to trade Contracts on an “or better” basis. To illustrate, if a Member places an Order to buy a Contract or Contracts at a price higher than the price of the best sell offer on the Platform, the system will fill that Order to buy at the better sell offer price(s) until all available sell offers under or equal to that buy Order’s limit price are filled or until that buy order is completely filled. Likewise, if a Member enters a sell order at a price lower than the price of the best bid, the system will fill that sell order at the better bid price(s) until all available bids over that sell order’s limit price are filled or that sell order is completely filled. If an order is only partially filled, the unfilled portion of that order will remain in the order book as a resting order at the limit price specified. Should an opposite Order at the same price or better than the original Order subsequently be placed on the system, the unfilled portion of the original Order will be executed opposite that new Order at the original Order’s limit price.
- (b) A written record of all of the terms of each Trade entered into on Kalshi or pursuant to the Rules will be available immediately upon execution on the Kalshi interface on the Member’s activity page. Such record shall legally supersede any previous agreement and serve as a confirmation of each such trade. Kalshi will send confirmation messages to Members upon execution of a Trade via the API, mobile application, and/or website, if such Members are online at the time. However, please note that if any applicable Member is not online at the time of execution, such Member will see the confirmation(s) when it next logs on to the interface. The contract type, size, execution time and execution method for each Trade will be made available on the website to all Members after execution of the relevant Trade.

RULE 5.9 CANCELLATION OF ORDERS

- (a) A Member can submit instructions, via Kalshi’s interface (website, mobile application) or the API, to cancel an Order which that Member has placed on the Platform if that Order has not yet been executed. Upon submission of instructions to either cancel or modify an Order that has not been executed, the Kalshi system will withdraw the Order from the order book and confirm the cancellation of the Order.
- (b) Kalshi will attempt to cancel an existing Order as soon as possible after a Member enters a cancellation instruction. However, the Order may be executed before Kalshi is able to cancel it. If an Order has been filled in whole or in part, a Member may cancel only that portion of the Order (if any) that has not been executed.

RULE 5.10 TRADE CANCELLATIONS

- (a) As a designated contract market, Kalshi has the authority to adjust Trade prices or cancel Trades when necessary to mitigate market disrupting events caused by malfunctions on its Platform or errors in Orders submitted by Members. However, due to the fully collateralized and short-term nature of trading on Kalshi, the circumstances in which this authority may be exercised are limited.
- (b) Kalshi, in its discretion and in accordance with these Rules, may cancel a Trade that has been executed on the market at a price that is inconsistent with prevailing market conditions due to improper or erroneous orders or quotes being matched on the Platform. Likewise, because of the nature of Kalshi Contracts, there will generally be no cancellation or adjustment of an erroneous trade except in extraordinary circumstances as determined by the Company.
- (c) In addition to a Contract adjustment raised under Chapter 7 of these Rules, Kalshi may review a Trade based on its own analysis of the market or pursuant to a request for review by a Member or other third party. A request for a review by a Member or other third party must be received by Kalshi no later than fifteen (15) minutes after the trade has been executed on the Platform and before Expiration of the Contract. Kalshi will promptly determine whether the Trade will be subject to review and then promptly post notice indicating that the Trade is under review.
 - (1) During the review, Kalshi will calculate a fair market value for the Contract at the time of the questioned Trade by utilizing the last value or price of the Contract at the time of the Trade and/or any other relevant market information obtained or presented to the Company.
 - (2) Once a fair market value has been calculated, a twenty (20) cent range will be added above and below such fair market value to determine the “No Cancellation Range”.
 - (3) If a Trade has been executed within the No Cancellation Range, the executed Trade will stand. If a Trade has not been executed within the No Cancellation Range, Kalshi shall have the authority, but not the obligation, to cancel or adjust such Trade. Once a Trade is determined to be cancelled or adjusted, Kalshi will:
 - (i) notify all interested Members to the Trade as soon as practicable following such determination; and
 - (ii) publish its decision on the Kalshi website.
 - (4) The decisions of Kalshi regarding fair market value of the Contract, the No Cancellation Range, the cancellation of a Trade, or any other determination hereunder shall be final and not subject to appeal.

RULE 5.11 VIEWING THE MARKET AND EXECUTED ORDERS

Kalshi will, at all times, allow its Members to view the current best bid and offer on the Platform, the open interest, the trade volume, as well as the depth of the order book up to the fifth level of prices.

RULE 5.12 HOURS FOR TRADING CONTRACTS

Trading shall be available at all times outside of any maintenance windows, which may be announced from time to time.

RULE 5.13 PROHIBITED TRANSACTIONS AND ACTIVITIES

Except as otherwise permitted by these rules:

- (a) Members are prohibited from entering Orders on the Platform if there are insufficient funds or Contracts in the Member's settlement account to satisfy such orders if they are executed. Kalshi may, in its discretion, take such action against a Member if the circumstances warrant, subject to Rule 9.2(f) and Rule 9.6.
- (b) No Person shall enter into or attempt to enter into any non-competitive trade on the Platform, including any accommodation trade or any trade that has been directly or indirectly prearranged. For example, a Member may not agree in advance with another Member that one of the Members will enter an order and the other Member will attempt to trade against that order by timing the submission of orders or otherwise.
- (c) No Person shall enter into or attempt to enter into any trade on the Platform that:
 - (1) Does not result in a change in beneficial ownership;
 - (2) Is designed to unnaturally inflate trading volume;
 - (3) In any way attempts to circumvent the Platform's order processing, trade ordering, trade execution systems, or otherwise to circumvent exposure of the order to open and competitive bidding on the Platform; or
 - (4) That has some other illegitimate purpose.
- (d) No Person shall enter into any trade designed or used to cause any price for a Contract other than a true and bona fide price to be reported, registered, or recorded by the Platform.
- (e) No Person shall trade in, transfer, assign, or otherwise dispose of Contracts other than as provided for in these Rules.

- (f) No Person shall enter into or agree to transfer or transfer the benefit of any position in any Contract to another person other than through a transaction executed through the Platform.
- (g) (1) No Member shall trade for a Person other than itself.
- (2) No Member may deposit funds or allow funds to be deposited into their Kalshi account from any bank account or credit card or debit card or other account not held in the same name as their Kalshi account (except as otherwise provided in these Rules).
- (3) The Company may deposit funds into a Member's Kalshi account, including but not limited to, in the event of an order cancellation, trade cancellation, expiration value adjustment, ledger adjustment, refund of wire transfer fees, or incentive program.
- (h) No Person shall engage in any activity that presents a risk of harm to Kalshi, its Members, or the public.
- (i) No Person shall engage in any activity that adversely affects the integrity of the Platform or its underlying systems.
- (j) No Person subject to arbitration under these rules shall fail to abide by an arbitration decision or award handed down under Chapter 10 of these Rules.
- (k) No Person shall intentionally provide misleading, erroneous, or fraudulent information to Kalshi on a Member Application or otherwise.
- (l) No Person shall create a false appearance of a partnership, agency, employment or affiliate relationship with Kalshi and no Person shall unlawfully solicit customer funds for deposit at Kalshi.
- (m) No Member may operate or solicit in any capacity that may require registration with the CFTC without being properly registered.
- (n) No Person shall engage in any activity that is intended to, or has the effect of, manipulating the market in violation of Sections 6(c) and 9(a)(2) of the CEA and no Person shall engage in any other activity that would violate the CEA or the Commission's Regulations.
- (o) No Member shall deposit funds into its Kalshi account from an account which does not hold sufficient funds at the time of deposit, and at the time the deposit is presented by Kalshi for payment.
- (p) No Member shall make a false representation to a third party regarding any deposit made into that Member's Kalshi account which would result in a chargeback or stop payment of funds to the

Member Account.

