

October 20, 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: KalshiEX LLC – Commission Regulation 40.3(a), Voluntary submission of new products for Commission review and approval regarding the Initial Listing of the WTIPERP Futures Contract

Dear Sir or Madam,

Pursuant to Section 5c(c) of the Commodity Exchange Act and Section 40.3(a) of the regulations of the Commodity Futures Trading Commission, KalshiEX LLC (Kalshi), a designated contract market (DCM) registered with the Commission, hereby voluntarily submits the WTIPERP contract (the Contract) for Commission review and approval. The Exchange intends to list the Contract on a continuous basis. The Exchange intends to list this Contract shortly following approval by the Commission.

Along with this letter, Kalshi submits the following documents:

- A concise explanation and analysis of the Contract;
- Certification;
- Appendix A with the Contract's Terms and Conditions;
- Appendix B with enhanced trading prohibitions applicable to the Contract;
- Appendix C with further considerations regarding the Contract;
- Appendix D with information regarding the Reference Contract and the Source Agency for the Contract;
- Appendix E describing the Contract's compliance with the Core Principles;
- Appendix F with further information on the Contract's compliance with the Core Principles;
- A request for FOIA confidential treatment.

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

Sincerely,

Xavier Sottile
Head of Markets
KalshiEX LLC
xsottile@kalshi.com

KalshiEX LLC

Official Product Name: WTIPERP

Rulebook: WTIPERP

Summary: NYMEX Light Sweet Crude Oil (WTI) Perpetual Future

October 20, 2026

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 Regulation 40.3(a)(4), the following is a concise explanation and analysis of the product and its compliance with the Act, including the relevant Core Principles (discussed in Appendices E and F), and the Commission's regulations thereunder.

I. Introduction

The WTIPERP Contract is a cash-settled Perpetual Future referencing the price of the NYMEX Light Sweet Crude Oil Futures contract (the "Reference Contract") at a constant one-month maturity, as computed and published in real time by Pyth Network as the Pyth Constant 1M WTI index (Commodities.Index.WTI1M/USD) by linear interpolation between the two listed delivery months of the Reference Contract that bracket that maturity, as more fully described in Appendices A and D.

The Contract trades on the trading session of the Reference Contract. Trading hours are 6:00 PM ET Sunday through 5:00 PM ET Friday; the Contract observes the Reference Contract's scheduled holiday and early-closure calendar, and the Exchange may close the Contract in accordance with any unscheduled closure of, or halt in, the Reference Contract.

What is a perpetual future? A perpetual future is a cash-settled futures contract with no fixed expiration or delivery date. Rather than merely converging to a deliverable cash price on a stated settlement day, it remains economically tethered to a periodically observed reference price through a funding mechanism: at regular intervals, holders of the side trading at a premium to the reference price pay holders of the side trading at a discount, so that any divergence between the contract's price and the reference price generates an offsetting carrying cost that draws the two back into alignment. The instrument functions as an indefinitely renewing near-dated future, allowing a participant to hold an exposure open for as long as it persists without rolling from one expiration to the next. The Commission approved the first such contract for listing on a Commission-regulated market in its order approving the Exchange's BTCPERP contract, and set out the analytical framework applicable to these instruments in its accompanying Policy Statement.¹

The Contract also follows established precedent for futures that are quoted and managed like perpetual instruments on designated contract markets. CME Group's Spot-Quoted futures, launched in June 2025 on equity indices and digital assets, are contracts that trade at the spot price, may be held for up to five years without rolling, and collect the cost of carry through a daily financing adjustment applied in clearing; Coinbase Derivatives'

¹ Order Approving KalshiEX LLC BTCPERP Futures Contract (CFTC May 29, 2026); see CFTC Press Release No. 9240-26 (May 29, 2026); Policy Statement Concerning the Listing of Perpetual Contracts, 91 Fed. Reg. 33,160 (June 3, 2026).

perpetual-style futures, launched in July 2025, are five-year contracts with a funding rate that accrues hourly and settles twice daily; and Bitnomial listed perpetual futures on digital assets in 2025.² Each of those contracts anchors its reference to a spot price or to a dated front-month future and must therefore carry a spot or financing adjustment that is reset as the underlying rolls. The Contract differs in a respect that simplifies it: its reference is a constant one-month point on the Reference Contract's curve, computed continuously by the Source Agency, so the reference rolls continuously by construction and no roll adjustment is required, while the funding mechanism, the margin framework, and the economics of holding the Contract are the same as those of the Exchange's BTCPERP Contract.

The no-arbitrage pricing of perpetual futures has been formalized in the peer-reviewed literature. Akerer, Hugonnier and Jermann derive explicit prices for linear, inverse and quanto perpetuals in discrete and continuous time, showing that the perpetual price equals the risk-neutral expectation of the reference sampled at a random time whose distribution is governed by the intensity of the funding mechanism, and identifying the funding specifications under which the perpetual price and the reference coincide and the contract is replicable by dynamic trading.³ A companion paper extends the model to the clamped funding rules used in practice, which is the construction this Contract adopts.⁴ He, Manela, Ross and von Wachter derive no-arbitrage bounds under trading frictions and document empirically that arbitrage disciplines the perpetual basis, that deviations diminish as markets mature, and that an implied random-maturity arbitrage is profitable, which is the mechanism on which a funding-anchored contract depends.⁵ Angeris, Chitra, Evans and Lorig supply the replication framing.⁶

The Contract's reference, rather than a spot assessment, a survey, a dealer quotation, or a bespoke index, is the traded price of the Reference Contract, a Commission-regulated, centrally cleared, physically delivered futures contract whose own convergence to the physical market is enforced by expiry and delivery in the ordinary way. The economic content absent from a continuously traded digital reference is already embedded in the Reference Contract's price by the cash-and-carry arbitrage operating in that market: storage cost, convenience yield, seasonality, and regional and quality differentials are priced by participants who can and do take delivery.⁷ Those economics reach the Contract through the funding mechanism without the Exchange modeling, assessing, or administering any of

² Damien Akerer, Julien Hugonnier & Urban Jermann, *Perpetual Futures Pricing*, Mathematical Finance (2026), doi:10.1111/mafi.70018; previously NBER Working Paper No. 32936 (Sept. 2024) and arXiv:2310.11771.

³ Julien Hugonnier & Urban Jermann, *Perpetual Futures Pricing with Stochastic Rates and Clamp*, Wharton Research Paper (Sept. 13, 2025), SSRN 5481866.

⁴ Songrun He, Asaf Manela, Omri Ross & Victor von Wachter, *Fundamentals of Perpetual Futures*, arXiv:2212.06888 (rev. Aug. 2024); SSRN 4301150.

⁵ Guillermo Angeris, Tarun Chitra, Alex Evans & Matthew Lorig, *A Primer on Perpetuals*, 14 SIAM J. Fin. Math. SC17 (2023).

⁶ On the embedding of storage cost and convenience yield in the futures basis, see Eugene F. Fama & Kenneth R. French, *Commodity Futures Prices: Some Evidence on Forecast Power, Premiums, and the Theory of Storage*, 60 J. Bus. 55 (1987); Bryan R. Routledge, Duane J. Seppi & Chester S. Spatt, *Equilibrium Forward Curves for Commodities*, 55 J. Fin. 1297 (2000); Gary Gorton, Fumio Hayashi & K. Geert Rouwenhorst, *The Fundamentals of Commodity Futures Returns*, 17 Rev. Fin. 35 (2013).

⁷ Comment Letter of Hyperliquid Policy Center and XYZ Ltd. (trade.xyz), Comment No. CFTC-2026-1388-0102 (Aug. 26, 2026).

them. The Contract inherits a calendar-predictable reference roll, addressed through the deterministic, continuous constant-maturity construction in Appendix A.

In prior submissions the Exchange has cautioned that the perpetual structure is not appropriate for every underlying, and has specifically observed that some commodities have cash prices that are regional, seasonal and grade- and location-specific, with constrained and seasonal deliverable supply; that some participants must hedge date-certain physical exposure and rely on the calendar term structure of dated contracts and the storage and seasonality information that term structure encodes; and that collapsing that term structure into a single perpetual could damage the calendar-spread signals and delivery-month matching that make dated futures useful for bona fide hedging.

The Contract does not collapse the term structure of the NYMEX crude complex. It leaves that complex, its calendar spreads, its delivery-month matching, and its expiry-and-delivery convergence mechanism entirely intact, and takes the front of that curve as an input.

Why these instruments are important. For a participant whose crude exposure is continuous or indefinite in duration, a perpetual is structurally superior to a strip of dated contracts. It eliminates roll execution cost and roll-date basis risk at the position level; it removes the operational hazard of an inadvertent delivery obligation for a participant with no capacity to make or take delivery at Cushing; and it concentrates liquidity in a single instrument rather than fragmenting it across expirations. The comment record documents that this activity exists and occurs today outside the Commission's supervision. The Hyperliquid Policy Center and trade.xyz reported that more than eighty perpetual markets referencing traditional asset classes, including commodities, have been deployed under the permissionless HIP-3 standard since October 2025, without centralized customer onboarding, coordinated surveillance, federally prescribed margin, or central clearing.⁸ The Principal Traders Group put the point in the form the Exchange endorses: the question before the Commission is not whether these products will trade, but where.⁹ Listing the Contract on a designated contract market cleared by a registered derivatives clearing organization brings that activity within a regime of trade surveillance, customer identification, risk-based margin that is not user-selectable, central clearing, and disciplinary procedure.¹⁰

The Commission's Request for Comment and the perpetual-specific record. The Commission published its Request for Comment on the extension of standard futures contracts to 24/7 trading and on perpetual contracts referencing physically delivered or storable energy commodities on June 25, 2026, extended the comment period on July 28, 2026, and closed it on August 26, 2026. The docket, CFTC-2026-1388, contains approximately 140 submissions. The Exchange has reviewed the record in full and has incorporated its feedback into the Contract's design, including by providing expressly for

⁸ Comment Letter of PTG, Comment No. CFTC-2026-1388-0106 (Aug. 26, 2026).

⁹ See also CFTC Staff Letter No. 26-16, Advisory Regarding 24/7 Trading and Clearing Operations (May 29, 2026).

¹⁰ CME Group, WTI Crude Oil Futures and Options, <https://www.cmegroup.com/markets/energy/crude-oil/light-sweet-crude.volume.html> (reporting that more than one million contracts of WTI futures and options trade daily, with approximately four million contracts of open interest) (accessed Oct. 6, 2026).

the case in which the Reference Contract's price is negative. The record's principal concerns, and the way the Contract's structure answers each of them, are set out below.

No spot assessment is referenced at any funding interval. The Request for Comment asks whether a reliable, non-manipulable crude oil cash price exists to serve as the reference at every funding interval, observing that the cash market for crude is assessed in defined windows rather than traded continuously. The Contract does not reference a cash assessment at all. Its reference is the traded price of the most liquid regulated crude oil futures market in the world, combined into a constant one-month point on that curve from the two delivery months that bracket it and published by the Source Agency, from the aggregate of multiple independent first-party publishers, on a fixed cycle of fifty milliseconds. Premium Index observations are computed each second only while the Reference Contract is open and the feed is current and are drawn from executable order-book prices for an order of the Impact Notional, so no funding interval ever references an assessment window, a dealer quotation, or a stale print; the Funding Rate is the equally weighted mean of the entire session's observations, a one-tick deadband removes noise, and a \$1.00-per-barrel clamp bounds any single day's transfer. Appendix D and the confidential portion of Appendix F describe the construction and quantify what it would take to distort it.

Position limits apply as though the Contract carried the delivery months it references. Much of the record is directed at the difficulty of fitting a contract with no expiration into a speculative position-limit regime built around spot months. The Contract answers that concern through attribution rather than by expiring: for Part 150 purposes it is a cash-settled referenced contract, positions convert to Reference Contract equivalents at ten Contracts to one and are attributed to the two referenced delivery months in proportion to their weights, the federal spot-month limit applies to the position attributed to any delivery month in its spot month, and because the weight on an expiring month declines to at or near zero before termination of trading, a position in the Contract carries at most approximately 0.02 Reference Contract equivalents of spot-month exposure per Contract. The Contract therefore cannot be used to build spot-month exposure in the Reference Contract outside the federal framework, and the absence of an expiration removes, rather than creates, the expiry-driven pressure the record associates with the April 2020 episode.

The Contract does not trade around the clock. The Request for Comment, and the Commission's July 9, 2026 stay of a self-certified 24/7 crude oil contract, reflect concern that trading in crude oil derivatives while the benchmark and physical markets are closed could form prices that no cash market can discipline, and that smaller contracts trading over the weekend could induce participants to build benchmark or trade-at-settlement positions before the Friday close. The Contract takes the opposite approach. It trades on the Reference Contract's own weekly session, 6:00 PM Sunday to 5:00 PM Friday Eastern Time, observes the Reference Contract's holiday and early-close calendar, and is closed over the weekend. No Premium Index observation is computed, and no funding payment is derived, from any period in which the Reference Contract is not trading, and the Periodic Transfer Time coincides with the Reference Contract's daily settlement window, when that market's own settlement procedures and surveillance are in full operation. There is accordingly no weekend session in which the Contract could form a WTI price, and no end-

of-week window in which a position in the Contract could be moved without moving the benchmark itself, in the benchmark's own market and under its limits.

