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United States

November 4, 2026

Mr. Christopher Kirkpatrick
Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street N.W.
Washington, DC 20581

Re: Kalshi Klear Event Contract Margin Framework Proposal

Dear Mr. Kirkpatrick:

On September 22, 2026, Kalshi Klear LLC ("Klear"), a registered derivatives clearing organization ("DCO") and wholly owned subsidiary of Kalshi Inc. ("Kalshi"), filed a Regulation 40.5(a) submission[1] seeking Commodity Futures Trading Commission ("CFTC") approval of a new margin methodology for a significant subset[2] of its event contracts. If approved, Klear's proposal would allow event contracts on Kalshi to clear on margin for the first time.

While Cboe Global Markets, Inc. ("Cboe") continues to view event contracts as a compelling potential area of innovation, offering them on margin would be novel and demands careful consideration. Specifically, Cboe is concerned by the insufficient analysis proffered in support of a one-day margin period of risk ("MPOR"), the eligibility criteria that Klear would apply on a self-directed basis, the adequacy of customer protections, and the conflicts of interest presented by Klear's affiliation with Kalshi's exchange, futures commission merchant ("FCM"), and liquidity provider. These concerns are compounded by Klear's decision to withhold substantive aspects of its proposal, including its governance process, from public scrutiny. Accordingly, Cboe recommends that the CFTC: (i) extend its review period and solicit public comment before acting on this proposal; (ii) require Klear to publicly disclose its margin methodology, governance process, management of affiliate conflicts, one-day MPOR justification, and customer-level safeguards, with confidential treatment limited to narrowly segregable proprietary information; and

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1 *See* Letter from Udesh Jha, Kalshi Klear LLC, September 22, 2026, *available at* https://kalshi-public-docs.s3.amazonaws.com/regulatory/notices/Klear%2040.5(a)%20Event%20Contract%20Margin%20-%20PUBLIC.pdf.

2 Event contracts involving sports are excluded from Klear's proposal.

(iii) withhold approval until Klear publicly demonstrates that its framework adequately accounts for the unique risk profile of the specific event contracts it intends to make eligible for margin.

Event contracts are a nascent product class, and an inadequate margin methodology could lead to clearing member defaults, disorderly liquidations, losses passed on to non-defaulting clearing members, or tear-ups of profits owed to fully collateralized clearing members (including retail customers onboarded as self-clearing members of Klear). This would harm market participants and undermine confidence in event contracts generally.

Thus, a proposal of this magnitude demands the highest standard of disclosure. The CFTC itself concurs, as Klear's Registration Order requires that prior to implementing a margin methodology applicable to swaps, Klear must obtain CFTC approval under Regulation 40.5, rather than proceeding through the self-certification process available for most rule changes.[3] By withholding information concerning its margin-setting methodology, governance process, and one-day MPOR justification, including which products or portfolios would qualify for it, Klear has fallen well short of that standard. Therefore, before acting on Klear's proposal, the CFTC should require disclosure of this information at a level of detail sufficient for market participants to provide meaningful feedback, with confidential treatment limited to narrowly segregable proprietary information.

Interestingly, Klear simultaneously claims that all of the event contracts that would be eligible for margin are swaps (a flawed premise)[4] and then immediately requests the CFTC to permit a one-day MPOR (when swaps are subject to a standard five-day MPOR) with margined treatment available to participants clearing through a FCM or to eligible contract participants ("ECPs") approved by Klear as self-clearing members. Klear's filing does not limit which FCMs (including

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3 *See supra* note 1 at 1, n. 1.

4 Klear claims that all eligible event contracts are swaps, which are subject to a standard MPOR of five days under Regulation 39.13(g)(2)(ii)(C). However, as Cboe has previously stated, event contracts based on the value of a securities index or on issuer key performance indicators ("KPIs") are securities options excluded from the definition of "swap," and therefore fall outside of the CFTC's jurisdiction. To the extent any such contracts are included in the "financial" or "commercial" categories that Klear proposes to margin, they should not be listed on a designated contract market ("DCM") at all, let alone cleared on margin, and any such contracts currently trading on a DCM should be delisted immediately. *See* Letter I from Patrick Sexton, Cboe Global Markets, Inc., dated August 24, 2026, *available at* https://cdn.cboe.com/resources/government_relations/Cboe-Global-Markets-Letter-I-on-Further-Definition-of-Swap-and-Security-Based-Swap-and-on-Alternative-Compliance-1-.pdf; Letter II from Patrick Sexton, Cboe Global Markets, Inc., dated August 24, 2026, *available at* https://cdn.cboe.com/resources/government_relations/Cboe-Global-Markets-Letter-II-on-Further-Definition-of-Swap-and-Security-Based-Swap-and-on-Alternative-Compliance.pdf.

Kalshi's own affiliate) may offer margin or which of their customers may receive it, and it describes no customer-level safeguards beyond the segregation of funds.

Klear's request is significant, as approval would allow event contracts that have historically traded solely on a fully collateralized basis to be margined using a liquidation period one-fifth the standard length for swaps. Yet Klear's publicly stated justification is limited to the assertion that eligible contracts "possess characteristics and risk profiles that warrant"[5] a one-day MPOR, which market participants cannot meaningfully scrutinize because the supporting analysis in Section 4 is redacted. Also troubling is that, rather than seeking margin treatment tailored to specific event contracts or portfolios, Klear asks the CFTC to approve criteria that Klear itself would apply to decide which contracts become eligible for margin, and those criteria are themselves redacted. The public version of Klear's filing offers strikingly little basis on which to evaluate its request. Klear does identify several categories of risk controls, including anti-procyclicality measures, scheduled event and near-resolution protections, and liquidity and concentration charges, but describes each only in broad terms, without disclosing how any of them is calibrated or would affect margin levels. The remaining substance of the proposal, contained in Sections 2 and 3, is likewise redacted in its entirety.