- (q) No Member shall allow its Member Account balance to become negative by any means. In the event that a Member's settlement account balance becomes negative, the Member must immediately deposit additional funds to correct the deficiency. Any Member whose settlement account carries a negative balance for 30 days or more is subject to summary termination of membership. Kalshi may, in its discretion, take such other action against a Member if the circumstances warrant, subject to Rule 9.2(f) and Rule 9.6.
- (r) No Member shall engage in conduct or practices inconsistent with just and equitable principles of trade or conduct or practices detrimental to the best interests of the Company.
- (s) If a Member is an Insider that has access to material non-public information that is the subject of an Underlying of any Contract or that has the ability to exert any influence on the subject of an Underlying of any Contract, that Member is prohibited from attempting to enter into any trade or entering into any trade, either directly or indirectly, on the market in such Contracts. An "Insider" means any person who has access to or is in a position to have access to material nonpublic information before such information is made publicly available. A Member who is an employee or affiliate of a Source Agency for any Contract is prohibited from attempting to enter into any trade or entering into any trade, either directly or indirectly, on the market in such Contracts.
- (t) If a Member is a decision maker, either directly or indirectly, or has any influence, either directly or indirectly, no matter the scale and importance of the influence, on the outcome of the Underlying (event) of any Contract, that Member is prohibited from attempting to enter into any trade or entering into any trade, either directly or indirectly, on the market in such Contracts.
- (u) No Person shall engage in any activity that constitutes fraudulent or abusive trading, including but not limited to violating bids or offers, demonstrating intentional or reckless disregard for the orderly execution of transactions during the closing period, or spoofing.
- (v) No Person shall engage in any trading activity intended to accomplish a "money pass", "wash trade" or "front-running" as such terms are defined by the Commission and any regulations promulgated thereunder.
- (w) No Person shall, directly or indirectly, intentionally or recklessly:
 - (1) Use or employ, or attempt to use or employ, any manipulative device, scheme, or artifice to defraud;

- (2) Make, or attempt to make, any untrue or misleading statement of a material fact or to omit to state a material fact necessary in order to make the statements made not untrue or misleading; or
- (3) Engage, or attempt to engage, in any act, practice, or course of business, which operates or would operate as a fraud or deceit upon any Person.

RULE 5.14 POSITION LIMITS

- (a) Kalshi has imposed Position Limits on all Contracts as specified in each contract's Terms and Conditions. Any Member who exceeds a Position Limit shall be deemed in violation of this Rule 5.14. In addition, any Member entering bids or offers, if accepted, which would cause that Member to exceed the applicable Position Limit shall be in violation of this rule. **As described in Chapter 4, a Market Maker is expressly excluded from this Rule with respect to contracts that are part of a market maker program and the market maker is subject to the obligations described in Chapter 4.**
- (b) If a Member fails to reduce any position in a manner and time as directed by Kalshi, Kalshi shall have the authority to liquidate the applicable position to a level below the defined Position Limit stipulated under the relevant Contract in Chapter 13 of these Rules.
- (c) In addition to the restrictions and requirements imposed in Section 5.14(a) and (b), the first violation of a Position Limit by a Member may result in a letter of warning to be issued by the Kalshi Compliance Department to the Member or the initiation of proceedings in accordance with Chapter 9 of these rules.
- (d) In addition to the restrictions and requirements placed in Section 5.14(c), any subsequent violation of a Position Limit by a Member within 12 months after a violation that resulted in a letter of warning, will result in the initiation of proceedings in accordance with Chapter 9 of these Rules.
- (e) Position limits shall apply to
 - (1) All positions in accounts for which any Person by power of attorney or otherwise, directly or indirectly holds positions or controls trading; and
 - (2) Positions held by two or more Persons acting pursuant to an express or implied agreement or understanding the same as if the positions were held by, or the trading of the position were done by, a single Person.

CHAPTER 6 CLEARING AND SETTLING CONTRACT TRADES, SETTLEMENT, AND MEMBER WITHDRAWAL REQUESTS

RULE 6.1 CLEARANCE

- (a) In its capacity as a registered Derivative Clearing Organization, LedgerX shall serve as the clearing party to all orders matched pursuant to Chapter 5.
- (b) All Member positions are fully cash collateralized, and no Member can take positions that would lead to an exposure that exceeds the funds deposited in the Member Account.
- (c) Upon the successful matching of orders pursuant to Rules 5.3 or 5.4 the Derivatives Clearing Organization shall immediately, through the process of novation, be substituted as, and assume the position of, seller to the Member buying and buyer to the Member selling the relevant contract. Upon such substitution, the buying and selling Members shall be released from their obligations to each other, and such Member shall be deemed to have bought the contracts from or sold the contracts to the Derivatives Clearing Organization, as the case may be, and the Derivatives Clearing Organization shall have all the rights and be subject to all the liabilities of such Member with respect to such transaction. Such substitution shall be effective in law for all purposes.
- (d) If a trade is rejected for clearing by the Derivatives Clearing Organization for any reason, such trade is void *ab initio*.
- (e) In the event of any conflict or inconsistency between these Rules and the LedgerX Rules with respect to any Member's responsibilities or obligations under the LedgerX Rules, the LedgerX Rules shall prevail. As stated in Rule 3.1(c), all Members are bound by the LedgerX Rules.

RULE 6.2 SETTLING CONTRACT TRADES

Kalshi will maintain, on its system, a record of Member balances and Contracts. Kalshi's Derivatives Clearing Organization partner, LedgerX, will also maintain a Member Account, which will reflect funds used by Members to buy and sell Contracts. Kalshi may also maintain a "proprietary account," which will be credited with all fees debited from Member Accounts due to trades and Settlements.

RULE 6.3 SETTLEMENT

- (a) When a Contract expires and has a Payout Criterion that encompasses the Expiration Value of the Underlying, such Contract will pay the Settlement Value for such Contracts (e.g. \$1.00) to the holders of long positions in such Contracts. Conversely, when a Contract expires and has a Payout Criterion that does NOT encompass the Expiration Value of the Underlying, such Contract will pay the

Settlement Value for such Contracts (e.g. \$1.00) to the holders of short positions in such Contracts.

(b) On the Settlement Date, Kalshi will cause and/or instruct LedgerX to:

- (1) Notify all Members whether they will receive a Settlement Value pursuant to Rule 6.3(a),
- (2) Settle the Contracts by debiting the settlement account in an amount no less than the Settlement Value for such Contracts multiplied by the total number of outstanding in-the-money Contract positions and credit those funds to the applicable Member Accounts of the Members holding the in-the-money Contract positions following any holding period described in Rule 6.3(c),
- (3) Delete all Contracts from Members' accounts, as applicable.

(c) Before Settlement, Kalshi may, at its sole discretion initiate the Market Outcome Review Process as provided in Rule 7.1.

(d) Kalshi will distribute notification via electronic mail at Settlement to all Members who hold the relevant Contract.

RULE 6.4 SETTLING MEMBER WITHDRAWAL REQUESTS

- (a) Within one business day of when a Member requests to withdraw funds from its Kalshi account, Kalshi will transmit such request to LedgerX in electronic batch mode transmission. LedgerX will then cause and/or instruct its settlement bank to process the request and distribute funds to the account at the U.S. Financial Institution or Foreign Bank in the case of a non-United States resident Member who does not have an account at a US Financial Institution, registered with Kalshi by the Member (unless the Member has unsatisfied outstanding obligations on Kalshi, in which case such balances may be retained as necessary to satisfy such obligations or until the Member otherwise satisfies such obligations, or unless such transfer would otherwise violate applicable law or regulation as determined by either Kalshi or LedgerX in its sole discretion). The Member should refer to Kalshi's website under the Fee Schedule for all fees and costs associated with withdrawal of funds from the Member's Kalshi account. The processing of a Member withdrawal request may be suspended or denied if circumstances, whether present or imminent, would make the request impossible or impractical to fulfill, cause a potential risk of harm to Kalshi, its Members, or LedgerX, violate applicable law or regulation as determined by either Kalshi or LedgerX in its sole discretion, or if, either Kalshi or LedgerX determine in its sole discretion that the funds are relevant to a pending investigation.
- (b) Members are responsible for providing accurate account numbers to allow Kalshi and its clearing partner, LedgerX, to effect transfers to Members.