Negative and near-zero prices are provided for in the terms. The Request for Comment asks how a funding-based contract would behave in a reprise of April 2020. The Contract answers that question in its terms rather than by assurance. The constant-maturity Index places little or no weight on an expiring delivery month at expiry, so that an index of this construction would have been formed from the June and July delivery months on April 20, 2020, both of which settled near \$20 per barrel. The Premium Index, deadband, and clamp are expressed in dollars per barrel rather than as percentages of a price that may be near zero; every percentage threshold in the terms is applied to the greater of the price and a \$10.00 Price Floor; margin is additive in dollars; and orders, trades, and settlements are permitted at negative prices. Appendix A sets out each of these provisions, and Appendix D explains the reasoning.

The Contract reinforces, rather than fragments, price discovery in the benchmark. Commenters have expressed concern that derivatives referencing a benchmark could draw liquidity away from it or feed distorted prices back into it. The Contract produces no competing settlement and no competing assessment: it consumes the Reference Contract's prices and is tethered to them by funding, so that any divergence between the Contract and the benchmark is an arbitrage opportunity that is closed in the benchmark's own market, in its liquid hours, subject to its limits and surveillance. At one hundred barrels per Contract, with a Position Accountability Level that cannot exceed 5,000 Contracts and the spot-month attribution described above, no participant can accumulate through the Contract a position capable of influencing the Reference Contract, while the Contract gives commercial and retail participants a regulated, centrally cleared alternative to the offshore venues on which crude oil perpetual contracts already trade without any of these protections.

The Exchange submits the Contract for review and approval. The Exchange submits the Contract for Commission review and approval under Regulation 40.3, consistent with the Policy Statement, rather than by self-certification. Each of the Contract's elements has been before the Commission: the funding mechanism in the Exchange's BTCPERP Contract, which the Commission approved, and the long-dated, funding-adjusted structure in the Spot-Quoted and perpetual-style futures that other designated contract markets have listed. The Exchange has engaged with Commission staff on the Contract's design in advance of this submission, and it will continue to make its surveillance data and analysis available to the Commission as the Contract trades.

Perpetuals are appropriate for a commodity such as the Underlying, but not necessarily all commodities. The Reference Contract is the most actively traded crude oil futures contract in the world and among the most liquid futures contracts of any kind; its deliverable supply, delivery mechanism and convergence performance have been examined by the Commission over four decades; its settlement methodology is published, rules-based and administered by a designated contract market subject to Core Principle obligations; and its price is disseminated in real time and already serves as the reference for a very large complex of options, swaps, exchange-traded products and commercial agreements. A perpetual referencing that contract inherits those properties. A perpetual

referencing a thinly traded contract, a contract without a published rules-based settlement methodology, a bilateral assessment, or a physical grade with fragmented regional pricing and no liquid futures analogue would not, and the Exchange does not suggest that the analysis in this submission would support such a contract. As the Exchange has previously urged, the Commission should consider and discuss with exchanges, on a contract-by-contract basis, whether a proposed perpetual structure is appropriate and whether it complies with Core Principle 3's requirement that contracts not be readily susceptible to manipulation, before novel perpetuals are listed.

The analysis that follows is strictly limited to the Contract on the Underlying, though many of its principles and arguments would also apply to perpetual contracts referencing other benchmark futures contracts of comparable liquidity, settlement transparency and regulatory standing.

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 Appendices C, D and E and Appendix F (confidential in part).

General Contract Terms and Conditions: As outlined in Rule 5.16 of the Rulebook and the Contract's terms, trading shall be available during the trading hours set forth in Appendix A. This Contract's trading hours are from 6:00 PM ET on Sunday through 5:00 PM ET on Friday, continuously and without a daily break, corresponding to the weekly session of the Reference Contract, and subject to the scheduled holiday and early-closure calendar published by the designated contract market on which the Reference Contract is listed and to any trading halt imposed by the Exchange; the Exchange may also close the Contract in accordance with any unscheduled closure of, or halt in, the Reference Contract. Members will be charged fees in accordance with Rule 3.13 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. All instructions on how to access the Underlying are non-binding and are provided for convenience only and are not part of the binding Terms and Conditions of the Contract. They may be clarified at any time. Furthermore, the Contract is a futures contract with no fixed expiration date, under which all payment obligations are settled in cash; no physical delivery of crude oil occurs, and no Member acquires or incurs any right or obligation to make or take delivery of crude oil by reason of holding a position in the Contract. Each Contract represents a continuous obligation to make or receive cash payments based on changes in the Contract's price and periodic funding payments. The Trading Unit is one hundred (100) barrels, and ten (10) Contracts are equivalent in size to one Reference Contract for purposes of position limits and accountability; for spot-month and single-month purposes, positions are attributed to the delivery months of the Reference Contract then referenced, in proportion to their weights in the Underlying Price Index. Positions are marked to market daily at the Settlement Price determined as of the Periodic Transfer Time, which corresponds to the settlement of the Reference Contract, and margin is collected and maintained on a risk basis in accordance with the Rules of Kalshi Klear LLC and the Exchange Rulebook; leverage is not user-selectable by Members, and a per-account margin close-out applies as specified in Appendix A. During the time that trading on the Contract is open, Members are able to adjust their positions and trade freely. Members may enter and exit positions at any time during trading hours by executing

offsetting trades. Members holding long positions profit when the Contract price increases and incur losses when it decreases; Members holding short positions profit when the Contract price decreases and incur losses when it increases. To maintain price convergence with the Reference Contract, the Contract employs a once-daily funding mechanism whereby long position holders and short position holders exchange funding payments based on the divergence, measured second-by-second across the trading session of the Reference Contract and denominated in U.S. dollars per barrel, between the Contract's traded prices and the Underlying Price Index, as specified in Appendix A. Per-interval Contract prices are volume-weighted within the interval, qualifying intervals are weighted equally in the aggregation, and if fewer than the minimum number of qualifying intervals specified in Appendix A occur in a Funding Period, the Funding Rate for that period is zero. Funding accrues continuously over the Funding Period rather than by application of a rate observed at a single instant, and is subject to the deadband and absolute cap specified in Appendix A. The reference transitions from one delivery month of the Reference Contract to the next continuously and linearly under the constant-maturity construction set forth in Appendix A, on a schedule fixed by the Reference Contract's published expiration calendar. A Member's gain or loss at any point is equal to the change in the Contract's price since the position was established, multiplied by the Trading Unit, plus or minus net funding payments received or paid. Settlement of all payments is made in cash.

**CERTIFICATIONS PURSUANT TO SECTION 5c OF THE COMMODITY
EXCHANGE ACT, 7 U.S.C. § 7A-2 AND COMMODITY FUTURES TRADING
COMMISSION RULE 40.3, 17 C.F.R. § 40.3**

Based on the above analysis, the Exchange certifies that:

- ☐ 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: Xavier Sottile
Title: Head of Markets
Date: October 20, 2026

Attachments:

Appendix A - Contract Terms and Conditions

Appendix B - Trading Prohibitions

Appendix C - Further Considerations

Appendix D - Reference Contract and Source Agency

Appendix E - Compliance with Core Principles

Appendix F - Additional Compliance with Core Principles (Confidential in Part)

APPENDIX A – CONTRACT TERMS AND CONDITIONS

Official Product Name: WTIPERP

Rulebook: WTIPERP

WTIPERP

Scope: These rules shall apply to this Contract.

Underlying: The Underlying for this Contract is the price of West Texas Intermediate (WTI) light sweet crude oil, as reflected in the prices of the NYMEX Light Sweet Crude Oil futures contract listed on the New York Mercantile Exchange, Inc. (NYMEX) (the "Reference Contract"), at a constant one-month forward maturity (the "Constant-Maturity Price"), as computed and published by the Source Agency from the prices of the two listed delivery months of the Reference Contract that bracket that maturity, as described under Underlying Price Index. The Contract has no single expiring reference delivery month: the reference transitions continuously and linearly from each delivery month of the Reference Contract to the next on a schedule fixed by the Reference Contract's published expiration calendar, and the Contract itself does not expire, roll, or provide for delivery. The Underlying may be positive, zero, or negative, and the Contract's terms operate without modification at any such level, as provided under Negative and Near-Zero Prices. A long position in the Contract increases in value when the Underlying rises and decreases in value when it falls; a short position is affected in the opposite manner.

Underlying Price Index: For a given time t , the Underlying Price Index (UPI $_t$) is the Constant-Maturity Price, being the last published value of the Pyth Network Commodities.Index.WTI1M/USD price feed (the "Index Feed"), which the Source Agency computes and disseminates in real time under its published Constant Maturity Futures Indices methodology. During any period in which the Reference Contract is closed, or in which the Source Agency reports the Index Feed as halted, stale, or unavailable, the Underlying Price Index shall be the last value published while the Reference Contract was open and the Index Feed was current. The Underlying Price Index may be positive, zero, or negative.

Reference Roll: The transition involves no roll date, roll window, or discretionary determination by the Exchange or the Source Agency, and its timing is fixed entirely by the Reference Contract's listing and expiration calendar as published by NYMEX.

Type: The type of Contract is a Perpetual Futures Contract.

Source Agency: The Source Agency is Pyth Network.

Trading Hours: The Contract trades continuously from 6:00 PM ET on Sunday through 5:00 PM ET on Friday, without a daily break, throughout the lifetime of the Contract, subject to any trading halt imposed by the Exchange. These hours correspond to the weekly session of the Reference Contract on CME Globex, and the Contract observes the holiday and early-close schedule published by NYMEX for the Reference Contract. The Exchange may, in addition, close the Contract in accordance with any unscheduled closure of, or halt in, the Reference Contract, as provided under Reference Market Halts and Feed Outages and Unscheduled Closure.

Trading Unit: One hundred (100) barrels of WTI crude oil. Ten (10) Contracts are equivalent in size to one (1) Reference Contract (1,000 barrels).

Price Quotation: Prices for the Contract are quoted in U.S. dollars per barrel, to two decimal places (e.g., 90.50). Prices may be positive, zero, or negative (e.g., -37.63), and orders may be entered, and the Contract may trade, at negative prices.

Minimum Tick: The Minimum Tick size for this Contract shall be \$0.01 per barrel.

Tick Value: A one-tick price movement equals \$1.00 per Contract, calculated as the Minimum Tick multiplied by the Trading Unit ($\$0.01 \times 100 \text{ barrels} = \$1.00$).

Contract Value: The value of one Contract equals the Trading Unit multiplied by the price of the Contract, and is negative when that price is negative (e.g., \$9,050 at a price of 90.50; -\$3,763 at a price of -37.63).

Minimum Unit: The minimum unit of trading is one ten-thousandth of one Contract (one one-hundredth of a barrel), unless otherwise specified in a Contract's terms and conditions or on the Contract's market page.

Position Accountability Level: A net position (long or short) in the Contract with a mark-to-market position value of \$5,000,000. For this purpose, mark-to-market position value is the absolute value of the product of the number of Contracts held, the Trading Unit, and the most recent Settlement Price; provided that, at any time the absolute value of the Settlement Price is less than the Price Floor (defined under Negative and Near-Zero Prices as \$10.00 per barrel), the Price Floor shall be used in place of the Settlement Price, so that the Position Accountability Level is in no event greater than 5,000 Contracts (500,000 barrels, or 500 Reference Contract equivalents).

Position Limits and Aggregation: The Reference Contract is a core referenced futures contract enumerated in Commission Regulation 150.2(d), and the Contract is a cash-settled referenced contract within the meaning of Regulation 150.1 that is subject to the federal spot-month speculative position limit established for the Reference Contract under Regulation 150.2 and to the aggregation requirements of Regulation 150.4. For purposes of those requirements and of the Exchange's position limit and accountability rules, positions in the Contract are converted to a futures-equivalent position in the Reference Contract at ten (10) Contracts to one (1) Reference Contract and are attributed to the delivery months of the Reference Contract then referenced by the Underlying Price Index in proportion to their then-current weights: a net position of Q Contracts is attributed as $w \times Q/10$ Reference Contract equivalents to the delivery month of the Near Contract and $(1 - w) \times Q/10$ Reference Contract equivalents to the delivery month of the Far Contract, with w , the weight on the Near Contract, determined in accordance with the Source Agency's methodology at the time of measurement. During the spot month of any delivery month of the Reference Contract, as defined in Regulation 150.1, no person may hold or control a net position in the Contract attributed to that delivery month that, aggregated in accordance with Regulation 150.4 with the person's other positions in cash-settled referenced contracts attributed to that delivery month, exceeds the federal spot-month speculative position limit then applicable to cash-settled referenced contracts in the Reference Contract (the "Spot-Month Limit"). The Exchange administers the Spot-Month Limit as an exchange-set limit under Regulation 150.5(a), applies the Position Accountability Level above to positions in all months, and recognizes bona fide hedging positions and other exemptions as provided in Regulations 150.3 and 150.5 and the

Exchange Rulebook. Position limits and accountability are otherwise as set forth in the Exchange Rulebook.

Periodic Transfer Criterion: At each Periodic Transfer Time, the Funding Rate, expressed in U.S. dollars per barrel, is computed as defined below. If the Funding Rate is zero, no Periodic Transfer is made. If the Funding Rate is positive (the Contract has, on an average basis, traded above the Underlying Price Index over the Funding Period), long-side holders must contribute, for each Contract held, an amount equal to the Funding Rate multiplied by the Trading Unit (100 barrels) to short-side holders. If the Funding Rate is negative, short-side holders must contribute, for each Contract held, an amount equal to the absolute value of the Funding Rate multiplied by the Trading Unit to long-side holders. Because the Funding Rate is denominated in dollars per barrel and is not a percentage of the Settlement Price or of the Underlying Price Index, the Periodic Transfer is defined, and retains its economic direction, at any level of the Underlying Price Index or the Settlement Price, including zero and negative levels. Revisions to the Underlying made after any Periodic Transfer Time will not be accounted for in determining the applicable Periodic Transfer.

