

June 29, 2021

SUBMITTED VIA CFTC PORTAL

Secretary of the Commission
Office of the Secretariat
U.S. Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

Re: KalshiEX LLC – CFTC Regulation 40.2(a) Notification Regarding the Initial Listing of the US CPI Contract

Dear Sir or Madam,

Pursuant to Section 5c(c) of the Commodity Exchange Act and Section 40.2(a) of the regulations of the Commodity Futures Trading Commission, KalshiEX LLC (Kalshi) hereby notifies the Commission that it is self-certifying terms and conditions for the US CPI contract (Contract) to be listed for trading on Kalshi and effective on Wednesday, June 30, 2021 for trading on that date.

Along with this letter, Kalshi submitted the following documents:

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

If you have any questions, please do not hesitate to contact me.

Sincerely,

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

KalshiEX LLC

Rule 40.2 New Contract Submission: “Will the Consumer Price Index (CPI) increase more than <percent>?”
06/28/2021

CONCISE EXPLANATION AND ANALYSIS OF THE PRODUCT AND ITS COMPLIANCE WITH APPLICABLE PROVISIONS OF THE ACT, INCLUDING CORE PRINCIPLES AND THE COMMISSION'S REGULATIONS THEREUNDER

Pursuant to Commission Rule 40.2(a)(3)(v), the following is a concise explanation and analysis of the product and its compliance with the Act, including the relevant Core Principles, and the Commission's regulations thereunder.

I. Introduction

The “Will the Consumer Price Index (CPI) increase more than <percent>?” contract is a contract relating to percentage increases in the value of the Consumer Price Index (“CPI”). The Contract will allow market participants to hedge the risk of an increase of inflation. After careful analysis, Kalshi (hereafter referred to as “Exchange”) has determined that the Contract complies with its vetting framework, which has been reviewed by the CFTC and formed part of the Exchange’s application for designation as a Contract Market (“DCM”) that was approved by the Commission.

Further information about the contract, including an analysis of its risk mitigation and price basing utility, as well as additional considerations related to the contract, is included in Confidential Appendix B.

Pursuant to Section 5c(c) of the Act and CFTC Regulations 40.2(a), the Exchange hereby certifies that the listing of the Contract complies with the Act, including regulations under the Act.

Relevant Contract Terms and Conditions: The Contract operates similar to the other binary contracts that the Exchange is self-certifying for trading. In particular, the Contract’s payout structure is characterized by the payment of an absolute amount to the holder of one side of the option and no payment to the counterparty. While trading on the contract is open, Members are able to adjust their positions and trade freely. After trading on the contract has closed, the market is settled by the Exchange and the long position holders and short position holders are paid according to the outcome of the market. In this case, “long position holder” refers to a Member who purchased the “Yes” side of the contract and “short position holder” refers to a Member who purchased the “No” side of the contract. Depending on the outcome of the market, as determined by the Exchange,

one of two payout processes is triggered. If the Market Outcome is “Yes”, meaning that the value of the seasonally adjusted Consumer Price Index for All Urban Consumers (CPI-U) for the statistical period of <month> increases by more than <percent>, then the long position holder is paid an absolute amount proportional to the size of their position and the short position holder receives no payment. Otherwise, if the Market Outcome is “No”, then the short position holder is paid an absolute amount proportional to the size of their position and the long position holder receives no payment. Further specification of the circumstances that would trigger a settlement in the “Yes” direction are included below in the section titled “Payout Criterion” in Appendix A.

Contract Specifications:

Underlying	The signed one-month percent change in the seasonally adjusted Consumer Price Index for All Urban Consumers (CPI-U) published by the Bureau of Labor Statistics (“BLS”) (https://www.bls.gov/cpi/). Further analysis regarding the Underlying, including a discussion of data collection methodology and considerations related to Core Principle 3, are covered in Confidential Appendix C and Confidential Appendix D.
Payout Criterion	The Payout Criterion encompasses Expiration Values that are strictly greater than <percent>.
Contract Size	The Exchange takes the view that maximizing the commercial usefulness of any product dictates that the contract size should conform to commercial norms. Therefore, as with other similar contracts offered by the Exchange, the Contract is sized with a one-dollar notional value to enable Members to match the size of the contracts purchased to their economic risks.
Listing Cycle	For contracts whose Expiration Value is based on the outcome of recurrent data releases, Expirations will be listed consistently by a time period corresponding to the cadence of Underlying data releases. For contracts whose Expiration Value is not based upon the outcome of recurrent data releases, Expirations will be listed on an as-needed basis at the discretion of the Exchange and corresponding to the risk management needs of Members.
Tick Size	The minimum price fluctuation is \$0.01 (one cent). Price bands will apply so that Contracts may only be listed at values of at least \$0.01 and at most \$0.99. A minimum price fluctuation of \$0.01 is the standard tick size on the Exchange.
Position Limit	The Exchange has imposed position limits (defined as maximum loss exposure) of \$25,000 USD on the Contract.
Trading Hours	As outlined in Rule 5.12 of the Rulebook, trading shall be available at all times outside of any maintenance windows, which will be announced in advance by the Exchange.

Fees	Members will be charged fees in accordance with Rule 3.6 of the Rulebook. Fees are charged in such amounts as may be revised from time to time to be reflected on the Exchange's Website.
Contract Modifications	As outlined in Rule 7.2 of the Rulebook, if any event or any circumstance which may have a material impact on the reliability or transparency of a Contract's Source Agency or the Underlying related to the Contract arises, Kalshi retains the authority to designate a new Source Agency and Underlying for that Contract and to change any associated contract specifications after the first day of trading. That new Source Agency and Underlying would be objective and verifiable. Kalshi would announce any such decision on its website.