CHAPTER 7 MARKET OUTCOME REVIEW AND ADJUSTMENTS NECESSITATED BY MATERIAL CHANGES IN THE UNDERLYING

RULE 7.1 THE MARKET OUTCOME REVIEW PROCESS

- (a) Before Settlement, Kalshi may initiate the Market Outcome Review Process, at its sole discretion and by taking into account several factors including any circumstances that may have a material impact on the reliability or transparency of the Underlying related to the Contract. Under this process, the Outcome Review Committee will determine the final Market Outcome. Settlement will occur on the date that the Outcome Review Committee reaches a determination on the Contract's final Market Outcome. If the Market Outcome Review Process is initiated, Kalshi will post on its website that the Contract's Market Outcome is under review.
- (b) The Outcome Review Committee shall review all relevant evidence and determine a final Market Outcome within a 24 hour period after the Outcome Review Process is initiated.
- (c) The Outcome Review Committee has full discretion in resolving the Market Outcome Review Process. The determinations made by the Outcome Review Committee are final.

RULE 7.2 CONTRACT MODIFICATIONS

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, including but not limited to if a Contract's Source Agency is unavailable or undergoes significant modifications, 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.

CHAPTER 8 INVESTMENT OF MEMBER ACCOUNT FUNDS

RULE 8.1 INVESTMENT OF MEMBER ACCOUNT FUNDS

- (a) Member funds on deposit with LedgerX will be held in a settlement account segregated as Member Property, as that term is defined in CFTC Regulation 190.09(a).
- (b) LedgerX may invest such funds subject to the limitations and conditions set forth in Commission Regulations 22.2(e)(1) and 1.25.

- (c) LedgerX may pay interest to Members' accounts at a floating rate to be determined by LedgerX on funds in Members' accounts in excess of an amount to be determined by LedgerX.
- (d) LedgerX will retain all profit from investment of Member funds not paid to Members.

CHAPTER 9 DISCIPLINE AND RULE ENFORCEMENT

RULE 9.1 MONITORING THE MARKET

- (a) Kalshi's trading system will record and store for a period of not less than 5 years in a searchable, read-only database a record of all data entered into the Kalshi trading system, including the Member's identity and the information in Rule 5.4. Such records shall be maintained in a readily available manner during the first two years. Kalshi shall conduct market surveillance and trade practice surveillance using this data with programs designed to alert Kalshi when potentially unusual trading activity takes place. Kalshi, through the compliance department, will initiate review and, where appropriate, investigate such unusual trading activity. The compliance department will also investigate any time it has other reason to believe that inappropriate activity of any sort is taking place on the Kalshi Platform or its website.
- (b) All Persons within Kalshi's jurisdiction are subject to this Chapter 9 if they are alleged to have violated, to have aided and abetted a violation, to be violating, or to be about to violate, any Rule or any provision of Applicable Law for which Kalshi possesses disciplinary jurisdiction.

RULE 9.2 INVESTIGATIONS, HEARINGS, AND APPEALS

- (a) The Compliance Department shall investigate unusual trading activity or other activity that the Compliance Department has reasonable cause to believe could constitute a violation of these Rules, or upon the receipt of a request from Commission staff. Kalshi's Disciplinary Panel adjudicates findings by the compliance department that are disputed by Members. The Disciplinary Panel and the Compliance Department may not communicate regarding the merits of a matter brought before the hearing officer without informing the Member who is the subject of the communication of its substance and allowing the Member an opportunity to respond. The Compliance Department and Disciplinary Panel may compel testimony, subpoena documents, and require statements under oath from any Member. Disciplinary Panel, Compliance Department staff and other employees or agents of Kalshi working under their supervision, may not be a Member or trade, directly or indirectly, in any commodity interest traded on or subject to the rules of any registered contract market. Members of the Disciplinary Panel shall be individuals that do not have a direct interest (financial, personal or otherwise) in the matter, but in no event may be members of the Compliance Department or any Persons involved in adjudicating any other stage of the same proceeding. Likewise, members of the Disciplinary Panel may not operate under the direction or control of any person or persons with

trading privileges on the Platform and may not include persons whose interests conflict with their enforcement duties.

- (b) The Compliance Department shall investigate unusual trading activity or other activity that the compliance department has reasonable cause to believe could constitute a violation of these Rules, and shall enforce the Rules and prosecute possible Rule violations within Kalshi's disciplinary jurisdiction. The Compliance Department will endeavor to complete any investigation within twelve months, unless there exists significant reason to extend it beyond such period. Upon the conclusion of any investigation, the Compliance Department will draft a document detailing the facts that led to the opening of the investigation, the facts that were found during the investigation, and the Compliance Department's analysis and conclusion. If the Compliance Department concludes that there is reasonable cause to believe a Member has violated Kalshi's Rules or other applicable statutes or regulations, the Compliance Department will submit to the Member whose activity is the subject of the investigation a notice of charges, by electronic mail to that Member's last known email address, that will include:
 - (1) The reason the investigation was initiated;
 - (2) The charges or a summary of the charges, including the rule or rules alleged to have been violated;
 - (3) The response, if any, or a summary of the response;
 - (4) A summary of the investigation conducted;
 - (5) Findings of fact and the Compliance Department's conclusions as to each charge, including which of these Rules the Member or its authorized representative violated, if any;
 - (6) A summary of the Member's, and any relevant authorized representative's, disciplinary history, if any;
 - (7) The period within which a hearing on the charges may be requested; and
 - (8) The penalty, if any, proposed by the Company.
- (c) If the Compliance Department initiates an investigation in which any Affiliate of Kalshi is a subject, the Chief Compliance Officer shall notify the Commission's Division of Market Oversight of that fact. At the conclusion of any such investigation, the Chief Compliance Officer shall provide the Commission's Division of Market Oversight with a copy of the documentation specified in paragraph (b) of this Rule.
- (d) The Member whose activity is the subject of the investigation may contest the Compliance Department's findings by forwarding a response to those findings by electronic mail to the Compliance Department within 15 days. The Member has a right to examine all relevant books, documents, or other evidence in the possession or under the control of Kalshi, except that Kalshi may withhold from inspection any documents that:

- (1) Are privileged or that constitute attorney work product;
- (2) Were prepared by any employee of Kalshi but which will not be offered in evidence in the disciplinary proceedings;
- (3) May disclose a technique or guideline used in examinations, investigations, or enforcement proceedings; or
- (4) Disclose the identity of a confidential source.

The Member's response must contain a detailed response to the findings and conclusions as to each charge and any other information the Member thinks is relevant. The outcome of settlement negotiations between the Member and the Compliance Department may include, but is not limited to, a letter of warning.

- (e) The Member whose activity is the subject of the investigation may request to enter settlement negotiations by forwarding a response to the Compliance Department's findings by electronic mail to the Compliance Department within 15 days. The Member has a right to examine all relevant books, documents, or other evidence in the possession or under the control of Kalshi, except that Kalshi may withhold from inspection any documents that:

- (1) Are privileged or that constitute attorney work product;
- (2) Were prepared by any employee of Kalshi but which will not be offered in evidence in the disciplinary proceedings;
- (3) May disclose a technique or guideline used in examinations, investigations, or enforcement proceedings; or
- (4) Disclose the identity of a confidential source. The Member's response must contain a response to each charge and the Member may provide any other information the Member thinks is relevant. The outcome of settlement negotiations between the Member and the Compliance Department may include, but is not limited to, a letter of warning.