Periodic Transfer Time: At 2:30:00 PM ET on each day on which the Reference Contract is open for trading (once per day), coinciding with the close of the Reference Contract's daily settlement window; provided that, on a day on which the Reference Contract is scheduled to close before 2:30 PM ET, the Periodic Transfer for that day occurs at the close of the Reference Contract's settlement window for that day as published by NYMEX. No Periodic Transfer or Funding Rate determination occurs on a day on which the Reference Contract is closed (including weekends and holidays). Periodic Transfer obligations determined at the Periodic Transfer Time are settled in cash at the next Settlement Time. Each Funding Period runs from the immediately preceding Periodic Transfer Time to the current Periodic Transfer Time and comprises only those one-second intervals during which the Reference Contract was open for regular trading and the Source Agency reported its feed as current; the Funding Period accordingly excludes any period in which the Reference Contract is not open for regular trading, including the weekend and any holiday, and any interval excluded under Reference Market Halts and Feed Outages, Unscheduled Closure, or any other provision herein.

Premium Index: For each second during which the Reference Contract is open for regular trading and the Source Agency reports its feed as current, the Exchange computes a Premium Index, expressed in U.S. dollars per barrel, as follows:

$$PI(t) = \max(0, IBP(t) - UPI(t)) - \max(0, UPI(t) - IAP(t))$$

where: Impact Notional (IN) is \$1,000, meant to approximate the median trade size in the market; Impact Ask Price (IAP(t)) is the average execution price, per Contract and expressed in dollars per barrel, of a long market order with size of the Impact Notional, and if there do not exist sufficient contracts on the order book for an order of this size to fill in its entirety, IAP(t) is considered to be undefined; Impact Bid Price (IBP(t)) is the average execution price, per Contract and expressed in dollars per barrel, of a short market order with size of the Impact Notional, and if there do not exist sufficient contracts on the order book for an order of this size to fill in its entirety, IBP(t) is considered to be undefined; and UPI(t) is the Underlying Price Index at time t. If IBP(t) is undefined, $\max(0, IBP(t) - UPI(t))$ is considered to evaluate to 0; similarly, if IAP(t) is undefined, $\max(0, UPI(t) - IAP(t))$ is considered to evaluate to 0. Within

each one-second range, t is selected uniformly at random for the purposes of computing $IAP(t)$ and $IBP(t)$. Number of Contracts = $IN / (\text{the greater of the absolute value of } UPI(t) \text{ and the Price Floor} \times \text{the Trading Unit})$; the resulting number of Contracts shall be rounded to the nearest one ten-thousandth ($1/10,000$) of a Contract, the minimum unit of trading for the Contract. A positive Premium Index indicates that executable prices in the Contract lie above the Underlying Price Index. The Premium Index is a difference in dollars per barrel and is not divided by the Underlying Price Index; it is therefore defined at any level of the Underlying Price Index, including zero and negative levels.

Funding Rate: Let $PI(1), PI(2), \dots, PI(n)$ be the per-second Premium Index observations (in dollars per barrel) computed during the Funding Period, in ascending chronological order, where n is the number of seconds in the Funding Period for which a Premium Index was computed and not excluded (excluding any second excluded under Reference Market Halts and Feed Outages, Unscheduled Closure, or any other provision herein). The Funding Rate, expressed in dollars per barrel, shall equal the Weighted Average Premium Index (WAPI) of those observations, computed by weighting each observation equally: $\text{Funding Rate} = (\sum \text{from } i=1 \text{ to } n \text{ of } PI(i)) / n$. For the avoidance of doubt, every computed Premium Index observation receives the same weight irrespective of its chronological position within the Funding Period, and no observation is weighted by recency. If n is less than the Minimum Qualifying Observations of three thousand six hundred (3,600), the Funding Rate shall be zero. The Funding Rate is subject to the following adjustments:

- (a) Deadband: If the absolute value of the Funding Rate falls below \$0.01 per barrel, the Funding Rate shall be set to zero.
- (b) Clamp: If the absolute value of the Funding Rate exceeds \$1.00 per barrel, the Funding Rate shall be clamped to +\$1.00 or -\$1.00 per barrel, as applicable (the "Maximum Funding Magnitude").

Negative and Near-Zero Prices: The Reference Contract may trade and settle at negative prices, and the Underlying Price Index, the Contract's traded price, and the Settlement Price may each be zero or negative. The Contract's terms are constructed to operate without modification at any price level: (i) the Premium and the Funding Rate are denominated in dollars per barrel, so that the Periodic Transfer remains defined and correctly signed when the Underlying Price Index or the Settlement Price is zero or negative; (ii) variation margin is computed on the change in the Settlement Price in dollars per barrel, and a Member's gain or loss on a position is the change in the Contract's price multiplied by the Trading Unit irrespective of the sign of the price; (iii) orders may be entered, and the Contract may trade, at negative prices, and pre-trade price bands are expressed in dollars per barrel; (iv) wherever these terms express a threshold as a percentage of the Underlying Price Index or of the Settlement Price (including the deviation check under Tier 1, the book-width condition under Tier 2, and the Position Accountability Level), the percentage is applied to the greater of the absolute value of the relevant price and a floor of \$10.00 per barrel (the "Price Floor"); and (v) initial and maintenance margin are calibrated on an additive basis expressed in dollars per barrel rather than as a percentage of price, so that requirements do not decline as the price approaches zero and remain defined at negative prices. For the avoidance of doubt, the constant-maturity construction of the Underlying Price Index continuously shifts weight away from the nearest-expiring delivery month as it approaches expiration and places little or no weight on a delivery month at its expiration, so that the

conditions most acute in an expiring delivery month in its final days before expiry and physical delivery—including those observed in the Reference Contract on April 20, 2020—affect the Underlying Price Index only in proportion to that delivery month's then-remaining weight. The Exchange may treat extreme conditions in the Reference Contract or in the Contract as an Emergency under Rule 2.8 of the Rulebook and take such action as it deems appropriate, including adjusting margin requirements, adjusting the Maximum Funding Magnitude, suspending Periodic Transfers, or halting trading.

Scheduled Early Closes and Holidays: The Exchange shall observe the holiday and early-close schedule published by NYMEX for the Reference Contract. On a day on which the Reference Contract closes early, the Contract closes at the same time, the Funding Period in progress runs to the close of the Reference Contract's settlement window on that day and the Periodic Transfer is determined as of that time; the Settlement Times are unchanged. On a day on which the Reference Contract is closed for the full session, the Contract does not trade, no Premium Index observations are computed, and no Periodic Transfer is made.

Reference Market Halts and Feed Outages: If trading in the Reference Contract is halted or suspended by NYMEX, no Premium Index observations shall be computed, and the Funding Period shall exclude all one-second intervals, during any such period; the Exchange may, but is not required to, close or halt trading in the Contract in accordance with any such halt or suspension, and if the Contract remains open its pre-trade price bands shall remain anchored to the last Underlying Price Index determined while the Reference Contract was open and the feed was current. During any period in which the Reference Contract is open but the Source Agency reports its feed as halted, stale, or unavailable (including any period in which the published status of the feed is other than current), no Premium Index observations shall be computed for the duration, the Funding Period shall exclude all such one-second intervals, and the Contract may continue to trade on the Exchange, with pre-trade price bands anchored to the last Underlying Price Index determined while the feed was current. The Weighted Average Premium Index used to compute the Funding Rate shall be calculated solely over the one-second intervals during which the Reference Contract was open for regular trading and the feed was current.

Unscheduled Closure: If the Reference Contract does not open for trading when scheduled, or closes unexpectedly before its scheduled close: (i) if no qualifying Premium Index observations were computed during the affected Funding Period, no Funding Rate shall be calculated and no Periodic Transfer shall be made, and the Settlement Price from the immediately preceding determination shall remain in effect; (ii) if qualifying Premium Index observations were computed for any portion of the Funding Period before the unexpected closure, the Funding Rate shall be calculated over the one-second intervals during which regular trading in the Reference Contract actually occurred and the feed was current, the Periodic Transfer Time shall be the time of the unexpected closure, and the Settlement Price shall be determined as of that time under the methodology below. The Exchange may close the Contract in accordance with any such unscheduled closure of the Reference Contract and shall announce any such closure to Members.

Clearing: The Contracts will be centrally cleared by Kalshi Klear LLC (Klear or the Clearinghouse), a derivatives clearing organization registered with the Commission, as central counterparty.

Settlement Date/Times: 12:00 P.M. Eastern Time and 4:00 P.M. Eastern Time on every day throughout the lifetime of the Contract. At each Settlement Time, the Exchange settles all outstanding obligations, including variation margin and any Periodic Transfer obligation determined at the Periodic Transfer Time, against the Settlement Price determined below.

Settlement Price: For the purposes of calculating variation margin and Periodic Transfer obligations, the Settlement Price as of each Settlement Time, stated in U.S. dollars per barrel (and which may be zero or negative), shall be determined according to the following tiered methodology, applied in order:

Tier 1 (Trade VWAP). If one or more trades other than block trades in the Contract occur during the sixty (60) seconds immediately preceding the Settlement Time (the "Settlement Period"), the Settlement Price shall be the volume-weighted average price of those trades (excluding any block trades executed or reported during the Settlement Period), adjusted to exclude outliers via a median-based Mean Absolute Difference (MAD) filter; the Exchange reserves the right to exercise discretion to exclude other outlier or manipulative transactions. Transactions occurring precisely at the Settlement Time are excluded. Notwithstanding the foregoing, if the volume-weighted average price so determined differs from the Underlying Price Index as of the Settlement Time by more than fifty percent (50%) of the greater of the absolute value of the Underlying Price Index and the Price Floor, Tier 1 shall not apply and the Settlement Price shall be determined under the Tiers below.

For purposes of Tier 2 and the conditions of the subsequent Tier, sixty (60) Observation Points are defined at exactly N seconds before the Settlement Time for each integer N from 1 to 60. An Observation Point is "two-sided" if both a prevailing best bid and a prevailing best ask rest on the order book at that instant and the difference between that best ask and that best bid does not exceed ten percent (10%) of the greater of the absolute value of the Underlying Price Index as of that instant and the Price Floor, and its Midpoint is the arithmetic mean of the two.

Tier 2 (Sampled Midpoint Average). If the Settlement Price is not determined under Tier 1 and at least one Observation Point is two-sided, the Settlement Price shall be the arithmetic mean of the Midpoints at all two-sided Observation Points.

Tier 3 (Underlying Price Index). If the Settlement Price is not determined under Tier 1 or Tier 2, the Settlement Price shall equal the Underlying Price Index as of the Settlement Time (the last value of the Index Feed published by the Source Agency while the Reference Contract was open and the Index Feed was current).

If a Settlement Price cannot be determined under any of the foregoing Tiers (including because the Underlying Price Index is unavailable), the prior Settlement Price shall remain in effect, or the Exchange may determine the Settlement Price pursuant to Rule 7.1 of the Rulebook.

Trading Halts: The Exchange may halt trading in the Contract in its discretion or in connection with an Emergency as defined in Rule 2.8 of the Rulebook. The Contract trades only during the Trading Hours specified above, observes the Reference Contract's scheduled holiday and early-closure calendar, and may be closed by the Exchange in accordance with any unscheduled

closure of, or halt in, the Reference Contract, as provided under Reference Market Halts and Feed Outages and Unscheduled Closure. The Exchange may, in addition, halt or otherwise constrain trading in the Contract where the Exchange determines that the Contract's price is no longer reliably tethered to the prevailing level of the Underlying.

Last Trading Date: As this is a Perpetual Futures Contract, it has no Last Trading Date.

Expiration Date: As this is a Perpetual Futures Contract, it has no Expiration Date.

Expiration Time: As this is a Perpetual Futures Contract, it has no Expiration Time.

Pre-Trade Risk Controls: The Exchange may impose pre-trade risk controls, including price banding, order size limits, and position exposure limits, to ensure orderly trading and mitigate market disruption risk.

Market Integrity: The Exchange may, at its sole discretion, initiate the Market Outcome Review Process pursuant to Rule 7.1 of the Rulebook. If a Funding Rate or Settlement Price cannot be determined, the Exchange has the right to determine payouts or margin requirements pursuant to Rule 7.1 of the Rulebook. If the Funding Rate cannot be determined for a given Funding Period (including because no Premium Index observation was computed during the Funding Period or due to insufficient order book liquidity), the Funding Rate shall be set to zero. The Exchange will monitor the performance of the Funding Rate in keeping the Contract economically tethered to the Underlying Price Index and may amend the Funding Rate methodology in accordance with applicable Exchange rules and Commission filing requirements. Any such amendment shall apply prospectively only and shall not alter the Funding Rate or any Periodic Transfer obligation for any Funding Period ending prior to the amendment's effective date. In the event of an Emergency, as defined in Rule 2.8 of the Rulebook, the Exchange may take such actions as it deems necessary and appropriate, including but not limited to adjusting the Maximum Funding Magnitude, modifying margin requirements, or imposing additional risk controls, in accordance with the procedures set forth in Rule 2.8.