**CERTIFICATIONS PURSUANT TO SECTION 5c OF THE COMMODITY EXCHANGE
ACT, 7 U.S.C. § 7A-2 AND COMMODITY FUTURES TRADING COMMISSION
REGULATION 40.2, 17 C.F.R. § 40.2**

Based on the above analysis, the Exchange certifies that:

- the Contract is consistent with, and in accordance with the Core Principles of Section 5 of the Commodity Exchange Act, and the CFTC's rules and regulations; and thereunder.
- this submission (other than those appendices for which confidential treatment has been requested) has been concurrently posted on the Exchange's website at <https://kalshi.com/regulatory/filings>.

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

By: Eliezer Mishory
Title: Chief Regulatory Officer
Date: 06/28/2021

Attachments:

Appendix A - Contract Terms and Conditions

Appendix B (Confidential) - Further Considerations

Appendix C (Confidential) - Price Reporting Agency

Appendix D (Confidential) - Compliance with Core Principles

APPENDIX A – CONTRACT TERMS AND CONDITIONS

TERMS OF CONTRACTS TRADED ON KALSHI

Rule 100.4

Contract: “Will the Consumer Price Index (CPI) increase more than <percent>?”

Scope: These rules shall apply to the contract referred to as “Will the Consumer Price Index (CPI) increase more than <percent>?”.

Underlying: The Underlying for this Contract is the signed one-month percent change in the seasonally adjusted Consumer Price Index for All Urban Consumers (CPI-U) published by the Bureau of Labor Statistics (“BLS”) (<https://www.bls.gov/cpi/>). A schedule of release dates is available on the BLS website (https://www.bls.gov/schedule/news_release/cpi.htm), and the data is typically released at 8:30am ET. Each month’s report is available at the following stable URL, which automatically displays the latest available report:

<https://www.bls.gov/news.release/pdf/cpi.pdf>. The Underlying is typically listed in the first sentence of the first page of the monthly report under the heading “CONSUMER PRICE INDEX-[Month/Year]”. For example, in the CPI report for April 2021, the first sentence is “the Consumer Price Index for All Urban Consumers (CPI-U) increased 0.8 percent in April on a seasonally adjusted basis...” so 0.8 percent would be the Expiration Value for the month of April 2021. Future revisions to the CPI released after Expiration will not be taken into account. Historical reports from prior months are available on the Bureau of Labor Statistics website at the following link: <https://www.bls.gov/bls/news-release/cpi.htm>. If you select the year in question, links to CPI reports from months in that year will be displayed.

Source Agency: The Source Agency is the Bureau of Labor Statistics.

Type: The type of Contract is a Binary Contract.

Issuance: The Issuance of this contract will be in accordance with the information outlined in the “Listing Cycle” section of the Contract Specifications table. After the initial Contract, Contract iterations will be listed on an as-needed basis at the discretion of the Exchange and corresponding to the risk management needs of Members.

Percent: Kalshi may list “Will the Consumer Price Index (CPI) increase more than <percent>?” contracts with <percent> levels that fall within an inclusive range between a maximum value of 10% and a minimum value of 0% at consecutive increments of .01%. Due to the potential for

variability in the Underlying, the Exchange may modify <percent> levels in response to suggestions by Members.

Month: <month> refers to a calendar month specified by Kalshi. Kalshi may list “Will the Consumer Price Index (CPI) increase more than <percent>?” contracts corresponding to different statistical periods of <month>, ranging from January to December.

Payout Criterion: The Payout Criterion for this Contract encompasses the Expiration Values that are strictly greater than <percent>.

Minimum Tick: The Minimum Tick size for the referred Contract shall be \$0.01.

Position Limit: The Position Limit for the \$1 referred Contract shall be \$25,000 per Member.

Last Trading Date: Unless otherwise noted by the Exchange and indicated on the Exchange website, the Last Trading Date for the Contract will be the day prior to the release date of the Consumer Price Index Report for <month>. The Last Trading Time for the Contract is 7:00pm ET on the Last Trading Date. No trading in the Contract shall occur after its Last Trading Date and Time. A calendar of future Consumer Price Index report release dates is available at the following page: https://www.bls.gov/schedule/news_release/cpi.htm.

For example, the Last Trading Date of the initial contract will be July 12, 2021 and the Last Trading Time will be 7:00 PM ET on July 12, 2021 because the next Consumer Price Index report will be issued on July 13, 2021.

Settlement Date: The Settlement Date of the Contract shall be the day after the Expiration Date, unless the Market Outcome is under review pursuant to Rule 7.1.

Expiration Date: The Expiration Date of the Contract shall be the release date of the Consumer Price Index report for <month>. For example, the Expiration Date of the initial contract will be July 13, 2021 because the next Consumer Price Index report will be issued on July 13, 2021.

Expiration time: The Expiration time of the Contract shall be 3:00pm ET.

Settlement Value: The Settlement Value for this Contract is \$1.00.

Expiration Value: The Expiration Value is the value of the Underlying for the statistical period of <month> as documented by the Source Agency on the Expiration Date at the Expiration time.

Contingencies: Before Settlement, Kalshi may, at its sole discretion, initiate the Market Outcome Review Process pursuant to Rule 6.3(c) of the Rulebook.