

# Kalshi

Vaccinate Rate  
Contract



July 6, 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 “Will over <number> of Americans be vaccinated for COVID-19?” Contract

Dear Sir or Madam,

Pursuant to Section 5c(c) of the Commodity Exchange Act and Section 40.2(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 “Will over <number> of Americans be vaccinated for COVID-19?” contract (Contract) to be listed for trading on Kalshi and effective on Wednesday, July 7, 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 over <number> of Americans be vaccinated for COVID-19?”  
07/06/2021

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

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

**I. Introduction**

The “Will over <number> of Americans be vaccinated for COVID-19?” contract is a contract relating to the number of people living in the United States who have received one or more doses of a COVID-19 vaccine. It is designed to enable market participants whose businesses or operations are affected by the economic downturn and uncertainties caused by the coronavirus pandemic to mitigate the commercial risks associated with the continuation of the COVID-19 pandemic and the frequency of vaccinations among the American public. After careful analysis, Kalshi (hereafter referred to as “Exchange”) has determined that the contract complies with its vetting framework, which has been reviewed by the CFTC and formed part of the Exchange’s application for designation as a Contract Market (“DCM”) that was approved by the Commission.

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

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

<sup>2</sup> Ibid.

Further information about the contract, including an analysis of its risk mitigation and price basing utility, as well as additional considerations related to the contract, is included in Confidential 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. Once 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 Number of People Receiving 1 or More Doses of a COVID-19 vaccine for the statistical period of the week ending <date> is strictly more than <number>, 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:**

<b>Underlying</b>	The CDC’s estimate of the Number of People Who Have Received At Least 1 Dose of a COVID-19 Vaccine ( <a href="https://covid.cdc.gov/covid-data-tracker/#vaccinations">https://covid.cdc.gov/covid-data-tracker/#vaccinations</a> ). Revisions after Expiration will not be taken into account.
<b>Payout Criterion</b>	The Payout Criterion encompasses the Expiration Values that are strictly greater than <number>.
<b>Contract Size</b>	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.
<b>Listing Cycle</b>	<p>For contracts whose Expiration Value is based on the outcome of recurrent data releases, Contract iterations will be listed consistently by a time period corresponding to the cadence of Underlying data releases. For contracts whose Expiration Value is not based upon the outcome of recurrent data releases, Contract iterations will be listed on an as-needed basis at the discretion of the Exchange and corresponding to the risk management needs of Members.</p> <p>The Contract is based on the outcome of a recurrent data release which is issued on a daily basis (the CDC COVID Data Tracker) and checked on a weekly basis by the Exchange. Thus, Contract iterations will be listed on a weekly basis.</p> <ol style="list-style-type: none"> <li>I. The Issuance of the initial contract will be July 7, 2021.</li> <li>II. The Issuance of each subsequent contract will correspond to the next week and be announced and posted on the Exchange website. After the initial contract, subsequent contracts will be issued on Mondays.</li> <li>III. The Exchange will list additional contract weeks on a recurring basis and will publish all available contract weeks on its website.</li> </ol>
<b>Tick Size</b>	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.
<b>Position Limit</b>	The Exchange has imposed position limits (defined as maximum loss exposure) of \$25,000 USD on the contract.
<b>Trading Hours</b>	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.
<b>Fees</b>	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.
<b>Contract Modifications</b>	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](mailto:ProductFilings@kalshi.com).



By: Eliezer Mishory

Title: Chief Regulatory Officer

Date: 07/06/2021

**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 100.11

**Contract:** “Will over <number> of Americans be vaccinated for COVID-19?”

**Scope:** These rules shall apply to the contract referred to as “Will over <number> of Americans be vaccinated for COVID-19?”.

**Underlying:** The Underlying for this Contract is the number of people reported as receiving one or more doses of a COVID-19 vaccine published by the CDC (<https://covid.cdc.gov/covid-data-tracker/#vaccinations>). To view the Underlying, go to the table titled “People Vaccinated” displayed on the linked webpage, and check the “Total” value of the column titled “At Least One Dose” to view the total number of people who have received at least one dose of an approved vaccine. Revisions after Expiration will not be taken into account.

**Source Agency:** The Source Agency is the Centers for Disease Control and Prevention (“CDC”).

**Type:** The type of Contract is a Binary Contract.

**Issuance:** The Issuance of this contract will be in accordance with the information outlined in the “Listing Cycle” section of the Contract Specifications table. The Contract is based on the outcome of a recurrent data release which is issued on a daily basis (the CDC COVID Data Tracker) and checked on a weekly basis by the Exchange. Thus, Contracts will be issued on a weekly basis, and subsequent contracts will correspond to the next week. The Issuance of the initial contract will be on July 7, 2021 at 10:00am ET. After the initial contract, subsequent contracts will be issued each week on Monday.

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

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



**Payout Criterion:** The Payout Criterion encompasses the Expiration Values that are strictly more than <number>.

**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 five days after the date of issuance, and the Last Trading Time for the Contract is 7:00pm ET on the Last Trading Date. No trading in the Contract shall occur after its Last Trading Date and Time.

The initial Contract follows a different schedule. The Last Trading Date of the initial Contract will be July 10, 2021, and the Last Trading Time is 7:00pm ET on July 10, 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 date seven days after the date of issuance. The initial Contract follows a different schedule. The Expiration Date of the initial Contract is Monday, July 12, 2021.

**Expiration time:** The Expiration time of the Contract shall be 11:00am ET.

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

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

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