APPENDIX B – TRADING PROHIBITIONS

In addition to the general prohibition against trading on material nonpublic information, the Exchange will institute additional prohibitions for trading the Contract. Persons under 18 years of age are not permitted to create Kalshi accounts. The following individuals will be prohibited from trading:

- Officers, directors, and employees of the Source Agency, and of each publisher contributing price data to the Source Agency's feeds for the Reference Contract in its capacity as such a contributor, to the extent such persons have access to non-public information regarding the composition, calculation, or operation of the Underlying Price Index or of those feeds
- Persons with access to non-public order-book, quotation, or trade data of the market for the Reference Contract, or to non-public information regarding the determination of the Reference Contract's daily settlement prices, to the extent such data or information could be used to anticipate or influence movements in the Underlying Price Index
- Personnel of NYMEX or its affiliates with advance non-public knowledge of changes to the Reference Contract's terms, listing or expiration schedule, settlement methodology, trading hours, price-limit or circuit-breaker parameters, or of any halt in trading of the Reference Contract, that could materially affect the Underlying Price Index
- Members of the Source Agency's governance bodies (including, in the case of Pyth Network, the Pyth DAO, the Price Feed Council, and the Pythian Council) and personnel of the Source Agency's price-aggregation and feed-operation functions, with advance knowledge of methodology changes, publisher-set changes, or operational changes that could materially affect the Underlying Price Index
- Third-party auditors and reviewers currently engaged in auditing or assuring the Source Agency's aggregation methodology, publisher submissions, or feed-operation controls
- Immediate family members (parents, siblings, spouses, domestic partners) and household members of all persons listed above

APPENDIX C – FURTHER CONSIDERATIONS

The WTIPERP Contract serves risk mitigation functions for a broad range of market participants with bona fide economic exposure to the price of crude oil. Crude oil is the most actively traded physical commodity in the world, and West Texas Intermediate delivered at Cushing, Oklahoma is the benchmark grade for crude oil produced and consumed in the United States. The Reference Contract is the most actively traded crude oil futures contract in the world, with trading volume on the order of one million contracts per day and open interest on the order of two million contracts,¹¹ and it is physically delivered at Cushing, the largest crude oil storage hub in the United States, with working storage capacity of approximately 76.6 million barrels.¹² Price discovery for WTI resides in the Reference Contract: the academic literature measuring the contribution of the futures market to price discovery finds that the information share of WTI futures exceeds eighty percent,¹³ and physical crude oil in the United States is priced and assessed as a differential to the Reference Contract rather than on a continuous spot tape of its own.¹⁴ Exposure to that price is continuous, indefinite in duration, and pervasive across the energy economy, making it a natural reference for a perpetual, indefinitely renewing instrument, subject to the limitations the Exchange has stated in the Concise Explanation.

A wide range of commercial participants carry continuous, indefinite-duration exposure to the price of crude oil that a perpetual futures contract is suited to hedge. Producers hold reserves and produce crude continuously and must hedge the value of production streams that have no terminal date; refiners run crude continuously and hedge the cost of feedstock against the value of refined products; airlines, shipping companies, railroads, and trucking fleets consume fuel continuously and frequently hedge that consumption in crude; midstream operators, storage providers, and marketers carry inventory and pipeline exposure on a rolling basis; and petrochemical producers, utilities, and sovereign and municipal budgets carry indirect exposure to the crude oil price. Financial participants, including asset managers with commodity allocations and issuers of exchange-traded products, likewise carry exposure that is continuous by design rather than date-certain. For each of these participants the relevant exposure is ongoing and indefinite, so that a continuously held instrument tracking the prevailing price at the front of the WTI curve without a monthly roll maps more closely to the economic exposure than a strip of dated contracts.

¹¹ U.S. Energy Information Administration, *Working and Net Available Shell Storage Capacity* (reporting working storage capacity at Cushing, Oklahoma of approximately 76.6 million barrels); U.S. Energy Information Administration, *Today in Energy* (Cushing, Oklahoma holds approximately 13 to 14 percent of U.S. commercial crude oil storage capacity and is the delivery point for the Reference Contract).

¹² John Elder, Hong Miao & Sanjay Ramchander, *Price Discovery in Crude Oil Futures*, 46 Energy Econ. S18 (2014) (finding that the information share of WTI futures exceeds eighty percent over 2007–2012 and is robust across trading sessions), applying the methodology of Joel Hasbrouck, *One Security, Many Markets: Determining the Contributions to Price Discovery*, 50 J. Fin. 1175 (1995).

¹³ See Argus Media, *Argus Crude Methodology and Specifications Guide* (assessing U.S. domestic crude grades as differentials to the NYMEX Light Sweet Crude Oil futures contract); S&P Global Commodity Insights (Platts), *Americas Crude Oil Methodology* (same).

¹⁴ See S&P Dow Jones Indices, *S&P GSCI Methodology*; Bloomberg, *Bloomberg Commodity Index Methodology* (each rolling constituent futures on a published schedule); Cboe, *Cboe Volatility Index (VIX) Methodology* (thirty-day constant-maturity construction interpolated between the two nearest listed expirations); Claude B. Erb & Campbell R. Harvey, *The Strategic and Tactical Value of Commodity Futures*, 62 Fin. Analysts J. 69 (2006) (documenting the roll-return component of commodity futures returns).

For participants whose exposure is itself perpetual or indefinite in duration, the perpetual structure, combined with the funding mechanism that maintains convergence with the Underlying, offers functional advantages over dated alternatives: it eliminates the execution burden of rolling positions from one delivery month to the next and the roll-date basis risk that attends a discrete roll; it removes the operational hazard of an inadvertent delivery obligation for a participant with no capacity to make or take delivery at Cushing; and it allows liquidity to be concentrated in a single instrument rather than fragmented across delivery months. The Exchange does not claim, and the Concise Explanation expressly disclaims, that the Contract removes the economic cost of the calendar spread, that it is suited to hedging date-certain physical exposure in a specified delivery month, or that it substitutes for the dated NYMEX crude complex; the Contract is offered alongside and tethered to that complex, and a participant whose information lives in the term structure is better served by dated instruments. The constant-maturity construction of the Underlying Price Index follows conventions long used in commodity and volatility benchmarks—the rolling constant-maturity construction of broad commodity indices and the thirty-day constant-maturity construction of the CBOE Volatility Index—and, because the roll is continuous rather than discrete, the Contract's reference does not exhibit the discontinuity between an expiring delivery month and its successor that affects headline "front-month" price series at each roll.¹⁵

Perpetual and other continuously traded instruments also provide price discovery and transparency benefits that serve the public interest. Perpetual contracts referencing commodities, including crude oil, have been deployed on offshore and decentralized venues without centralized customer onboarding, coordinated surveillance, federally prescribed margin, or central clearing, as the record of the Commission's Request for Comment documents.¹⁶ Listing a regulated domestic perpetual on WTI on a CFTC-registered DCM brings that activity into a regulated environment with trade surveillance, know-your-customer verification, risk-based margin, central clearing, and disciplinary procedures consistent with the CEA and Commission regulations thereunder, and CFTC Chairman Selig has stated that the Commission will use the tools at its disposal to onshore perpetual and other novel derivative products so that they can flourish subject to appropriate safeguards.¹⁷ Because the Contract trades only during the Reference Contract's session and its funding mechanism consumes only prices formed in that Commission-regulated market, the price discovery the Contract contributes is transmitted to the Reference Contract through ordinary arbitrage orders in that market's liquid hours, subject to that market's limits and surveillance, and the Contract produces no price that any benchmark, index, exchange-traded product, or commercial agreement references in return.

The Contract's Underlying is drawn from prices formed in a market that the Commission itself regulates, and the Source Agency's real-time feeds for the listed delivery months of the Reference Contract, from which the Underlying Price Index is computed, are described in Appendix D. The Exchange believes that this combination—a reference formed in the deepest crude oil futures market in the world and computed under a deterministic and published methodology—provides a transparent, auditable, and manipulation-resistant foundation for the Contract.

¹⁵ Comment Letter of Hyperliquid Policy Center and XYZ Ltd. (trade.xyz), Comment No. CFTC-2026-1388-0102 (Aug. 26, 2026); Comment Letter of PTG, Comment No. CFTC-2026-1388-0106 (Aug. 26, 2026).

¹⁶ Remarks of CFTC Chairman Michael Selig, *The Next Phase of Project Crypto: Unleashing Innovation for the New Frontier of Finance* (Jan. 29, 2026), <https://www.cftc.gov/PressRoom/SpeechesTestimony/opaselig1>.

¹⁷ CME Group, *Light Sweet Crude Oil Futures Contract Specifications* (NYMEX Rulebook Chapter 200); CME Group, *Daily Settlement Procedures — Crude Oil Futures*.

APPENDIX D – REFERENCE CONTRACT AND SOURCE AGENCY

The Reference Contract

The Reference Contract for the WTIPERP Contract is the Light Sweet Crude Oil futures contract listed on the New York Mercantile Exchange, Inc. (NYMEX), a designated contract market regulated by the Commission and a subsidiary of CME Group Inc. Each Reference Contract calls for the physical delivery of 1,000 barrels of light sweet crude oil, free on board at Cushing, Oklahoma, of West Texas Intermediate and other domestic and foreign crude streams meeting the contract's published quality specifications. Delivery months are listed monthly for nine years forward. Trading in each delivery month terminates three business days prior to the twenty-fifth calendar day of the month preceding the delivery month (or, if the twenty-fifth is not a business day, three business days prior to the last business day preceding the twenty-fifth), so that successive delivery months expire approximately every twenty-eight to thirty-three calendar days. The Reference Contract trades on CME Globex from 6:00 PM ET on Sunday to 5:00 PM ET on Friday, and NYMEX determines an official daily settlement price for the active delivery month as the volume-weighted average price of trades executed on CME Globex between 2:28:00 PM and 2:30:00 PM ET, with published tiered fallbacks, and settles other delivery months by reference to calendar-spread transactions.¹⁸ NYMEX applies dynamic circuit breakers and other velocity-logic functionality to the Reference Contract, and the Reference Contract is subject to the federal spot-month speculative position limit established in Commission Regulation 150.2, which for Light Sweet Crude Oil steps down from 6,000 contracts at the close of trading three business days prior to the last trading day, to 5,000 contracts two business days prior, and to 4,000 contracts one business day prior.¹⁹ The Reference Contract's deliverable supply, delivery mechanism, and convergence performance have been examined by the Commission over four decades, and its price is disseminated in real time and serves as the reference for a very large complex of options, swaps, exchange-traded products, and commercial agreements.

On April 20, 2020, the expiring May 2020 delivery month of the Reference Contract settled at a negative price of $-\$37.63$ per barrel, with an intraday low of $-\$40.32$, one trading day before its termination of trading; the June 2020 delivery month, by contrast, settled at approximately $\$20$ per barrel on the same day.²⁰ Following that episode, NYMEX confirmed that its systems support negative prices in the Reference Contract and adjusted its options pricing models accordingly, and the Commission's staff issued an interim report on trading in the Reference Contract leading up to and on that day.²¹ The Exchange has designed the Contract to that event, as described in the Concise Explanation and under Negative and Near-Zero Prices in Appendix A, and does not rely on any particular causal account of it.

¹⁸ 17 C.F.R. § 150.2 and Appendix E thereto; Position Limits for Derivatives, 86 Fed. Reg. 3236 (Jan. 14, 2021); CFTC, *Speculative Limits* (describing the step-down federal spot-month limit for NYMEX Light Sweet Crude Oil).

¹⁹ CFTC, Interim Staff Report: Trading in NYMEX WTI Crude Oil Futures Contract Leading up to, on, and around April 20, 2020 (Nov. 23, 2020) (the June 2020 delivery month settled at $\$20.43$ per barrel on April 20, 2020).

²⁰ CME Group, *Negative Prices Advisory Notices* (Apr. 2020) (confirming support for negative prices and zero prices in energy futures and the transition of options pricing to the Bachelier model); CFTC Interim Staff Report, *supra*; Statement of Commissioner Dan M. Berkovitz Regarding the CFTC Staff Report on the Trading of NYMEX WTI Crude Oil Futures Contracts On and Around April 20, 2020 (Nov. 23, 2020).

²¹ See Yiqun Mou, *Limits to Arbitrage and Commodity Index Investment: Front-Running the Goldman Roll*, SSRN 1716841 (2010); United States Oil Fund, LP, Annual Report on Form 10-K (2020).

The Constant-Maturity Construction

The Underlying Price Index is the Constant-Maturity Price: the price of the Reference Contract at a constant one-month forward maturity, obtained by linear interpolation between the prices of the two listed delivery months whose scheduled expirations bracket the point one month ahead, as computed and published by the Source Agency under its Constant Maturity Futures Indices methodology. At any time t , the target maturity T is one month ahead, measured in calendar days; the Near and Far Contracts are the two listed delivery months whose scheduled expirations bracket T ; and the weight on the Near Contract is $w = (d_{\text{far}} - T) / (d_{\text{far}} - d_{\text{near}})$, where d_{near} and d_{far} are the calendar days remaining to each delivery month's scheduled expiration, with the balance on the Far Contract. By way of illustration, with a target maturity of thirty days, if the Near Contract expires in twenty days and trades at \$65.00, and the Far Contract expires in fifty-one days and trades at \$64.50, then $w = (51 - 30) / (51 - 20) = 0.6774$, and the Constant-Maturity Price is $0.6774 \times \$65.00 + 0.3226 \times \$64.50 = \$64.84$.