- (f) If the findings of the Compliance Department are not contested by the Member, Kalshi will deem those findings admitted by the Member, the findings of fact and the Compliance Department's conclusions as to each charge shall become final and the Compliance Department shall impose the penalty (if any) proposed by the Compliance Department. The Member will be notified of the imposition of any penalty and sent a copy of the notice of disciplinary action by electronic mail to that Member's last known email address.

- (g) If the findings of the Compliance Department are contested, the Compliance Department's report and the Member's response will be submitted to the Disciplinary Panel. The hearing officer may not have a financial, personal or other direct interest in the matter under consideration.

- (1) The Disciplinary Panel will conduct a hearing with the Compliance Department and the Member within 20 business days of receipt of the Member's response contesting the compliance officer's finding and/or proposed sanction which the parties may attend telephonically. However, the Member is entitled to appear personally at the hearing, to cross-examine any persons appearing as witnesses at the hearing, and to call witnesses and to present such evidence as may be relevant to the charges.
- (2) The formal rules of evidence shall not apply, but the hearing must be fair. The Compliance Department shall present its case on all charges and sanctions that are the subject of the hearing.
- (3) Prior to the hearing, the parties may (but need not) submit proposed findings, briefs, and exhibits (including affidavits), and during the hearing the parties may present witnesses. Persons within Kalshi's jurisdiction who are called as witnesses must participate in the hearing and produce evidence, as requested. Kalshi shall likewise make reasonable efforts to secure the presence of all other persons called as witnesses whose testimony would be relevant to the matter at hand.
- (4) Within 20 business days after that hearing, the hearing officer will issue findings, which will be delivered to the Member by electronic mail to the Member's last known email address. The findings of the hearing officer will contain the following information:
 - (i) A summary of the charges and any answer to the charges;
 - (ii) A summary of the evidence received;
 - (iii) Findings and conclusions with respect to each charge;
 - (iv) An indication of each specific rule that the member was found to have violated;
 - (v) A declaration of any penalty to be imposed on the Member as the result of the findings and conclusions;
 - (vi) The effective date and duration of that penalty; and
 - (vii) A statement that the Member has the right to appeal any adverse decision by the panel to the Appeals Committee and must do so within 15 days.
- (5) The panel's decision shall be final on the date it is signed by the hearing Disciplinary Panel. The hearing officer's decision shall become the final decision of Kalshi after the appeal period has lapsed.
- (6) The hearing will be recorded, and all information submitted by the parties (including the Compliance Department's report and the Member's response) as well as the recording of the hearing, will be preserved by the Compliance Department, along with the hearing officer's findings, as the record of the proceedings (the "hearing record"). For the avoidance of doubt, if the Member has requested a hearing, a copy of the hearing shall be made and become a part of the record of the proceeding. The record shall be one that is capable of being accurately transcribed; however, it need not be transcribed unless the transcript is requested by Commission staff or the Member, the decision is appealed pursuant to the Rules of Kalshi, or is reviewed by the Commission pursuant to section 8c of the Act. In all other instances a summary record of a hearing is permitted.

- (h) Either the Member or the Compliance Department may appeal the decision of the panel within 15 days by filing an appeal by electronic mail with the Appeals Committee and forwarding a copy to the other parties to the appeal. Any penalties will be stayed pending appeal unless the hearing officer determines that a stay pending appeal would likely be detrimental to the Company, other Members, or the public. The Appeals Committee will review the hearing record and any information submitted by the Compliance Department and the Member on appeal and issue its decision, which shall be final on the date of such issuance. The Member shall be notified of the decision by electronic mail to the Member's last known email address. The hearing record, any information submitted on appeal, and the Appeals Committee's decision shall be preserved as the record on appeal. The decision will contain the information listed in paragraph (f) of this Rule, outside of (f)(5), as well as:
- (1) A statement that any person aggrieved by the action may have a right to appeal the action pursuant to Part 9 of the Commission's Regulations, within 30 days of service; and
 - (2) A statement that any person aggrieved by the action may petition the Commission for a stay pursuant to Part 9 of the Commission's Regulations, within 10 days of service.
- (i) No Kalshi officer or employee shall interfere with or attempt to influence the process or resolution of any disciplinary action, except to the extent provided under these Rules with respect to a proceeding in which a Person is a member of the relevant Disciplinary Panel or Appeals Committee.

RULE 9.3 SETTLEMENT OF INVESTIGATIONS

- (a) Kalshi may enter into settlements with any Member who is the subject of an investigation. The Member may initiate a settlement offer. Any settlement offer shall be forwarded to a Kalshi disciplinary panel with a recommendation by the Compliance Department that the proposed settlement be accepted, rejected, or modified. A settlement offer may be withdrawn at any time before it is accepted by the hearing officer.
- (b) The panel may accept or reject a proposed settlement, and the decision of the relevant panel will be final. In addition, the panel may propose a modification to the proposed settlement for consideration by the Member or its authorized representative and the Compliance Department.
- (c) Any settlement under this Rule will be written and will state:
- (1) The charges or a summary of the charges;
 - (2) The response, if any, or a summary of the response;
 - (3) A summary of the investigation conducted;
 - (4) Findings and conclusions as to each charge, including each act the person charged was found to have committed or omitted, be committing or omitting, or be about to commit or omit, and each of these Rules that such act or practice violated, is violating, or is about to violate; and
 - (5) Any penalty imposed and the penalty's effective date.

- (d) Failed settlement negotiations, or withdrawn settlement offers, will not prejudice a Member or otherwise affect subsequent procedures in the rule enforcement process.

RULE 9.4 NOTICE AND PUBLICATION OF DISCIPLINARY ACTION

- (a) Kalshi will provide to the Person charged, notice of the disciplinary action, appeal determination, or settlement in which sanctions are imposed, no later than two business days after it becomes final in accordance with the provisions of Commission Regulation 38.710.
- (b) Kalshi will make public notice of the disciplinary action by posting on its website, in accordance with Commission Regulation 9.13, the information required by Commission Regulation 9.11. The disciplinary action will be considered final on the date the notice of the disciplinary action is published on the Kalshi website.

RULE 9.5 PENALTIES

As a result of a disciplinary proceeding or as part of a settlement, Kalshi may impose one or more of the following penalties, commensurate with the violation committed, in consideration of any relevant disciplinary history, and including full restitution where Member harm is identified and where such restitution can be reasonably determined:

- (a) A letter of warning, censure, or reprimand (although no more than one such letter may be issued to the same Person found to have committed the same rule violation within a rolling twelve-month period);
- (b) A fine or penalty fee for each violation of any Rule or Applicable Law sufficient to deter recidivism, which Kalshi may cause and/or instruct LedgerX to deduct from the Member Account balance;
- (c) Disgorgement of profits that resulted from the violation of any Rule, plus the cost of damages to any unoffending counterparties, which Kalshi may cause and/or instruct LedgerX to deduct from the Member Account balance;
- (d) Suspension of Member status or privileges for a specified period, including partial suspension of such privileges (for example, suspension of trading privileges in particular types of Contracts or of placement of certain types of orders);
- (e) Revocation of Member status or privileges, including partial revocation of such privileges (for example, revocation of trading privileges in particular types of Contracts or of placement of certain types of orders); and

- (f) Interest, at the prime rate, as reported by the Wall Street Journal as of the date the amount becomes due, on any outstanding account balance, monetary fine, penalty fee, or disgorgement amount owed, compounded monthly and calculated from the date when the amount was first due and payable.

