July 12, 2026

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: DCM Notice of Market Emergency and Emergency Rule Filing Pursuant to CFTC Regulation 40.6(a) — Follow-Up to July 6, 2026 Notice

Dear Sir or Madam,

KalshiEx LLC ("Kalshi" or the "Exchange") respectfully submits this follow-up notice to the Commodity Futures Trading Commission ("CFTC" or the "Commission") and its Division of Market Oversight ("DMO"), supplementing the Exchange's correspondence filed on July 6, 2026 (the "Prior Notice"). As set forth below, the Exchange has determined that the Emergency described in the Prior Notice requires the immediate adoption of emergency rules (the "Emergency Rules") under Commodity Exchange Act ("CEA") Section 5c(c), CFTC Regulation 40.6(a), and Kalshi Rule 2.8.

I. Background

As described in the Prior Notice, the Exchange is subject to a Temporary Restraining Order ("TRO") entered by the Circuit Court for the 30th Judicial Circuit, Ingham County, Michigan (*State of Michigan v. KalshiEx LLC*, Case No. 26-1087-CZ, Hon. Rosemarie E. Aquilina presiding), obtained ex parte by the State of Michigan. In a July 6, 2026 correspondence to the parties, the Court clarified that certain trades entered into by Michigan-based users must be "voided, cancelled and refunded."

The Exchange is continuing its best efforts to implement the TRO's requirements and assess their implications for Kalshi's operations, market integrity, and the interests of its participants.

After consultation with legal counsel, and consistent with its obligations under DCM Core Principles 2, 4, 6, 7, 8, and 9, Kalshi has determined that immediate adoption of at least one Emergency Rule is necessary to comply with the Court's order, maintain orderly markets, protect the interests of all market participants, and preserve the financial integrity of the Exchange.

II. Emergency Rule

Pursuant to DCM Core Principle 6 (Emergency Authority), CFTC Regulation 40.6(a), CEA Section 5c(c), and Kalshi Rule 2.8, the Exchange hereby self-certifies the following Emergency Rule, effective immediately:

Emergency Rule 1: Force-Liquidation of Limited Court-Identified Positions

Immediately after the filing of this Rule (in order to minimize adverse impact to market conditions), the Exchange will force-liquidate the open positions of specific users identified and directed by the Court to have their trades "voided, cancelled and refunded." Namely, Kalshi understands the Court to have requested the liquidation of sports positions originally matched between Michigan traders and Kalshi Trading LLC, a subsidiary of Kalshi Inc. with no commercial relationship to the Exchange other than that of a typical trading Member.

Kalshi Trading LLC is a minute percentage of Kalshi's sports trading volume, which limits the size of open positions subject to the order. A broader order (e.g., mandating the liquidation of *all* sports positions involving a single Michigan-based user) would necessitate more extreme measures than those contemplated by this Rule, and would necessarily severely impact Exchange Members nationwide.

To ensure that no affected user bears any loss as a result of this court-ordered close-out, and that no other market participant is adversely impacted, the Exchange will pay out of its own operational funds any shortfall between the liquidation value of the affected positions at the time of close-out and each user's original cost of entry.

After an extensive analysis, the exchange has determined that:

1. The total number of positions impacted by the specific order is limited;

2. Due to the limited size of these positions and current liquidity conditions, the market may bear liquidation of these positions without a significant impact to pricing; and

3. Due to the limited size of these positions, the Exchange may bear the cost of reimbursement out of its own operational funds in a manner consistent with the capital and liquidity requirements that apply to it as a DCM.

To effectuate this rule:

(a) Positions of the identified Michigan-based users will be force-liquidated on the central limit orderbook at current market value as of the date of execution of this Emergency Rule.

(b) Where the liquidation value of a position is less than the user's original cost of entry, Kalshi will pay the difference to the affected user from Kalshi's operational funds (i.e., the Exchange's own capital, and not from user funds, margin deposits, or clearing resources).

(c) No other market participant will bear any loss arising from this specific forced liquidation. The Exchange will absorb the entire shortfall.[1]

III. Self-Certification and Commission Review

This Emergency Rule is adopted pursuant to DCM Core Principle 6, which authorizes the Exchange, in consultation or cooperation with the Commission, to exercise emergency authority. See 7 U.S.C. § 7(d)(6); 17 CFR § 38.350. The Exchange's decision to bear the economic shortfall from its own operational funds—rather than passing losses to affected users or the broader market—is consistent with DCM Core Principles 4 (Prevention of Market Disruption) and 7 (Financial Integrity of Transactions), and ensures that the court-ordered close-out does not disrupt the orderly settlement of contracts or endanger the collateralization of the Exchange's markets.

The Emergency Rules described herein are adopted on an emergency, self-certified basis pursuant to CFTC Regulation 40.6(a) and CEA Section 5c(c). The Exchange has determined, in its judgment and in consultation with counsel, that the Emergency requires immediate action to protect the integrity of the Exchange's markets and the interests of its participants, and that the adoption of these Emergency Rules is necessary and appropriate under the circumstances.

Consistent with CFTC Regulation 40.6(a), the Exchange acknowledges that the Emergency Rules are subject to review by the Commission. The Exchange will provide such additional information and documentation as the Commission or DMO staff may request in connection with their review.

IV. Continued Coordination with DMO

The Exchange welcomes continued consultation and coordination with DMO staff regarding Emergency Rules, their implementation, and any further actions that may be necessitated by the ongoing litigation or the issuance of a preliminary injunction. The Exchange will have further updates for DMO pending the outcome of a preliminary injunction hearing on July 13, 2026.

Kalshi remains committed to operating its markets in full compliance with its obligations as a registered designated contract market and to maintaining transparent communication with the Commission regarding the Emergency.

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

[1] In the event that any positions are worth under 1 cent and lack sufficient buyer interest to be liquidated (i.e., their market value is functionally zero), Kalshi will refund the full cost of entry.

contact me.

Sincerely,

Richard Heaslip
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