The construction has four properties on which the Contract's design relies. First, it is continuous: as the Near Contract approaches its expiration, w declines linearly toward zero, so that at the moment of expiration the Constant-Maturity Price consists entirely, or almost entirely, of the Far Contract; immediately thereafter the former Far Contract becomes the Near Contract with a weight at or near one, and the price is unchanged, or nearly so, across the transition. Second, it is deterministic and published: the identity of the Near and Far Contracts and the weight w are fixed at every instant by the Source Agency's published methodology and the Reference Contract's expiration calendar as published by NYMEX, and no discretionary determination is made by the Exchange or the Source Agency. Third, it places little or no weight on a delivery month at the time of that delivery month's expiration, and only a small and declining weight during the delivery month's final days—less than approximately one-fifth at the start of the Reference Contract's spot month and declining to at or near zero at termination of trading—so that the expiry-and-delivery dynamics that are most acute in an expiring delivery month reach the Underlying Price Index only in proportion to that month's remaining weight. On April 20, 2020, for example, the May 2020 delivery month had one trading day remaining and the June 2020 delivery month expired twenty-eight days later, less than one month ahead, so that the two delivery months bracketing the target maturity would have been the June and July delivery months and the Constant-Maturity Price would have placed no weight on the May delivery month. Fourth, the roll is continuous rather than discrete: the Underlying Price Index shifts from each delivery month to the next at each calculation cycle over the month preceding expiration, so there is no roll date, no roll window, and no concentrated roll flow for other participants to anticipate, in contrast to the scheduled multi-day roll windows of commodity indices and exchange-traded products and the discontinuity that attends the roll of headline front-month price series.²²

The carry embedded in the Reference Contract's term structure reaches the Contract through the Underlying Price Index. In contango, the Far Contract trades above the Near Contract and the constant-maturity construction continuously exchanges a declining weight in the lower-priced Near Contract for an increasing weight in the higher-priced Far Contract; in backwardation the

²² Letter from Douro Labs LLC (Brandon Ferrick, Gen. Counsel) to Christopher Kirkpatrick, Sec'y, CFTC, Re: Advance Notice of Proposed Rulemaking on Prediction Markets, RIN 3038-AF65 (Apr. 30, 2026) (more than 125 disclosed institutional publishers contribute data directly to Pyth; Pyth publishes data for more than 3,000 assets and has secured more than US\$2 trillion in cumulative trading volume across more than 700 applications and trading venues, delivered to more than 100 blockchains).

reverse occurs. The economic consequence for a holder of the Contract is the same as for a holder of any rolling futures position: over a holding period, the change in the Underlying Price Index differs from the change in the spot or front-month price by the cumulative carry, which is a cost to a long holder in contango and a benefit in backwardation.

The Source Agency

The Source Agency for the WTIPERP Contract is Pyth Network ("Pyth"), which computes and publishes the Index Feed—the Pyth Constant 1M WTI index, symbol `Commodities.Index.WTI1M/USD`—from its real-time price feeds for the individual listed delivery months of the Reference Contract and their scheduled expiration times, under its published Constant Maturity Futures Indices methodology. Pyth is a first-party, institutionally sourced financial market-data network: rather than scraping or re-aggregating third-party quotes, Pyth obtains price and liquidity data directly from the trading and market-making activity of more than 125 disclosed institutional publishers—including exchanges, market makers, and trading firms, among them some of the largest trading firms in the world—and aggregates those contributions into attested reference prices that it disseminates across more than 100 blockchains and to more than 700 applications and trading venues. Pyth publishes data for more than 3,000 assets spanning U.S. and international equities, fixed income, commodities, foreign exchange, and digital assets, and the venues and applications that consume Pyth data have processed more than US\$2 trillion in cumulative trading volume.²³

Governance and Network Structure. Pyth is governed by the Pyth DAO pursuant to the on-chain Pyth DAO Constitution, which sets out the rules and procedures of the network and is generally enforced through on-chain contracts. The Pyth DAO is legally organized (as Pyth DAO LLC under the laws of the Republic of the Marshall Islands) to hold and manage governance and treasury functions. Governance proposals are decided by holders of the PYTH governance token through a staking-based, one-token-one-vote system over a defined voting period subject to quorum requirements. Within that framework, a Price Feed Council and a Pythian Council, whose members are periodically re-elected, are responsible for overseeing the price feeds and data providers and for administering the parameters of the network.²⁴ Douro Labs LLC is a core contributor to the Pyth Network and to the development of its oracle software and tooling, and the Pyth Data Association supports the network's development.²⁵

Price Aggregation and Confidence Intervals. For each price feed, including the feeds for the listed delivery months of the Reference Contract, Pyth combines publisher submissions using a robust aggregation that produces both an aggregate value and an aggregate confidence interval. Each publisher submits its own value together with a confidence interval reflecting its uncertainty as to the current level. The aggregation algorithm gives each publisher three votes—one at its submitted

²³ Pyth Network Documentation, *What is PYTH?* (the Pyth DAO Constitution is the governance framework, generally enforced through on-chain contracts; the Pyth DAO is legally organized as Pyth DAO LLC under the laws of the Republic of the Marshall Islands; PYTH governance uses a one-token-one-vote staked-token system over a defined voting period subject to quorum; a Price Feed Council and a Pythian Council, whose members are periodically re-elected, oversee the price feeds and data providers).

²⁴ Douro Labs LLC Comment Letter (Apr. 30, 2026), *supra* (Douro Labs is a core contributor to the Pyth Network).

²⁵ Pyth Network, *Price Aggregation*, <https://docs.pyth.network/price-feeds/core/how-pyth-works/price-aggregation> (the algorithm gives each publisher three votes—at its price and at its price plus and minus its confidence interval—and takes the median of all votes as the aggregate price; the aggregate confidence interval is the larger of the distances from the aggregate price to the 25th and 75th percentiles of the votes).

value and one at each of its value plus and minus its confidence interval—and takes the median of all votes as the aggregate; it then computes the distance from the aggregate to the 25th and 75th percentiles of the votes and takes the larger as the aggregate confidence interval.²⁶ The result is a confidence-weighted median that behaves as a hybrid between a mean and a median: it gives more-confident publishers greater influence while capping the maximum influence of any single publisher, so that as long as fewer than one-quarter of publishers submit erroneous values they cannot determine the location of the aggregate. The published confidence interval communicates the quality and dispersion of the underlying contributions in real time, and Pyth additionally publishes a slot-weighted, inverse-confidence-weighted exponential moving average of the aggregate and its confidence, which down-weights samples with wide confidence intervals.²⁷

Cryptographic Attestation and Audit Trail. Every publisher submission and every aggregate value is cryptographically signed, time-stamped, and recorded, producing a tamper-evident audit trail. Any market participant, DCM, or regulator can determine, for any moment in time, what each publisher submitted, how the aggregate was computed, and what the published confidence interval was.²⁸

Data Quality and Adoption. Pyth's data quality is quantitatively demonstrable and its adoption is broad. In an independent comparison published in Douro Labs' February 2026 submission to the Securities and Exchange Commission, Pyth reference prices for crude oil futures fell within the consolidated best bid and offer 98.1% of the time across 322 million observations; for the three most liquid equity index futures, Pyth prices fell within the best bid and offer 99.1% of the time across 1.29 billion observations; and for the top 100 U.S. equities by market capitalization, within the National Best Bid and Offer 94.2% of the time over a four-week window covering more than 929 million observations.²⁹ In August 2025, the U.S. Department of Commerce selected Pyth to publish official U.S. macroeconomic data, beginning with gross domestic product—a first-of-its-kind engagement by a federal statistical agency.³⁰ The Exchange itself has selected Pyth as the resolution data provider for its Commodities markets.³¹

²⁶ Pyth Network, *EMA Price Aggregation* (Pyth additionally publishes a slot-weighted, inverse-confidence-weighted exponential moving average of the aggregate price and confidence, which down-weights samples with wide confidence intervals).

²⁷ Douro Labs LLC Comment Letter (Apr. 30, 2026), *supra* (every publisher submission and every aggregate price is signed, time-stamped, and recorded, producing a tamper-evident audit trail that permits ex-post reconstruction of any reference value).

²⁸ Douro Labs, *Beyond Reg NMS: A Market Structure Framework for the Modern Era* (Feb. 2026), <https://www.sec.gov/files/douro-labs-beyond-reg-nms-022026.pdf> (reporting an independent comparison of Pyth reference prices to the consolidated best bid and offer).

²⁹ Press Release, U.S. Dep't of Commerce, *Department of Commerce Posts 2nd Quarter Gross Domestic Product to the Blockchain* (Aug. 28, 2025).

³⁰ Press Release, Pyth Network, *Pyth Network Selected as Resolution Source for Kalshi's Expanded Commodities Markets* (Apr. 22, 2026).

³¹ Pyth Network and Douro Labs, *Pyth Constant Maturity Futures Indices* (methodology, Sept. 2026) (Commodities.Index.WTI1M/USD; linear interpolation between the two listed delivery months bracketing the target maturity, with time-to-expiration measured in calendar days; recalculated on a fixed cycle, by default every 50 milliseconds; 23/5 pricing days; commenced September 8, 2026) (furnished to the Exchange on a confidential basis and available to the Commission upon request); Pyth Network Documentation, *Market Hours*, <https://docs.pyth.network/price-feeds/core/market-hours>; Pyth Network Documentation, *Best Practices*, <https://docs.pyth.network/price-feeds/core/best-practices> (Pyth price feeds follow the traditional market hours of each asset class; outside those hours, or during an outage, a feed may be stale, and a feed's published status indicates

The Reference Contract Feeds and Their Anchoring to the Reference Contract Market. Pyth publishes real-time price feeds for the individual listed delivery months of the Reference Contract, each identified by delivery month and carrying the delivery month's scheduled expiration timestamp, and reports the status of each feed—current, halted, stale, or closed—consistent with the trading hours of the Reference Contract.³² Because the feeds' publishers are firms that trade the Reference Contract, the Pyth aggregate for each delivery month is anchored to the liquidity of the Reference Contract market itself, and any material divergence between the Pyth aggregate and the Reference Contract's traded price would be immediately observable and arbitrageable. The Source Agency computes the Index Feed from these delivery-month feeds under its published Constant Maturity Futures Indices methodology, recalculating it on a fixed cycle (by default every 50 milliseconds) during the Reference Contract's trading hours, publishing it to five significant decimals, and using at any time at most the two delivery months that bracket the target maturity, with no roll schedule; the methodology is deterministic and uses only observed delivery-month prices and published expiration times, and the Source Agency exercises no discretion in its application. The Index Feed commenced publication on September 8, 2026.

Resilience and Manipulation Resistance

The Reference Contract market is the deepest crude oil futures market in the world and is itself regulated by the Commission; the Underlying Price Index is computed by the Source Agency under a deterministic, published methodology from the two delivery months of that market that bracket a constant one-month maturity; and the Source Agency's feeds for those delivery months are confidence-weighted medians of first-party submissions with a cryptographic audit trail. Appendix F sets out the Exchange's analysis of the Contract's resistance to manipulation at the index, settlement, funding-rate, and market-structure levels. The Exchange will monitor the performance of the Source Agency and of the Underlying Price Index on an ongoing basis and may, consistent with the Contract's terms and applicable Commission filing requirements, add or substitute a Source Agency via a Part 40 amendment.

whether a current price is available); the delivery-month feeds are identified in the Source Agency's Constant Maturity Futures Indices methodology cited above.

³² 7 U.S.C. § 7(d)(1)(B).

APPENDIX E – COMPLIANCE WITH CORE PRINCIPLES

Compliance with Core Principles

A. The Exchange has Exercised Reasonable Discretion by Categorizing the Contract as a Futures Contract for Purposes of Compliance with the Core Principles and Other Provisions of the CEA and Commission Regulations.

Section 5(d)(1)(B)³³ of the CEA and Regulation 38.100(b)³⁴ thereunder provide that a DCM has reasonable discretion in establishing the manner in which it complies with the Core Principles. Through the analysis laid out below, Kalshi has exercised reasonable discretion by categorizing the Contract as a futures contract for purposes of compliance with the Core Principles and other provisions of the CEA and Commission regulations thereunder.³⁵

On May 29, 2026, the Commission approved for listing on Kalshi the first domestic perpetual contract as a contract for the sale of a commodity (bitcoin) for future delivery.³⁶ In the BTCPERPs Order, the Commission determined that it would not violate the CEA or the Commission's regulations thereunder for Kalshi and other DCMs to list for trading, as futures contracts, the BTCPERP Contract. However, the Commission made clear that "[c]ontract categorization analysis is done on a case-by-case basis" such that the analysis in the BTCPERPs Order was "limited to the BTCPERP Contract and similarly structured perpetual contracts that reference the spot price of bitcoin or other digital commodities that have deep, active, and continuous spot market trading."³⁷ The Commission further stated that the "market attributes of the asset class underlying a perpetual contract—including the presence, or absence, of continually available spot price data—may be relevant to such regulatory treatment and compliance considerations."³⁸

Contemporaneously with the BTCPERPs Order, the Commission released a policy statement (the "Policy Statement") describing its views concerning the listing of perpetual contracts that reference underlying asset classes that are not contemplated in the BTCPERPs Order, including that such contracts "should be submitted for Commission review and approval pursuant to the voluntary product approval process under Commission Regulation 40.3."³⁹ In both the BTCPERPs Order and the Policy Statement, the Commission focused on the role of the funding rate mechanism of perpetual contracts, which "functions as a replacement to the traditional expiration-based convergence mechanism upon which a futures contract typically relies."⁴⁰ The Commission has

³³ 17 C.F.R. § 38.100(b).