RULE 9.6 SUMMARY SUSPENSION

- (a) Kalshi may summarily suspend or restrict a Member privileges if the Chief Compliance Officer believes suspension or restriction is necessary to protect the markets, Kalshi, the public, or other Members.
- (b) Whenever practicable Kalshi will notify the Member whose privileges are to be summarily suspended by electronic mail before the action is taken. If prior notice is not practicable, the Member shall be served with notice by electronic mail at the earliest opportunity. This notice shall:
 - (1) State the action taken or to be taken;
 - (2) Briefly state the reasons for the action;
 - (3) State the time and date when the action became or becomes effective and its duration; and
 - (4) State that any Member aggrieved by the action may petition the Commission for a stay of the effective date of the action pending a hearing pursuant to Part 9 of the Commission's Regulations, within 10 days of service.
- (c) The Member whose privileges are to be summarily suspended shall be given an opportunity for appeal under the procedures outlined in Rule 9.2(f) of these Rules. The decision affirming, modifying, or reversing the summary suspension shall be furnished by electronic mail to the suspended Member and the Commission no later than one business day after it is issued. The decision shall contain:
 - (1) A description of the action taken and the reasons for the action;
 - (2) A brief summary of the evidence received during the appeal process;
 - (3) Findings and conclusions;
 - (4) A determination as to whether the summary action that was taken should be affirmed, modified, or reversed;
 - (5) A declaration of any action to be taken against the suspended Member as the result of that determination;
 - (6) The effective date and duration of that action;
 - (7) A determination of the appropriate relief based on the findings and conclusions;
 - (8) A statement that any person aggrieved by the action may have a right to appeal the action pursuant to Part 9 of the Commission's Regulations, within 30 days of service; and
 - (9) A statement that any person aggrieved by the action may petition the Commission for a stay pursuant to Part 9 of the Commission's Regulations, within 10 days of service.

RULE 9.7 REPRESENTATION BY COUNSEL

- A Member who is a subject of any proceedings under this Chapter has the right to retain and be represented by counsel or any other representative of its choosing in all succeeding stages of the disciplinary process, except any member of Kalshi's Board of Directors or Disciplinary Panel, any employee of Kalshi, or any person substantially related to the underlying investigations, such as material witness or respondent.

RULE 9.8 REPORTING VIOLATIONS TO THE COMMISSION

- (a) Whenever Kalshi suspends, expels, fines or otherwise disciplines or denies any Person access to the Platform, Kalshi will make the disclosures required by Commission Regulations.
- (b) Kalshi will submit to the Commission a schedule listing all those Company Rule violations which constitute disciplinary offenses as defined in paragraph (a)(6)(i) of CFTC Regulation 1.63 and, to the extent necessary to reflect revisions, will submit an amended schedule within thirty days of the end of each calendar year. Kalshi will maintain the schedule required by this section and post the schedule on Kalshi's website.
- (c) Kalshi will submit to the Commission within thirty days of the end of each calendar year a certified list of any Members or Persons who have been removed from any Disciplinary Panel, the Board or any Company committee pursuant to these Rules or Applicable Law during the prior year.
- (d) Whenever Kalshi finds by final decision that a Member or Person has violated a Rule or otherwise committed a disciplinary offense and such finding makes such person ineligible to serve on Kalshi's Disciplinary Panels, Company committees, or the Board, Kalshi shall inform the Commission of such finding and the length of the ineligibility in a notice it is required to provide to the Commission pursuant to either CEA Section 17(h)(1) or CFTC Regulation 9.11.

CHAPTER 10 - ARBITRATION

RULE 10.1 GENERAL

- (a) If so elected by a Member, any Claim by the Member against a Member (including any related counterclaims) shall be settled by arbitration in accordance with this Chapter 10.
- (b) A Claim brought pursuant to this Rule 10.1 shall be adjudicated by qualified arbitrators appointed in accordance with Rule 10.5 below.

- (c) Persons to a dispute resolved in accordance with this Chapter 10 shall have the right to retain and be represented by legal counsel or any other representation of its choosing, except any Director or a member of the Disciplinary Panel or person substantially related to the underlying investigations, such as material witnesses or respondents during such proceedings. Persons to a dispute resolved in accordance with this Chapter 10 shall be responsible for their own costs, expenses and attorneys' fees incurred in connection with the dispute. Notwithstanding the foregoing, the Person that prevails shall be entitled to recover from the other party all costs, expenses and reasonable attorneys' fees incurred in any arbitration arising out of or relating to this Chapter 10, and in any legal action or administrative proceeding to enforce any arbitration award or relief.
- (d) Any award or relief granted by the arbitrators hereunder shall be final and binding on the parties hereto and may be enforced by any court of competent jurisdiction.
- (e) For purposes of this Chapter 10, the term "Claim" means any dispute which arises out of any Kalshi Contract, which dispute does not require for adjudication the presence of essential witnesses or third parties over whom Kalshi does not have jurisdiction or who are otherwise not available. The term "Claim" does not include disputes arising from underlying commodity transactions which are not a part of, or directly connected with, any Kalshi Contract.

RULE 10.2 FAIR AND EQUITABLE ARBITRATION PROCEDURES

- (a) A Person desiring to initiate an arbitration as provided in Rule 10.1 shall file a notice of arbitration (a "Notice") within two years from the time the Claim arose. The Notice must set forth the name and address of the party or parties against whom the Claim is being asserted, the nature and substance of the Claim, the relief requested, and the factual and legal bases alleged to underlie such relief.
- (b) The Notice shall be accompanied by a non-refundable check payable to Kalshi in payment of the arbitration fee. The amount of the fee shall be (i) \$500 for a Claim requesting relief totaling less than \$5,000 in the aggregate or (ii) \$1,000 for a Claim requesting relief totaling \$5,000 or more in the aggregate.
- (c) Upon receipt, Kalshi shall promptly convene an arbitration panel in accordance with Rule 10.5. Kalshi shall deliver a copy of the Notice to each other party and to the arbitration panel.
- (d) Within 20 days following the delivery of the Notice, each respondent shall file a written response (a "Response") with Kalshi, with a copy to the claimant, setting forth its or his position and any counterclaims, as applicable. If the Response sets forth one or more counterclaims, the claimant shall file within 20 days a written reply to such counterclaims with the Company, with a copy to the claimant.

- (e) Once each party has had an opportunity to respond to the Claim and all counterclaims, the arbitration panel shall promptly schedule a hearing. Notwithstanding, Claims requesting relief totaling less than \$5,000 in the aggregate may, in the interests of efficiency and economy, be resolved without hearing.
- (f) The chairman of the arbitration panel shall preside over the hearing and shall make such determinations on the relevancy and procedure as will promote a fair and expeditious adjudication.
- (g) The arbitration panel shall consider all relevant, probative testimony and documents submitted by the parties. The arbitration panel shall not be bound by the formal rules of evidence.
- (h) The final decision of the panel shall be by majority vote of the arbitrators, as applicable.
- (i) Within 60 days after the termination of the hearing, the arbitration panel shall render its final decision in writing and deliver a copy thereof either in person or by first-class mail to each of the parties. The arbitration panel may grant any remedy or relief which it deems just and equitable, including, without limitation, the awarding of interest and the arbitration fee.
- (j) The final decision of the arbitration panel shall not be subject to appeal within Kalshi.
- (k) No verbatim record shall be made of the proceedings, unless requested by a party who shall bear the cost of such record.

RULE 10.3 WITHDRAWAL OF ARBITRATION CLAIM

Any Notice may be withdrawn at any time before the Response is filed in accordance with this Chapter 10. If a Response has been filed, any withdrawal shall require consent of the party against which the Claim is asserted.

RULE 10.4 PENALTIES

- (a) Any failure on the part of a Member to arbitrate a dispute subject to this Chapter 10, or the commencement by any such Member of a suit in any court prior to arbitrating a case that is required to be arbitrated pursuant to this Chapter 10, violates these Rules and shall subject such Member to disciplinary proceedings pursuant to Chapter 9.
- (b) The Chief Compliance Officer, in consultation with the Regulatory Oversight Committee, may summarily suspend, pursuant to Rule 9.6, a Member that fails to timely satisfy an arbitration award rendered in any arbitration pursuant to this Chapter 10.

