

August 8, 2025

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 – Trade Cancellation Rule Update

Dear Sir or Madam,

KalshiEX LLC (“Kalshi” or “Exchange”) hereby notifies the Commodity Futures Trading Commission (“CFTC”) that is amending Rule 5.11 of the Exchange Rulebook, effective August 22, 2025, to update its rules regarding trade cancellations. The updates are designed to provide additional information regarding exchange procedures related to trade cancellations, and additional clarity with respect to situations the Exchange views as “extraordinary circumstances” under the Rule. The update also introduces a cost associated with a Member’s request for trade review under this Rule, but specifies that the cost will be reimbursed if the Exchange is at fault for the erroneous trade. Attached Appendix A contains the proposed changes to Rule 5.11 in both tracked and clean form.

Compliance with Core Principles

Kalshi has concluded that the amendments to the rulebook are not inconsistent with the CEA and the CFTC’s regulations. The following core principles most directly pertain to the amendment: **Core Principle 2 - Compliance with Rules; Core Principle 3 - Contracts not Readily Susceptible to Manipulation; Core Principle 4 - Prevention of Market Disruption; Core Principle 7 - Availability of General Information; Core Principle 9 - Execution of Transactions; Core Principle 12 - Protection of Markets and Market Participants; and Core Principle 18 - Recordkeeping.**

The amendment to the Rulebook is not inconsistent with Core Principle 2 because it addresses and follows the requirement that “A designated contract market must have the authority to adjust trade prices or cancel trades when necessary to mitigate market disrupting events caused by malfunctions in its electronic trading platform(s) or errors in orders submitted by members and market participants. Any trade price adjustments or trade cancellations must be transparent to the market and subject to standards that are clear, fair, and publicly available.” 17 CFR 38.157. The amendment is not inconsistent with Core Principle 3 because it serves to protect market participants and the integrity of Exchange pricing, and does not increase the susceptibility of any markets to manipulation. The amendment is explicitly designed to protect

against market disruptions caused by malfunctions or errors in orders (not inconsistent with Core Principle 5), and a more explicit and publicly available statement of Rule 5.11 is not inconsistent with Core Principle 7. The new Rule 5.11 further “protects the price discovery process of trading in the centralized market of the board of trade” (Core Principle 9), “promote[s] fair and equitable trading on the contract market” (Core Principle 12), and complies with recordkeeping requirements due to the Exchange’s recordkeeping program retaining record of all decisions relating to the new Rule (Core Principle 18).

No opposing views to the contrary have been expressed.

Kalshi accordingly certifies that the Program complies with the requirements of the Commodity Exchange Act and the rules and regulations promulgated thereunder, and certifies that, concurrent with this filing, a copy of this submission was posted on the Kalshi website and may be accessed at: <https://kalshi.com/regulatory/notices>.

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

Sincerely,
Richard Heaslip
Chief Regulatory Officer
KalshiEX LLC
rheaslip@kalshi.com

Enclosures:
Appendix A

Appendix A

Rulebook Amendment (Clean)

RULE 5.11 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 Traders. 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 or adjust 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. An erroneous trade made due to Trader error, or caused by circumstances preventable in any way by a Trader, shall not constitute “extraordinary circumstances” except as described in Rule 5.11(d).
- (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 Trader. 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. Upon requesting review, the requesting Trader shall remit a payment of \$10,000 to compensate Kalshi for the operational costs of the review and any subsequent actions under this Rule (such payment to be reimbursed if Kalshi determines to cancel or adjust the trade(s) due to extraordinary circumstances wholly caused by a Platform malfunction). Kalshi will promptly determine whether the Trade will be subject to review and then promptly post notice indicating that the Trade is under review.
 - (i) 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.
 - (ii) 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”.
 - (iii) 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 canceled or adjusted, Kalshi will: 1.

notify all interested parties to the Trade as soon as practicable following such determination; and 2. publish its decision on the Kalshi website.

- (iv) When determining the value for a trade adjustment, Kalshi may in its discretion consider subsequent trades by the counterparties in order to ensure that the operation of this Rule is fair and equitable. Members shall be accountable to remit funds as necessary to effectuate any trade cancellation or adjustment under the Rule.
 - (v) 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.
- (d) Erroneous trades between Self-Clearing Members of Kalshi who are signatories to an active market maker agreement with Kalshi, or who have been granted access to an advanced tier of Kalshi's API, may, but need not, qualify as an "extraordinary circumstance" if, in Kalshi's sole discretion: (i) the erroneous trades were unmistakably and demonstrably made as a result of a Trader's automated trading system malfunction; (ii) such malfunction was despite reasonable safeguards, disaster recovery measures, and/or back-up capabilities; and (iii) the circumstances of any request for review do not indicate any attempt to game or manipulate the fair operation of this Rule.

Rulebook Amendment (Showing Changes)

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