³⁴ Kalshi and Klear intend to treat the Contract as a futures contract for purposes of compliance with the CEA and Commission regulations thereunder by themselves and their participants.

³⁵ CFTC Order, In the Matter of the Request for Approval by KalshiEX LLC of the BTCPERP Futures Contract (May 29, 2026) (the "BTCPERPs Order").

³⁶ BTCPERPs Order at 8.

³⁷ BTCPERPs Order at 9.

³⁸ Policy Statement Concerning the Listing of Perpetual Contracts, 91 Fed. Reg. 33,160, 33,161 (June 3, 2026).

³⁹ BTCPERPs Order at 6–8; see also Policy Statement, *supra* (the funding-rate mechanism "functions as a replacement to the traditional expiration-based convergence mechanism upon which a futures contract typically relies").

⁴⁰ Request for Comment on the Extension of Standard Futures Contracts to 24/7 Trading and on Perpetual Contracts Referencing Physically Delivered or Storable Energy Commodities, 91 Fed. Reg. 38,334 (June 25, 2026) (RIN 3038-AF75); Extension of Comment Period, 91 Fed. Reg. 47,158 (July 28, 2026).

since published a Request for Comment addressing, among other things, perpetual contracts referencing physically delivered or storable energy commodities.⁴¹ This submission is made under Regulation 40.3 in accordance with the Policy Statement, and the Concise Explanation addresses the record of that Request for Comment insofar as it bears on the perpetual structure.

In the BTCPERPs Order, the Commission concluded that listing the BTCPERP Contract as a futures contract would not violate the CEA or the Commission's regulations thereunder on the basis that: (i) the BTCPERP Contract exhibited all of the key features of futures contracts identified in relevant judicial precedent and Commission guidance, including the contract's trading at a fixed, standardized unit quantity, each party's obligations being guaranteed via novation to a central clearing house that sets margin requirements, the ability of a holder to exit their position via offset, availability to the general public, risk transference, and trading on the centralized market of a DCM;⁴² and (ii) certain characteristics of the spot market of the underlying commodity (i.e., bitcoin) supported the effective functioning of the funding rate mechanism employed by the BTCPERP Contract, including continuous and broadly distributed trading in, and depth and liquidity of, the underlying spot market.⁴³

The Contract resembles the BTCPERP Contract in all respects relevant to the regulatory categorization analysis. The Contract will have a fixed, standardized unit quantity (a Trading Unit of 100 barrels, with ten Contracts equivalent in size to one Reference Contract). Each party's obligations will be guaranteed via novation to Klear, which will act as central counterparty and set margin requirements.⁴⁴ Holders will be able to exit their positions via offset.⁴⁵ The Contract will be available to the general public, including retail participants. Parties will enter into the Contract for the purpose of assuming or shifting the risk of change in value of the Underlying, without the possibility of transferring ownership of the Underlying. And the Contract will trade on the centralized market of a DCM and settle exclusively in cash with no physical delivery. The characteristics that the Commission's 1989 Policy Statement Concerning Swap Transactions and its 1993 exemption for certain swap agreements identified as distinguishing swaps from futures—

⁴¹ BTCPERPs Order at 6–8.

⁴² BTCPERPs Order at 7.

⁴³ Although the Dodd-Frank Act arguably changed the historical analysis in part by reducing the saliency of central clearing as a distinguishing factor of futures contracts, other characteristics remain relevant.

⁴⁴ See BTCPERPs Order at 2–5; see also *CFTC v. Co Petro Marketing Group, Inc.*, 680 F.2d 573, 579–580 (9th Cir. 1982) ("Except for price, all the futures contracts for a specified commodity are identical in quantity and other terms. The fungible nature of these contracts facilitates offsetting transactions by which purchasers or sellers can liquidate their positions by forming opposite contracts."); *In re Stovall*, [1977–1980 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 20,941, at 6 (CFTC Dec. 6, 1979) (describing futures contracts as "standardized contracts for the purchase or sale of commodities which provide for future, as opposed to immediate, delivery, and which are directly or indirectly offered to the general public and generally secured by earnest money, or 'margin' . . . [and that] are entered into primarily for the purpose of assuming or shifting the risk of change in value of commodities, rather than for transferring ownership of the actual commodities."); *Salomon Forex, Inc. v. Tauber*, 8 F.3d 966, 971 (4th Cir. 1993) ("Tauber") ("To facilitate the development of a liquid market for these transactions, these contracts are standardized and transferrable. Trading in futures seldom results in physical delivery of the subject commodity, since the obligations are often extinguished by offsetting transactions that produce a net profit or loss.").

⁴⁵ Policy Statement Concerning Swap Transactions, 54 Fed. Reg. 30,694 (July 21, 1989); Exemption for Certain Swap Agreements, 58 Fed. Reg. 5,587 (Jan. 22, 1993) (17 C.F.R. Part 35 (1993)) (each identifying, among the characteristics of swap agreements distinguishing them from futures contracts, individually tailored terms, the absence of exchange-style offset, the creditworthiness of the counterparty as a material consideration, and the absence of marketing to the public).

individually tailored terms, the absence of exchange-style offset, the materiality of counterparty creditworthiness, and the absence of marketing to the public—are each absent from the Contract.⁴⁶

Further, the Contract's underlying reference market—the market for the Reference Contract on NYMEX—possesses the characteristics that led the Commission to find that the underlying spot market of the BTCPERP Contract allowed the "funding rate mechanism to function consistently with DCM Core Principle 3."⁴⁷ The Reference Contract trades continuously for approximately twenty-three hours on each weekday, on a designated contract market regulated by the Commission, and the Source Agency's feeds for its listed delivery months are live throughout the periods over which Funding Rate payments are calculated. Unlike the bitcoin spot market, which trades 24/7, the Reference Contract is closed over the weekend and on holidays; the Contract, however, computes Premiums only while the Reference Contract is open for regular trading and the feed is current, so that no Funding Rate payment is derived from, and no Settlement Price is determined during, any period in which the reference is not being priced, and the Contract does not result in "settlement payments being calculated against stale or synthesized prices that are less reliable convergence signals."⁴⁸ The Reference Contract market is the deepest and most liquid crude oil market in the world, as described in Appendix C, and price discovery for WTI is broadly distributed across the Reference Contract, the options on it, the cash-settled WTI futures listed on other designated contract markets, the physical market for domestic crude grades priced as differentials to the Reference Contract, and the international Brent complex.

The Commission's observation that the presence or absence of continually available spot price data may be relevant applies to crude oil in a specific way that the Contract's design addresses. Physical crude oil does not trade on a continuous, transparent spot tape comparable to the bitcoin spot market: it is assessed at defined windows by price reporting agencies, is regional and grade-specific, and is priced in practice as a differential to the Reference Contract. The Contract therefore references the Reference Contract's price—where the academic literature locates the substantial majority of price discovery for WTI—rather than an assessed physical price, and confines its own trading and funding to the hours in which that price is being formed. Cash-settled futures contracts that reference the price of a physically delivered futures contract are an established category: Part 150 of the Commission's regulations presupposes them in defining a "referenced contract" to include cash-settled contracts "directly or indirectly linked" to the price of a core referenced futures contract, and such contracts are listed on designated contract markets today.⁴⁹ The Contract differs from those contracts in that it has no expiration and converges through funding rather than final settlement, which is the perpetual question this submission presents.

The BTCPERPs Order and the Policy Statement have been challenged in litigation brought by the Chicago Mercantile Exchange Inc. ("CME"), one of the largest incumbent marketplaces for

⁴⁶ BTCPERPs Order at 6.

⁴⁷ BTCPERPs Order at 7.

⁴⁸ 17 C.F.R. § 150.1 (defining "referenced contract" to include, on a futures-equivalent basis, a futures contract or option that is "directly or indirectly linked, including being partially or wholly settled on, or priced at a fixed differential to, the price of" a core referenced futures contract); see, e.g., NYMEX WTI Financial futures (cash-settled by reference to the settlement price of the Reference Contract).

⁴⁹ See *Chicago Mercantile Exchange Inc. v. Selig*, No. 1:26-cv-02157 (D.D.C. filed June 18, 2026) ("*CME v. Selig*"); Comment Letter of CME Group Inc., Comment No. CFTC-2026-1388-0128 (Aug. 26, 2026), Exhibit B.

traditional dated futures and the operator of the market for the Reference Contract.⁵⁰ In its complaint, CME argues that perpetual contracts are swaps under the CEA because, by virtue of the funding payment mechanism, perpetual contracts "provide[] on an executory basis for the exchange . . . of 1 or more payments based on the value or level of . . . commodities."⁵¹ However, regardless of whether a contract falls within any clause in subparagraph (A) of the CEA's swap definition, it is per se excluded from the swap definition to the extent it falls within any of the exclusions in subparagraph (B) of that definition, including the exclusion for futures contracts.⁵²

CME argues that perpetual contracts are not futures contracts because they lack what CME calls the "defining characteristic" of futures contracts—"future delivery" by a date certain.⁵³ Not only does this argument conflict with the position taken by CME in its comment letter responding to the Commission's request for comment on perpetual-style derivatives, where it stated that "certain perpetual-style derivative contracts may accurately be classified as futures,"⁵⁴ but it is predicated on a red herring. Although courts have, at times, described futures contracts as providing for the purchase or sale of a commodity "on a date certain"⁵⁵ or "at or before a stated future time,"⁵⁶ no court has held that future delivery on a specified future date is a necessary condition for a contract to be a futures contract. To the contrary, courts have repeatedly explained that "[w]hile futures contracts generally have a specified future delivery date, or settlement date, that date is not always specified thus allowing some futures contracts to be of 'indefinite duration.'"⁵⁷

For example, in a holding to which CME was the very beneficiary, the Seventh Circuit in *CME v. SEC* concluded that contracts of "indefinite duration" can possess the attribute of "futures"—generally associated with futures contracts⁵⁸—because futurity means "value that is set in the future" and exists where contracts provide for future executory payment obligations, not only where a contract has a final-settlement date and fixed term.⁵⁹ And, in *Zelener*, the Commission

⁵⁰ 7 U.S.C. § 1a(47)(A)(iii).

⁵¹ 7 U.S.C. § 1a(47)(B)(i).

⁵² *CME v. Selig* Complaint at 35, 36.

⁵³ Letter from Jonathan Marcus, Senior Managing Dir. & Gen. Couns., CME Grp. Inc., to Christopher J. Kirkpatrick, Sec'y of the Comm'n, 2 (May 21, 2025).

⁵⁴ *Tauber*, 8 F.3d at 971.

⁵⁵ *CFTC v. Erskine*, 512 F.3d 309, 323 (6th Cir. 2008).

⁵⁶ *CFTC v. Standard Forex, Inc.*, 1996 WL 435440, at *10, 1996 U.S. Dist. LEXIS 14778, at *29 (E.D.N.Y. 1996) ("*Standard Forex II*"); see also *CFTC v. Int'l Fin. Servs. (N.Y.), Inc.*, 323 F. Supp. 2d 482, 498 (S.D.N.Y. 2004) ("defendants wrongly characterize certain indicia of futures contracts as essential features of such contracts . . . [t]hey cite no authority" for the proposition that a transaction without a fixed date for future delivery cannot be a futures contract); *CFTC v. Int'l Foreign Currency, Inc.*, 334 F. Supp. 2d 305, 312 (E.D.N.Y. 2004) ("[T]he fact that Defendants' contracts failed to have a specified future delivery date is not determinative").

⁵⁷ See *CFTC v. First Lexington Group, LLC*, No. 03 CV 9124 (GBD) (S.D.N.Y. Mar. 24, 2008).

⁵⁸ *Chicago Mercantile Exchange v. SEC*, 883 F.2d 537, 541 (7th Cir. 1989) ("*CME v. SEC*"). The contracts at issue in *CME v. SEC*—"index participations" or "IPs"—were perpetual-term contracts based on the value of a securities index. The seller of an IP promised to pay the buyer the value of the underlying index as measured on a "cash-out day," while the buyer paid the seller for the IP in cash on the date of sale. *Id.* at 539. The IPs were settled on a quarterly basis, and upon settlement the seller would owe the buyer a payment obligation approximating the value of dividends the index stocks paid during the prior quarter. *Id.* The IPs thus resemble the Contract in that (i) long-side holders were not subject to a binding, final-settlement date and (ii) they provide for executory payments (for the IPs, the seller's quarterly dividend payments; for the Contract, the funding payments) determined following initiation of the contract.

itself took the position that the transactions at issue were futures contracts because customers' positions were held open indefinitely.⁶⁰

As described above, the Contract possesses all of the relevant characteristics of futures contracts, and its disqualification from categorization as a futures contract on the basis of its indefinite duration cuts directly against established precedent. And, as discussed above, if the Contract qualifies as a futures contract, then it is not a swap. The Contract moreover settles on a fixed and recurring schedule: it is marked to market and discharges its funding obligation once each trading day at a stated time coinciding with the Reference Contract's own daily settlement, so that its economic content is a rolling sequence of daily settled obligations, each with a determinate settlement time.