RULE 10.5 ARBITRATION PANEL

- (a) On an as-needed basis, Kalshi shall convene an arbitration panel to adjudicate an arbitration claim under this Chapter 10. For a Claim requesting relief totaling less than \$5,000 in the aggregate, the arbitration panel shall consist of one individual. For a Claim requesting relief totaling \$5,000 or more in the aggregate, the arbitration panel shall consist of three individuals.
- (b) Members of the arbitration panel shall be individuals that do not have a direct interest (financial, personal or otherwise) in the matter.
- (c) Any member of the arbitration panel may disqualify himself for any reason he deems appropriate.
- (d) Each member of the arbitration panel shall conduct himself in a manner consistent with the American Bar Association/American Arbitration Association's "Code of Ethics for Arbitrators in Commercial Disputes," which Kalshi hereby adopts as its own code of ethics for arbitrators.
- (e) Each member of the arbitration panel must have no less than five years' experience in the financial services industry, and no less than one arbitrator must have no less than five years' experience in the commodity futures or swap industry.
- (f) In the event that members of the arbitration panel do not satisfy the requirements of this Rule 10.5, then the Regulatory Oversight Committee may substitute a new member for the arbitration panel or act as the arbitration panel, to the extent that the substituted member or the Regulatory Oversight Committee, as the case may be, does not have a direct interest (financial, personal or otherwise) in the matter.

CHAPTER 11 LIMITATION OF LIABILITY; TIME PERIOD IN WHICH TO BRING ACTIONS; GOVERNING LAW

RULE 11.1 PROPERTY RIGHTS

- (a) Each Member hereby acknowledges and agrees that KalshiEX LLC owns and shall retain all right, title and interest in and to Kalshi, all components thereof, including, without limitation, all related applications, all application programming interfaces, user interface designs, software and source code and any and all intellectual property rights therein, including, without limitation, all registered or unregistered, as applicable, copyright, trademark, service mark, trade secret, trade name, data or database rights, design rights, moral rights, inventions, whether or not capable of protection by patent or registration, rights in commercial information or technical information, including know-how, research and development data and manufacturing methods, patent, and other intellectual property and ownership rights, including applications for the grant of any of the same, in or to Kalshi and all

other related proprietary rights of Kalshi and/or any of its Affiliates (together, with any and all enhancements, corrections, bug fixes, updates and other modifications to any of the foregoing and any and all data or information of any kind, other than Proprietary Data and Personal Information, transmitted by means of any of the foregoing, including, without limitation, market data, the “Proprietary Information”). Each Member further acknowledges and agrees that the Proprietary Information is the exclusive, valuable and confidential property of Kalshi. Each Member acknowledges and agrees that it shall not reverse engineer, copy, bug fix, correct, update, transfer, reproduce, republish, broadcast, create derivative works based on or otherwise modify, in any manner, all or any part of Kalshi or the Proprietary Information. Each Member further agrees to keep the Proprietary Information confidential and not to transfer, rent, lease, copy, loan, sell or distribute, directly or indirectly, all or any portion of the Company or any Proprietary Information.

- (b) Subject to the provisions of this Rule 11.1, each Member hereby acknowledges and agrees that Kalshi is the owner of all rights, title and interest in and to all intellectual property and other proprietary rights (including all copyright, patent, trademark or trade secret rights) in market data, and all derivative works based thereon, and further agree not to distribute, create derivative works based on, or otherwise use or commercially exploit market data and any such derivative works, provided that Members may use market data for their own internal business purposes. Without limiting the generality of the foregoing, Members may not distribute, sell or retransmit market data exchange to any third party.
- (c) Notwithstanding any other provision of this Rule 11.1, each Member retains such rights as it may enjoy under applicable law with respect to market data solely in the form such market data was submitted to Kalshi by such Member.
- (d) Transaction data shall not be disclosed publicly other than on an aggregated or anonymous basis, or in a manner that does not directly or indirectly identify any Member who has submitted such data.
- (e) Kalshi shall not condition access to the Company upon a Member’s consent to the use of Proprietary Data and Personal Information for business or marketing purposes. Proprietary Data and Personal Information may not be used by the Company for business and marketing purposes unless the Member has clearly consented to the use of Proprietary Data and Personal Information in such manner. Kalshi, where necessary, for regulatory purposes, may share Proprietary Data and Personal Information with one or more Designated Contract Markets or Derivative Clearing Organizations. Nothing in this Rule shall preclude Kalshi from disclosing Proprietary Data and Personal Information:
 - (1) As required by Applicable Law or legal process;
 - (2) As Kalshi may deem necessary or appropriate in connection with any litigation affecting the Company;

- (3) To any Company Representative authorized to receive such information within the scope of his or her duties;
- (4) To a third party performing regulatory or operational services for the Company, provided that such party has executed a confidentiality and non-disclosure agreement in a form approved by Kalshi;
- (5) To a duly authorized representative of the CFTC lawfully requesting Proprietary Data and Personal Information;
- (6) In a manner in which a Member consents to such disclosure;
- (7) Pursuant to the terms of an information-sharing agreement; or
- (8) As permitted by CFTC Regulations.

RULE 11.2 SIGNATURES

Rather than rely on an original signature, Kalshi may elect to rely on a signature that is transmitted, recorded or stored by any electronic, optical, or similar means (including but not limited to telecopy, imaging, photocopying, electronic mail, electronic data interchange, telegram, or telex) as if it were (and the signature shall be considered and have the same effect as) a valid and binding original.

RULE 11.3 LIMITATION OF LIABILITY

- (a) EACH MEMBER OF KALSHI AGREES THAT NEITHER KALSHI NOR ITS OFFICERS, DIRECTORS, AGENTS, EMPLOYEES, AND/OR SOFTWARE, HARDWARE, AND SERVICE PROVIDERS (COLLECTIVELY REFERRED TO AS “KALSHI PARTIES”) SHALL HAVE ANY RESPONSIBILITY FOR COMPLIANCE BY MEMBER WITH ANY LAW OR REGULATION GOVERNING MEMBER’S CONDUCT. MOREOVER, EACH MEMBER OF KALSHI ALSO AGREES THAT NO KALSHI PARTY SHALL BE LIABLE IN ANY MANNER WHATSOEVER FOR ANY LOSS OR DAMAGE SUSTAINED BY MEMBER, INCLUDING ANY CONSEQUENTIAL LOSS, LOSS OF PROFIT OR LOSS OF TRADING OPPORTUNITY, AS A RESULT OF ANY ACTUAL OR PROPOSED TRANSACTIONS OR AS A DIRECT OR INDIRECT RESULT OF ANY SERVICES PROVIDED BY KALSHI PARTIES (INCLUDING, WITHOUT LIMITATION, ANY FAILURE IN KALSHI’S SYSTEMS OR ANY INACCURATE INFORMATION PROVIDED BY A KALSHI PARTY), UNLESS THE RELEVANT KALSHI PARTY IS DETERMINED BY FINAL RULING OF AN ARBITRATION PROCEEDING TO HAVE ACTED OR FAILED TO ACT IN A MANNER THAT IS GROSSLY NEGLIGENT, RECKLESS, OR FRAUDULENT. FOR THE AVOIDANCE OF DOUBT, NOTHING IN THIS RULE IS INTENDED TO LIMIT THE LIABILITY OF ANY PERSON AS MAY BE PROVIDED IN THE CEA, THE REGULATIONS OF THE COMMISSION, OR BY ACTS OF WILLFUL OR WANTON MISCONDUCT OR FRAUD.
- (b) EACH MEMBER OF KALSHI AGREES THAT IT MAY NOT BRING ANY ACTION AGAINST A KALSHI PARTY UNLESS IT BRINGS SUCH ACTION WITHIN 2 YEARS OF THE FIRST

OCCURRENCE OR LACK OF OCCURRENCE OF THE ACT OR OMISSION COMPLAINED OF.