CME attempts to support its misguided argument that perpetual contracts must be swaps, and not futures, by noting that "[t]he swap-future distinction does not turn on whether a product is standardized, exchange-traded, or centrally cleared" because "[a]lthough swaps historically were traded over-the-counter, many swaps are now standardized, DCM-traded, and centrally cleared."⁶¹ As CME itself has explained in a prior comment letter to the Commission, although it is true that, following enactment of the Dodd-Frank Act, several of the "significant distinctions between futures and swaps [were] eliminated," the Dodd-Frank Act "preserves 'customer choice.' That is, under [the Dodd-Frank Act] market participants retain the option to trade products as either 'futures' or 'swaps.'"⁶²

The changes brought about by Dodd-Frank led CME and other market participants to request that the Commission clarify that a DCM can "list for trading a futures contract regardless of whether it could be viewed as a swap if traded over-the-counter or on a SEF, since futures and swaps are indistinguishable in material economic effects."⁶³ The Commission declined to provide that clarification, underscoring the continued relevance of standardization and exchange-trading in the product categorization analysis.⁶⁴ Although the Commission noted that "the presence or absence of clearing . . . may no longer be relevant" to distinguish futures from swaps in light of Dodd-Frank's grant of authority to the Commission to mandate swaps for central clearing,⁶⁵ the Commission did not address the other relevant factors, such as standardization, exchange trading, and retail participation. Those factors continue to be relevant to distinguish futures contracts from centrally

⁵⁹ See *CFTC v. Zelener*, 373 F.3d 861, 863 (7th Cir. 2004) ("*Zelener*"). Although the court ruled against the CFTC in *Zelener*, the facts in that case contrast with those here. There, retail customers traded foreign exchange on an over-the-counter basis with a company controlled by the defendant, and the parties rolled their transactions so that customers were exposed to foreign-currency prices without taking delivery. *Id.* Customers did not purchase identical contracts, and their contracts did not provide a right of offset. *Id.* at 867. By contrast, here each Contract would be identical, and offset would be guaranteed by operation of Klear as central counterparty to all Contracts bought or sold on Kalshi.

⁶⁰ *CME v. Selig* Complaint at 18.

⁶¹ Letter from Craig S. Donohue, Chief Exec. Officer, CME Grp. Inc., to David A. Stawick, Sec'y of the Comm'n, 4 (July 22, 2011).

⁶² Further Definition of "Swap," "Security-Based Swap," and "Security-Based Swap Agreement"; Mixed Swaps; Security-Based Swap Agreement Record Keeping, 77 Fed. Reg. 48,208, 48,303 (Aug. 13, 2012) (the "2012 Definitional Release").

⁶³ 2012 Definitional Release at 48,303.

⁶⁴ *Id.*; 7 U.S.C. § 2(h)(1).

⁶⁵ 2012 Definitional Release at 48,303.

cleared swaps, such as interest-rate swaps and credit default swaps, which in many cases are not standardized as to tenor or size (among other terms) and trade on swap execution facilities ("SEFs"), which may lack the centralized market characteristics of a DCM (e.g., SEFs can permit trading via request for quote in addition to an order book) and lack retail participation. The Commission went on to say that "[i]f a DCM has a view that a particular product is a futures contract, it may self-certify the contract consistent with that view."⁶⁶ This is consistent with the view expressed by CME in its response to the Commission's request for comment regarding the trading and clearing of perpetual-style derivatives—that certain perpetual-style derivatives contracts may be appropriately categorized as futures⁶⁷—but inconsistent with its argument in the *CME v. Selig* complaint.

CME also argues that the Commission's approval of the BTCPERP Contract for listing as a futures contract is inconsistent with its prior position, taken in certain enforcement actions, that perpetual-duration digital-asset derivative products constitute swaps.⁶⁸ However, in all but one of these cases, the Commission looked only to features of the products at issue relevant to whether they fell within the scope of CEA Section 1a(47)(A)(iii). The Commission did not address whether such products were futures contracts, which would be excluded from the swap definition. As discussed above, the fact that a contract falls within the scope of CEA Section 1a(47)(A)(iii)—because it "transfers, as between the parties to the transaction . . . the financial risk associated with a future change" in the price of the underlying asset—is not determinative of its regulatory categorization if the product qualifies as a futures contract.⁶⁹

The only instance in which the Commission has addressed the possibility that perpetual-duration digital-asset derivative products could be excluded from the "swap" definition as futures contracts is in a single footnote in the Commission's response to Binance's Motion to Dismiss.⁷⁰ However, as noted by the Commission, Binance failed to meaningfully address why the perpetual contracts at issue were futures contracts under applicable case law and Commission precedent; in particular, Binance relied on the sole point that positions in their contracts could be closed by offset, and failed to reference any particular facts indicating the other key characteristics of futures contracts identified in the BTCPERPs Order.⁷¹

Because no party in the Binance litigation, or any other litigation or enforcement action that we have identified, has raised the question of whether perpetual-duration digital-asset derivative products are futures contracts under the body of judicial and Commission case law identifying the key characteristics of futures contracts, the Commission has yet to squarely address this question. That the product categorization of perpetual contracts remained an open question at that time is made all the more clear by the fact that the Commission specifically requested comment as to

⁶⁶ Letter from Jonathan Marcus, CME Grp. Inc., *supra* (May 21, 2025).

⁶⁷ See Complaint, *CFTC v. Changpeng Zhao*, No. 23-cv-01887 (N.D. Ill. Mar. 27, 2023) ("*Binance*"); Complaint, *CFTC v. MEK Global Ltd.*, No. 24-cv-2255 (S.D.N.Y. Mar. 26, 2024); Complaint, *CFTC v. Eisenberg*, No. 23-cv-00173 (S.D.N.Y. Jan. 9, 2023); Complaint, *CFTC v. HDR Global Trading Ltd.*, No. 20-cv-8132 (S.D.N.Y. Oct. 1, 2020); *In re Deridex, Inc.*, CFTC No. 23-42 (Sept. 7, 2023).

⁶⁸ 7 U.S.C. § 1a(47)(B)(i).

⁶⁹ Plaintiff's Response to Defendants' Motion to Dismiss, *Binance*, at note 14 (Sept. 22, 2023).

⁷⁰ Brief in Support of Defendants' Motion to Dismiss, *Binance*, at note 19 (July 27, 2023).

⁷¹ CFTC, Request for Comment on the Trading and Clearing of "Perpetual" Style Derivatives, question 13 (Apr. 21, 2025).

whether perpetual derivatives should "be classified as swaps or futures contracts" in its request for comment on the trading and clearing of perpetual-style derivatives.⁷²

Based on this analysis, Kalshi is of the view that the Contract is appropriately categorized as a futures contract for purposes of compliance with the Core Principles and other provisions of the CEA and Commission regulations thereunder. Consistent with the Concise Explanation, the Exchange will disclose to participants that the classification of perpetual contracts as futures is the subject of pending litigation, and takes no position in this submission on the treatment of the Contract under the Internal Revenue Code.

B. The Contract Complies with the Core Principles

The Exchange has conducted a comprehensive analysis of the designated contract market core principles ("Core Principles") as set forth in Part 38 of the Act. The Core Principles relevant to the Contract are outlined and discussed in further detail in the next appendix.

⁷² 17 C.F.R. § 150.5(a); 17 C.F.R. Part 38, App. B, Core Principle 5; CEA § 5(d)(5), 7 U.S.C. § 7(d)(5).

APPENDIX F – ADDITIONAL COMPLIANCE WITH CORE PRINCIPLES

Core Principle 2 - Compliance with Rules and Impartial Access: The Exchange has adopted the Rulebook, which provides the requirements for accessing and trading on the Exchange. Pursuant to Chapters 2, 3, and 5 of the Rulebook, in utilizing the Exchange's services, all Members must comply with the Rules, cooperate with Exchange investigations, inquiries, audits, examinations and proceedings, and engage in conduct consistent with just and equitable principles of trade. Chapter 3 of the Rulebook also provides clear and transparent access criteria and requirements for Exchange Members. Trading in the Contract will be subject to all of the Rules, which are aimed at enforcing market integrity and customer protection. Further, Section 3.2 of the Klear rulebook includes clear and transparent criteria for clearing members eligible to clear transactions in the Contract through Klear, providing that the Contract will be available to all clearing members of Klear, either directly (for clearing members who are eligible contract participants) or indirectly through a futures commission merchant clearing member.

In particular, Chapter 5 of the Rulebook sets forth the Exchange's Prohibited Transactions and Activities and specifically prescribes the methods by which Members trade contracts, including the Contract. Pursuant to Rule 3.6, each Member is required to cooperate promptly and fully with an Exchange investigation by providing access to information on the activities of the Member in any referenced market, which includes books and records of trading. Pursuant to Rule 9.2, the Exchange may compel testimony, subpoena documents, and require statements under oath from any Member. As described in Rule 9.1, the Exchange conducts trade practice surveillance, market surveillance, and real-time market monitoring to ensure that Members adhere to the Rules of the Exchange. The Exchange, through the compliance department, initiates review and, where appropriate, investigates unusual trading activity. The compliance department also investigates any time it has other reason to believe that inappropriate activity of any sort is taking place on the Kalshi Platform or its website.

Core Principle 2 also stipulates that an exchange shall establish means to provide market participants with impartial access to the market. Chapter 3 of the Rulebook, and Rule 3.1 in particular, provides clear and transparent access criteria and requirements for Members. The Exchange will apply access criteria in an impartial manner, including through the application process described in Rule 3.1.

Core Principle 3 - Contract not Readily Subject to Manipulation:

Core Principle 3 and Rule 38.200 provide that a DCM shall not list for trading contracts that are readily susceptible to manipulation. The Exchange's marketplace and contracts, including this Contract, have been designed in accordance with this fundamental principle. The Exchange maintains various safeguards against price manipulation and all other forms of manipulation, including (i) real-time market monitoring, automated trade surveillance, and suspicious behavior detection, (ii) Rulebook prohibitions, Member certification, and notification, (iii) Member monitoring and know-your-customer verification, and (iv) sanctions. These safeguards will be applied with respect to trading in the Contract and render the Contract not readily susceptible to manipulation.

(i) Real-time market monitoring, automated trade surveillance, and suspicious behavior detection: Kalshi conducts real-time market monitoring of all trading activity on the Exchange to identify disorderly trading and any market or system anomalies. As described in Rule 5.11, Kalshi has the authority to adjust trade prices or cancel trades when necessary to mitigate market-disrupting events caused by malfunctions in its electronic trading platform 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. Kalshi also maintains an automated trade surveillance system capable of detecting and investigating potential trade practice violations. The automated system loads and processes orders and trades as they occur on the Exchange (well within 24 hours after the completion of the trading day stated in Commission Regulation 38.156). The automated trade surveillance system has the ability to detect and flag specific trade execution patterns and trade anomalies; compute, retain, and compare trading statistics; compute trade gains, losses, and positions; reconstruct the sequence of market activity; perform market analyses; and support system users to perform in-depth analyses and ad hoc queries of trade-related data. As described in Rule 9.2(a), Kalshi's Compliance Department investigates unusual trading activity or other activity that the Compliance Department has reasonable cause to believe could constitute a violation of Kalshi's Rules, or upon the receipt of a request from Commission staff. The Exchange disciplinary process is conducted in accordance with Chapter 9 of the Exchange Rulebook, and penalties may be imposed in accordance with Rule 9.5. For the Contract specifically, the Exchange's surveillance treats as patterns subject to review order-book activity concentrated in the one-second intervals in which the Premium Index is measured, trading concentrated in the Settlement Period or at the Observation Points, patterns of trading and abstention across intervals that would bias the sample of qualifying Premiums, and positions whose direction is systematically correlated with the direction of the Funding Rate, as described further below.

(ii) Rulebook prohibitions, member certification and notification: The Exchange's Rulebook includes various provisions that prohibit manipulative behaviors and gives the Exchange the authority to investigate potential violations of its rules. Pursuant to Rule 3.6, each Member is required to cooperate promptly and fully with an Exchange investigation. Pursuant to Rule 9.2, the Exchange may compel testimony, subpoena documents, and require statements under oath from any Member. The Exchange's Surveillance Officers, which operate within the Compliance Department, perform trade practice surveillance and real-time market monitoring. The Rulebook also imposes sanctions on Members who break rules, including fines, disgorgement, and revocation of membership. Only Members are allowed to trade on the Exchange, and Members cannot complete the account creation process and trade on the Exchange until they certify that they have read the Exchange's rules and agree to be bound by them.

(iii) Member monitoring and know-your-customer verification ("KYC"): The Exchange has a robust KYC process that helps flag and uncover higher-risk traders before they become Members of the platform, ensuring that the Exchange has access to all of its members' personal identifying information for use in its surveillance. During the application process, individual applicants are required to share personally identifiable information, such as their full legal name, social security number, date of birth, and address with the Exchange. Applicant information is run through a comprehensive set of databases that are actively compiled and maintained by an independent third party, and through adverse media databases, to trigger enhanced due diligence where appropriate.

(iv) Sanctions: Exchange Members must agree to the terms and conditions of the Exchange's Rulebook before being allowed to trade and are subject to disciplinary actions and fines for engaging in improper market conduct. In the event that suspicious trading activity is detected and results in an investigation, market participants are required to provide the Exchange with information relevant to the scope of the investigation under Rule 3.6. Chapter 9 of the Exchange's Rulebook details the process for discipline and rule enforcement, ranging from a letter of warning to fines to referral to governmental authorities that can result in criminal prosecution.