- (c) EACH MEMBER OF KALSHI AGREES THAT ANY ACTION IT BRINGS AGAINST A KALSHI PARTY WILL BE GOVERNED BY NEW YORK LAW, WITHOUT REGARD TO STATUTES, PRECEDENT, LEGAL DOCTRINE, OR CONTRACTUAL PROVISIONS THAT WOULD REQUIRE THE APPLICATION OF THE LAWS OF A DIFFERENT JURISDICTION.
- (d) EACH MEMBER OF KALSHI AGREES THAT ANY ACTION IT BRINGS AGAINST A KALSHI PARTY OR AGAINST ANOTHER KALSHI MEMBER WILL BE RESOLVED BY BINDING ARBITRATION, IN ACCORDANCE WITH THE RULES OF THIS CHAPTER AND OTHER RULES OF KALSHI, IF APPLICABLE.

CHAPTER 12 COMMISSION REGULATIONS THAT HAVE BEEN ADAPTED TO BE PART OF THE RULES

The following Rules are adaptations of regulations adopted by the Commission. They must be followed by Members and Kalshi itself, and any violation of these regulations will be a punishable violation of the Rules.

RULE 12.1 ACTIVITIES OF SELF-REGULATORY ORGANIZATION EMPLOYEES AND GOVERNING MEMBERS WHO POSSESS MATERIAL, NON-PUBLIC INFORMATION (ADAPTED FROM COMMISSION REGULATION 1.59)

- (a) Employees of self-regulatory organizations; Self-regulatory organization rules.
 - (1) Employees of Kalshi are prohibited from:
 - (i) Trading, directly or indirectly, in any commodity interest traded on Kalshi;
 - (ii) Trading directly or indirectly in any commodity interest traded on or cleared by a contract market, swap execution facility, or clearing organization other than Kalshi and in any commodity interest traded on or cleared by a linked exchange if the employee has access to material non-public information concerning such commodity interest.
 - (2) Employees of Kalshi are prohibited from disclosing to any other person any material, non-public information which such employee obtains as a result of his or her employment at Kalshi where such employee has or should have a reasonable expectation that the information disclosed may assist another person in trading any commodity interest; however, this Rule does not prohibit disclosures made in the course of an employee's duties, or disclosures made to another self-regulatory organization, linked exchange, court of competent jurisdiction or representative of any agency or department of the federal or state government acting in his or her official capacity.

- (b) Members of Kalshi's governing boards and committees and Kalshi consultants; Kalshi's Rules. No member of Kalshi's governing board or of a committee of Kalshi and no Kalshi consultant shall use or disclose, for any purpose other than the performance of such person's official duties as a governing board or committee member or consultant, material, non-public information obtained as a result of such person's official duties.
- (c) Prohibited conduct.
 - (1) No person who is an employee of, a member of the governing board of, or a member of any committee of, or a consultant of Kalshi shall:
 - (i) Trade for such person's own account, or for or on behalf of any other account, in any commodity interest on the basis of any material, non-public information obtained through special access related to the performance of such person's official duties as an employee, board or committee member, or consultant; or
 - (ii) Disclose for any purpose inconsistent with the performance of such person's official duties as an employee, board or committee member, or consultant, any material, non-public information obtained through special access related to the performance of such duties.
 - (2) No person shall trade for such person's own account, or for or on behalf of any account, in any commodity interest, on the basis of any material, non-public information that such person knows was obtained in violation of paragraph (c)(1) from an employee of, a member of the governing board of, a member of any committee, or a consultant of a self-regulatory organization.

**RULE 12.2 SERVICE ON SELF-REGULATORY ORGANIZATION GOVERNING
BOARDS OR COMMITTEES BY PERSONS WITH DISCIPLINARY HISTORIES
(ADAPTED FROM COMMISSION REGULATION 1.63)**

- (a) A person is ineligible to serve on any Kalshi disciplinary committees, arbitration panels, oversight panels or governing board if that person:
 - (1) Was found within the prior three years by a final decision of a self-regulatory organization, an administrative law judge, a court of competent jurisdiction or the Commission to have committed a disciplinary offense;
 - (2) Entered into a settlement agreement within the prior three years in which any of the findings or, in the absence of such findings, any of the acts charged included a disciplinary offense;
 - (3) Currently is suspended from trading on any contract market, is suspended or expelled from membership with any self-regulatory organization, is serving any sentence of probation or owes any portion of a fine imposed pursuant to either:
 - (i) A finding by a final decision of a self-regulatory organization, an administrative law judge, a court of competent jurisdiction or the Commission that such person committed a disciplinary offense; or

- (ii) A settlement agreement in which any of the findings or, in the absence of such findings, any of the acts charged included a disciplinary offense.
 - (4) Currently is subject to an agreement with the Commission or any self-regulatory organization not to apply for registration with the Commission or membership in any self-regulatory organization;
 - (5) Currently is subject to or has had imposed on him within the prior three years a Commission registration revocation or suspension in any capacity for any reason, or has been convicted within the prior three years of any of the felonies listed in section 8a(2)(D) (ii) through (iv) of the Act; or
 - (6) Currently is subject to a denial, suspension or disqualification from serving on the disciplinary committee, arbitration panel or governing board of any self-regulatory organization as that term is defined in section 3(a)(26) of the Securities Exchange Act of 1934.
- (b) No person may serve on a disciplinary committee, arbitration panel, oversight panel or governing board of Kalshi if such person is subject to any of the conditions listed in paragraphs (a)(1)-(6) of this Rule.
- (c) Kalshi shall submit to the Commission a schedule listing all those rule violations which constitute disciplinary offenses and to the extent necessary to reflect revisions shall submit an amended schedule within 30 days of the end of each calendar year. Kalshi must maintain and keep current the schedule required by this section, post the schedule in a public place designed to provide notice to members and otherwise ensure its availability to the general public.
- (d) Kalshi shall submit to the Commission within 30 days of the end of each calendar year a certified list of any persons who have been removed from its disciplinary committees, arbitration panels, oversight panels or governing board pursuant to the requirements of this regulation during the prior year.
- (e) Whenever Kalshi finds by final decision that a person has committed a disciplinary offense and such finding makes such person ineligible to serve on that self-regulatory organization's disciplinary committees, arbitration panels, oversight panels or governing board, Kalshi shall inform the Commission of that finding and the length of the ineligibility in any notice it is required to provide to the Commission pursuant to either section 17(h)(1) of the Act or Commission Regulation 9.11.

RULE 12.3 VOTING BY INTERESTED MEMBERS OF SELF-REGULATORY ORGANIZATION GOVERNING BOARDS AND VARIOUS COMMITTEES (ADAPTED FROM COMMISSION REGULATION 1.69)

- (a) Kalshi shall maintain in effect Rules that have been submitted to the Commission pursuant to Section 5c(c) of the Act and Part 40 of the Commission Regulations to address the avoidance of conflicts of interest in the execution of its self-regulatory functions. Such Rules provide for the following:
- (1) Relationship with named party in interest —