In addition to the foregoing surveillance, enforcement, and KYC safeguards, the Exchange maintains pre-trade risk controls designed to prevent erroneous or manipulative order entry in the WTIPERP Contract, including price banding, order size limits, and position exposure limits. The Exchange applies a price-band check to incoming orders before they are inserted into the order book, calculated by reference to the then-current relevant top-of-book price and, while the Source Agency's feed is current, to the real-time Underlying Price Index, and expressed in dollars per barrel so that it operates at zero and negative prices; incoming orders priced outside the applicable band are rejected before insertion. The price-band check is a pre-insertion control and does not operate as an automatic cancellation mechanism for resting orders. The Exchange may also impose order size limits and position exposure limits to mitigate excessive concentration and market disruption risk. Together, these pre-trade controls provide complementary protections against erroneous order entry, disorderly trading, excessive concentration, and related risks to market integrity.

Moreover, the specifics of the WTIPERP Contract satisfy the Core Principle 3 standard through multiple, independent, and mutually reinforcing layers of structural design and institutional safeguards, as set forth below.

[Remaining Core Principle 3 analysis, including the quantitative and operational evidence referenced in the Concise Explanation, filed confidentially]

Core Principle 4 - Prevention of Market Disruption: Trading in the Contract will be subject to the Rules of the Exchange, which include prohibitions on manipulation. Trading activity in the Contract will be subject to monitoring and surveillance by the Exchange's Market Surveillance Department. In particular, the Exchange's trade surveillance system monitors the trading on the Exchange to detect and prevent activities that threaten market integrity and market fairness, including manipulation, price distortion, and disruptions of the settlement process. The Exchange also performs real-time market surveillance. The Exchange sets position accountability levels and position limits, maintains both a trade practice and market surveillance program to monitor for market abuses, including manipulation, and has disciplinary procedures for violations of the Rulebook. In addition, because the Contract observes the Reference Contract's weekly session and scheduled calendar, computes no Premiums while the Reference Contract is closed or halted, and may be closed by the Exchange in accordance with any unscheduled closure of, or halt in, the Reference Contract, the Contract is not positioned to become a venue for price formation in WTI during periods in which the benchmark complex is closed.

Core Principle 5 - Position Limitations:

Core Principle 5 and Commission Regulation 38.300 require a designated contract market to adopt, for each contract, position limitations or position accountability for speculators, where necessary

and appropriate to reduce the potential threat of market manipulation or congestion. Regulation 150.5 further requires a designated contract market that lists a referenced contract subject to federal speculative position limits to set exchange spot-month limits at levels no higher than the federal level and, outside the spot month, to set exchange limits or position accountability levels.⁷³

The Contract is subject to the federal speculative position limit framework in Part 150. The Reference Contract is a core referenced futures contract enumerated in Regulation 150.2(d), and the Contract is a cash-settled referenced contract within the meaning of Regulation 150.1 because it is directly linked to, and priced from, the price of the Reference Contract; it is not a location basis contract, a commodity index contract, a monthly average pricing contract, or an outright price reporting agency index contract, each of which is excluded from that definition.⁷⁴ The federal speculative position limit for Light Sweet Crude Oil applies in the spot month only, at the step-down levels of 6,000 contracts at the close of trading three business days prior to the last trading day of a delivery month, 5,000 contracts two business days prior, and 4,000 contracts one business day prior; no federal single-month or all-months-combined limit applies to Light Sweet Crude Oil; and Regulation 150.2 applies the spot-month limit separately to physical-delivery referenced contracts and to cash-settled referenced contracts.⁷⁵ The Exchange seeks no exemption from, and no treatment under, that framework different from the treatment of any other cash-settled referenced contract in Light Sweet Crude Oil.

Application of the spot-month limit to a contract with no delivery month. The Contract has no delivery month of its own, but its price is at every instant a known linear combination of the prices of two identified delivery months of the Reference Contract. The Exchange therefore attributes positions in the Contract to those two delivery months in proportion to their then-current weights in the Underlying Price Index, on a futures-equivalent basis at ten Contracts to one Reference Contract, as set out under Position Limits and Aggregation in Appendix A. By way of illustration, a net long position of 100,000 Contracts (10,000 Reference Contract equivalents) held at a time when w equals 0.15 is attributed as 1,500 Reference Contract equivalents to the delivery month of the Near Contract and 8,500 Reference Contract equivalents to the delivery month of the Far Contract. The Reference Contract's spot month begins at the close of trading three business days prior to the last trading day of a delivery month; at that point the weight on that delivery month in the Underlying Price Index is at most approximately one-fifth, and it declines linearly to zero at or before the termination of trading, so that a position in the Contract carries spot-month exposure of at most approximately 0.02 Reference Contract equivalents per Contract at the start of the spot month and less thereafter. The Exchange enforces the Spot-Month Limit on the position so attributed, aggregated in accordance with Regulation 150.4 with the person's other positions in cash-settled referenced contracts attributed to the same delivery month, and will obtain from Members the information necessary to do so under the Exchange's aggregation and reporting rules. Because the attribution is continuous and rolls with the reference, a participant cannot use the Contract to hold spot-month exposure in excess of the Spot-Month Limit, and the Contract cannot

⁷³ 17 C.F.R. § 150.1 (definitions of "referenced contract," "core referenced futures contract," "location basis contract," "commodity index contract," "monthly average pricing contract," and "outright price reporting agency index contract"); 17 C.F.R. § 150.2(d).

⁷⁴ 17 C.F.R. § 150.2(a), (d) and Appendix E thereto; Position Limits for Derivatives, 86 Fed. Reg. 3236 (Jan. 14, 2021).

⁷⁵ See Comment Letter of Optiver US LLC, Comment No. CFTC-2026-1388-0138 (Aug. 26, 2026), Part V (addressing the application of the existing position-limit regime to a perpetual referencing a standard future).

be used to evade the limits that apply to every other participant in the crude complex. The Exchange states candidly, as it does in the Concise Explanation, that this attribution rule is its own construction rather than an adaptation of settled practice; it is, however, the ordinary futures-equivalent method applied to an instrument whose price is a known linear combination of two dated contracts, in the same manner in which delta-equivalent positions are attributed for options on futures, and the Exchange would welcome the Commission's direction on it.⁷⁶

Non-spot months. Outside the spot month, the Exchange applies the Position Accountability Level specified in Appendix A—a net position with a mark-to-market position value of \$5,000,000, measured at the greater of the absolute value of the Settlement Price and the Price Floor and therefore never greater than 5,000 Contracts (500 Reference Contract equivalents)—consistent with Regulation 150.5(a) and with the mark-to-market position values at which the Exchange sets accountability levels for its other contracts. The Position Accountability Level provides the Exchange's market surveillance team with a trigger to examine the circumstances surrounding any large position—including the participant's trading activity, hedging rationale, and potential impact on market integrity—to require information regarding the position and any related hedging, and to direct that a position be reduced or not increased, while preserving the flexibility to permit commercially justified positions. As open interest in the Contract develops, the Exchange may, consistent with Commission standards and applicable filing requirements, supplement this accountability framework with exchange-set single-month and all-months-combined position limits.

Bona fide hedging, aggregation, and reporting. Bona fide hedging positions are recognized as provided in Regulation 150.3 and the Exchange Rulebook, and positions in the Contract are aggregated with positions in other referenced contracts in accordance with Regulation 150.4 and the Exchange's aggregation rules. The Exchange reports positions in the Contract to the Commission on a futures-equivalent basis under Parts 16 and 17 of the Commission's regulations and will make available to the Commission the daily attribution of positions to delivery months of the Reference Contract.

The depth of the underlying market further supports this approach. As described in Appendix C, the Reference Contract is the most actively traded crude oil futures contract in the world, and the constant-maturity construction places only a small and declining weight on the expiring delivery month. The depth of that market makes it extremely difficult for any single participant to amass a position in the Contract capable of exerting meaningful influence on the Underlying, and the perpetual funding-rate mechanism itself acts as a natural economic check on position concentration, imposing carrying costs that discourage further accumulation as positions become crowded on one side. This approach—application of the federal spot-month limit through continuous attribution to the referenced delivery months, position accountability outside the spot month, real-time surveillance, and a deeply liquid underlying market—appropriately balances market-integrity objectives against the risk of unnecessarily constraining legitimate hedging and trading activity.

⁷⁶ See European Securities and Markets Authority, Decision (EU) 2018/796 (May 22, 2018); Financial Conduct Authority, Policy Statement PS19/18 (2019); CPMI-IOSCO, *Principles for Financial Market Infrastructures* (Apr. 2012); BCBS-CPMI-IOSCO, *Review of Margining Practices* (Sept. 2022); Comment Letter of Better Markets, Comment Nos. CFTC-2026-1388-0120 and -0125 (Aug. 26, 2026).

Core Principles 7 and 8 - Availability of General Information and Daily Publication of Trading Information: Core Principles 7 and 8, implemented by Regulations Sections 38.400, 38.401, 38.450, and 38.451, require a DCM to make available to the public accurate information regarding the contract terms and conditions, daily information on contracts such as settlement price, volume, open interest, and opening and closing ranges, the rules, regulations, and mechanisms for executing transactions on or through the facilities of the contract market, and the rules and specifications describing the operation of the contract market's electronic matching platform.

Rule 2.17 of the Rulebook sets forth the rules for publicizing information. The Rulebook and the specifications of each contract listed on the Exchange, including the Contract, are made public on the Exchange website and remain accessible via the platform. The Exchange will post non-confidential materials associated with regulatory filings, including the Rulebook, at the time the Exchange submits such filings to the Commission. Consistent with Rule 2.17 of the Rulebook, the Exchange website will publish contract specifications, terms, and conditions, as well as daily trading volume and open interest for the Contract. Each contract has a dedicated "Market Page" on the Kalshi Exchange platform, which will contain the information described above as well as a link to the Underlying and, for the Contract, the real-time Underlying Price Index, the identity, expiration times, and weights of the Near and Far Contracts, the status of the Reference Contract and of the Source Agency's feed, the age of the most recent Reference Contract price used in the Underlying Price Index, and each Settlement Price and Funding Rate following its determination, as provided under Reference Price Display in Appendix A. Chapter 5 sets forth the rules, regulations and mechanisms for executing transactions, and the rules and specifications for Kalshi's trading systems.

Core Principle 11 - Financial Integrity of Transactions: Each Member must be in good standing and in compliance with the Member eligibility standards set forth in Chapter 3 of the Rulebook. All contracts offered by the Exchange, including the Contract, are cleared through the Clearinghouse, a Derivatives Clearing Organization ("DCO") registered with the CFTC and subject to all CFTC Regulations related thereto. The Exchange requires that Members post initial margin before entering into positions and maintain maintenance margin throughout the life of a position. Margin requirements are calculated using the Exchange's risk-based margin methodology and are designed to ensure that the Exchange can liquidate positions in an orderly manner before losses exceed posted collateral; for the Contract, that methodology is calibrated on an additive basis expressed in dollars per barrel, so that requirements do not decline as the price approaches zero and remain defined at negative prices, and leverage is not selectable by Members. Positions that fall below maintenance margin levels are subject to liquidation, and the Clearinghouse applies the per-account margin close-out specified in Appendix A. Negative-balance protection for [retail] Members is an obligation of the Exchange and the Clearinghouse, funded from the resources identified in the confidential portion of this Appendix, and its cost in a repetition of the April 2020 event is quantified there. The protection of customer funds is monitored by the Exchange and ensured by the Clearinghouse as member property or futures commission merchant customer property. Because the Contract does not trade over the weekend, the margin-period-of-risk and settlement-rail questions raised in the record of the Request for Comment with respect to continuous trading do not arise differently for the Contract than for any dated futures contract.

Customer Protection Measures: In addition to the foregoing, and consistent with the conditions identified by the individual and institutional submissions supporting regulated energy perpetuals in the record of the Request for Comment, the Exchange has adopted for the Contract: leverage that is not user-selectable and is calibrated to the volatility of the Reference Contract; the per-account margin close-out specified in Appendix A; negative-balance protection, funded and sized as described above; segregation of customer funds in accordance with the Rules of the Clearinghouse; no trading incentives tied to volume in the Contract; the plain-language disclosures specified in Appendix A, including the funding calculation, cumulative funding and roll cost with a worked example before a position may be opened, and the statement that the Contract does not track the spot price of crude oil; a standing disclosure of the percentage of accounts holding positions in the Contract that lost money over the preceding twelve months, once available; and disclosure that the classification of perpetual contracts as futures is the subject of pending litigation.⁷⁷

All Remaining Requirements: All remaining Core Principles are satisfied through operation of the Exchange's Rules, processes, and policies applicable to the other contracts traded thereon.

⁷⁷ CME Group, CME Group to Launch Spot-Quoted Futures (Apr. 2, 2025), https://www.cmegroup.com/media-room/press-releases/2025/4/02/cme_group_to_launchspot-quotedfuturesprovidinginnovativenewtradi.html (contracts tradable at spot prices and holdable for up to five years without rolling, “designed with similar features of perpetual contracts”); CME Group, Spot-Quoted Futures Fact Card (describing the daily financing adjustment); Coinbase, Coming July 21: US Perpetual-Style Futures (June 26, 2025), <https://www.coinbase.com/blog/coming-july-21-us-perpetual-style-futures> (five-year expirations; funding accrues hourly and settles twice daily); Bitnomial, self-certification of perpetual futures (Apr. 2025).