- (i) Nature of relationship. A member of Kalshi's governing board, disciplinary committee or oversight panel must abstain from such body's deliberations and voting on any matter involving a named party in interest where such member:
 - (A) Is a named party in interest;
 - (B) Is an employer, employee, or fellow employee of a named party in interest;
 - (C) Is associated with a named party in interest through a "broker association" as defined in Commission Regulation 156.1;
 - (D) Has any other significant, ongoing business relationship with a named party in interest, not including relationships limited to executing futures or option transactions opposite of each other or to clearing futures or option transactions through the same clearing member; or
 - (E) Has a family relationship with a named party in interest.
 - (ii) Disclosure of relationship. Prior to the consideration of any matter involving a named party in interest, each member of a Kalshi governing board, disciplinary committee or oversight panel must disclose to the appropriate Kalshi staff whether he or she has one of the relationships listed in paragraph (a)(1)(i) of this Rule with a named party in interest.
 - (iii) Procedure for determination. Kalshi must establish procedures for determining whether any member of its governing board, disciplinary committees or oversight committees is subject to a conflicts restriction in any matter involving a named party in interest. Taking into consideration the exigency of the committee action, such determinations should be based upon:
- (2) Financial interest in a significant action —
- (i) Nature of interest. A member of a Kalshi governing board, disciplinary committee or oversight panel must abstain from such body's deliberations and voting on any significant action if the member knowingly has a direct and substantial financial interest in the result of the vote based upon either exchange or non-exchange positions that could reasonably be expected to be affected by the action.
 - (ii) Disclosure of interest. Prior to the consideration of any significant action, each member of a Kalshi governing board, disciplinary committee or oversight panel must disclose to the appropriate Kalshi staff the position information referred to in paragraph (a)(2)(iii) of this Rule that is known to him or her. This requirement does not apply to members who choose to abstain from deliberations and voting on the subject of significant action.
 - (iii) Procedure for determination. Kalshi must establish procedures for determining whether any member of its governing board, disciplinary committees or oversight committees is subject to a conflict restriction under this section in any significant action. Such determination must include a review of:
 - (A) Gross positions held at Kalshi in the member's personal accounts or "controlled accounts," as defined in Commission Regulation 1.3(j);
 - (B) Gross positions held at Kalshi in proprietary accounts, as defined in Commission Regulation 1.17(b)(3), at the member's affiliated firm;

- (C) Gross positions held at Kalshi in accounts in which the member is a principal, as defined in Commission Regulation 3.1(a);
 - (D) Net positions held at Kalshi in “customer” accounts, as defined in Commission Regulation 1.17(b)(2), at the member’s affiliated firm; and
 - (E) Any other types of positions, whether maintained at Kalshi or elsewhere, held in the member’s personal accounts or the proprietary accounts of the member’s affiliated firm that the self-regulatory organization reasonably expects could be affected by the significant action.
- (iv) Bases for determination. Taking into consideration the exigency of the significant action, such determinations should be based upon:
- (A) The most recent large trader reports and clearing records available to Kalshi;
 - (B) Information provided by the member with respect to positions pursuant to paragraph (a)(2)(ii) of this Rule; and
 - (C) Any other source of information that is held by and reasonably available to Kalshi.
- (3) Participation in deliberations.
- (i) Under the Rules required by this section, a Kalshi governing board, disciplinary committee or oversight panel may permit a member to participate in deliberations prior to a vote on a significant action for which he or she otherwise would be required to abstain, pursuant to paragraph (a)(2) of this Rule, if such participation would be consistent with the public interest and the member recuses himself or herself from voting on such action.
 - (ii) In making a determination as to whether to permit a member to participate in deliberations on a significant action for which he or she otherwise would be required to abstain, the deliberating body shall consider the following factors:
 - (A) Whether the member’s participation in deliberations is necessary for the deliberating body to achieve a quorum in the matter; and
 - (B) Whether the member has unique or special expertise, knowledge or experience in the matter under consideration.
 - (iii) Prior to any determination pursuant to paragraph (a)(3)(i) of this Rule, the deliberating body must fully consider the position information which is the basis for the member’s direct and substantial financial interest in the result of a vote on a significant action pursuant to paragraph (a)(2) of this Rule.
- (4) Documentation of determination. Kalshi’s governing boards, disciplinary committees, and oversight panels must reflect in their minutes or otherwise document that the conflicts determination procedures required by this section have been followed. Such records also must include:
- (i) The names of all members who attended the meeting in person or who otherwise were present by electronic means;
 - (ii) The name of any member who voluntarily recused himself or herself or was required to abstain from deliberations and/or voting on a matter and the reason for the recusal or abstention, if stated; and

- (iii) Information on the position information that was reviewed for each member.

CHAPTER 13 TERMS OF CONTRACTS TRADED ON KALSHI

The following Rules set forth the terms of the Contracts traded on Kalshi. You should not trade any Contract unless you are certain that you completely understand and accept its terms. Additional information with respect to each Contract can be found on the homepage for the specific Contract.

RULE 13.1 TERMS THAT ARE UNIFORM ACROSS CONTRACTS

There are certain terms that are uniform across Contracts.

- (a) The minimum unit of trading is one Contract.
- (b) All Contract prices are quoted in U.S. Dollars and cents per Contract.
- (c) The minimum quote increment for each Contract is \$0.01 per Contract.

All Market Outcomes will be posted on Kalshi's website no later than 11:59 pm ET on the day that such Market Outcomes are determined. If the Market Outcome Review Process is initiated under Rule 7.1, the final Market Outcome will be posted on Kalshi's website no later than 11:59 pm ET on the day that the Outcome Review Committee reaches a determination on the Contract's final Market Outcome.

- (d) Halted Markets – In the event that any market irregularities are declared by the Chief Executive Officer of Kalshi, or to prevent or reduce the potential risk of price distortions or market disruptions, a market may be paused or halted for trading, and the Commission will be notified, if required, pursuant to Commission Regulations. An explanation will be posted on the Kalshi Notices section of the website within a reasonable amount of time but no later than 24 hours after the initiation of the halt.
- (e) Discretion to Refrain from Listing Contracts – Kalshi may, in its discretion, temporarily refrain from the listing of any Contract due to the unavailability of the Underlying upon which the Contract is based, or any other condition Kalshi determines may be detrimental to the listing of the Contract.
- (f) Contract Modifications – Specifications shall be fixed as of the first day of trading of a Contract, except as provided in Rule 2.8 and Rule 7.2 of these Rules or as set forth in Rules specific to a Contract. If any U.S. governmental agency or body issues an order, ruling, directive or law that conflicts with the requirements of these Rules, such order, ruling, directive or law shall be construed to take precedence and become part of these Rules, and all open and new Contracts shall be subject to such government orders.

- (g) Any change in instructions, order, ruling, directive, or law issued or enacted by any court or agency of the Federal Government of the United States that conflicts with the Rules contained in this Rulebook shall take precedence, immediately become a part of these Rules, and be effective for all currently traded and newly listed Contracts.

Appendix F - Exchange Notice

March 11, 2024

Kalshi has amended the Rulebook to allow Kalshi to implement Market Maker Programs. Kalshi has updated its Membership Agreement accordingly. The following text has been added to the Membership Agreement effective March 11, 2024:

Exchange Notice

You acknowledge that Kalshi's Rulebook allows Kalshi to implement market maker programs. Kalshi believes that these programs will promote liquidity and orderliness on the Kalshi Exchange. Under the rules, market makers will make markets on Kalshi in exchange for receiving benefits. The benefits can include monetary benefits, such as discounts on fees, rebates on fees, revenue share from fees, and other monetary benefits. Market makers who receive these benefits may be able to price their quotes in ways that are materially different from other Kalshi members who are not eligible to receive these financial benefits. Market makers may also be eligible for sophisticated risk management tools, such as order protections whereby orders are canceled if the market maker's trading session disconnects from the Exchange, and may be eligible to greater throughput to the Exchange. These risk management tools enable market makers to effectively manage the risks of their market making activity, and may not be available to members who are not market makers. These tools may give market makers a trading advantage over members who are not market makers.

You further acknowledge that market makers may be required, during specific times, to maintain a maximum spread size and may be required to maintain a minimum depth within the spread. Outside of the required times, market makers are not required to, and potentially will not, maintain the maximum spread size and minimum depth. Therefore, pricing and liquidity outside of the required times may be worse than during the required times.

Please direct legal questions relating to this Notice to legal@kalshi.com and general questions to support@kalshi.com.