These omissions are critical because margining event contracts raises risks that conventional margin models may not capture, and the public filing does not explain how Klear's framework would address them. Event contracts can move rapidly from near zero to near full value and vice versa on unscheduled news. Klear emphasizes that each side's maximum loss is bounded, but with margin, the more relevant point is that a shift in price can take a position to its maximum loss while leaving the uncollateralized portion exposed. Klear acknowledges that "early or discontinuous resolution" can affect each side of a contract differently and, for that reason, assigns margin eligibility separately to each side, but the criteria for doing so are redacted. The protections Klear does describe address scheduled events and the approach to resolution, leaving to Klear's discretion whether to raise margin as a result of unscheduled news (see proposed Rule 7.1(A)(3)), which offers little protection if news reprices or resolves a contract before margin can be collected.

Kalshi's markets also trade outside standard banking hours (i.e., evenings, early mornings, weekends, and holidays), yet the public filing does not explain how Klear's margining approach accounts for those periods. Margin would also introduce margin calls and forced liquidations into thin markets, where liquidating a single large position, or a scheduled ramp of initial margin rates that raises requirements for every margined holder of a contract at once, could fundamentally

5 *See supra* note 1 at 3.

distort prices. A one-day MPOR is not inappropriate for event contracts per se, but these features place a substantial burden on Klear to demonstrate that its model and default management capabilities can support one. A one-day MPOR presumes that a defaulting participant's position can be hedged or liquidated within a single day,[6] yet in many of Kalshi's non-sports event contracts, closing out a defaulted position could take longer or require significant price concessions, potentially exposing Klear and its non-defaulting members to losses beyond what a one-day MPOR is designed to cover. Klear's public analysis notably does not address two DCO Core Principles directly implicated by these risks: Settlement Procedures (DCO Core Principle E) and Default Rules and Procedures (DCO Core Principle G).[7]

For customers, margin would introduce risks they do not face today when trading event contracts. Currently, a customer's maximum loss on an event contract is limited to the collateral that they have posted. Moving from full collateralization to margin calibrated to a one-day MPOR would dramatically increase customers' leverage, potentially exposing them to losses exceeding their posted collateral, margin calls they may be unable to meet outside banking hours, and forced liquidation at distorted prices. Because the public filing does not limit which FCM customers may receive margin, these risks could extend to retail customers. Among the stated purposes of the Commodity Exchange Act ("CEA") are ensuring the financial integrity of all transactions subject to the CEA and protecting market participants.[8] Absent public disclosure of customer-level safeguards, the CFTC cannot be assured that approving margin for these contracts would serve these purposes.

It is difficult to reconcile a request for relief of this significance with Klear's decision to withhold material information from the public. The CEA and the CFTC's existing regulations weigh strongly in favor of greater disclosure on multiple grounds:

1. **Margin methodology information is subject to public disclosure:** DCO Core Principle L and Regulation 39.21(c)(3) require a DCO that clears margined positions to make information concerning its margin-setting methodology readily available to the public.[9] Because Klear will be obligated to publicly disclose information concerning this

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6 *See* 17 C.F.R. § 39.13(g)(2)(ii).

7 7 U.S.C. § 7a-1(c)(2)(E), (G); *see supra* note 1 at 3-4 (addressing Core Principles B, C, D, F, I, and L).

8 7 U.S.C. § 5(b).

9 7 U.S.C. § 7a-1(c)(2)(L); 17 C.F.R. § 39.21(c)(3).

methodology once the framework takes effect, there is little justification for withholding that information during the CFTC's review, when public input can still make an impact.

2. **Part 40 is designed for public transparency:** Regulation 40.5(a)(6) requires a registered entity seeking rule approval to post a notice of its request and a copy of its submission on its website concurrently with filing, demonstrating that Part 40 is concerned not only with informing the CFTC, but also the public. Although filers may redact information for which they seek confidential treatment, that information must be republished consistent with the CFTC's determination on the request.[10] Posting a filing with its core substance almost entirely redacted, as Klear has done here, does not meet this standard. Additionally, Regulation 40.8(d) states that CFTC staff will not consider confidential treatment requests for information required to be made public under the CEA.[11]

3. **Confidential treatment should be narrow, not wholesale:** The CFTC's framework for confidential treatment permits protection of segregable proprietary information, such as source code, exact coefficients, or parameter tables.[12] It does not support redacting an entire framework, its governance structure, and its regulatory justification.

4. **Market participants lack information to evaluate and respond to the risks:** Regulation 39.21(a) requires DCOs to provide information sufficient for market participants to identify and evaluate the risks and costs of using the DCO's services.[13] Participants cannot assess or manage those risks without understanding Klear's MPOR assumptions, scheduled event treatment, and ramp to full collateralization. The risks presented also extend beyond participants who use margin, as Klear acknowledges that, in extreme cases, fully collateralized positions could be subject to tear-ups of profits "associated with opposite-side margined positions."[14] Regulation 39.13(f)(2) requires a DCO's margin and risk controls to be reasonably designed to ensure that non-defaulting clearing members are not exposed to losses they cannot anticipate or control,[15] yet fully collateralized participants cannot anticipate a risk whose likelihood depends on a redacted framework.

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10 17 C.F.R. § 40.5(a)(6).

11 17 C.F.R. § 40.8(d).

12 17 C.F.R. §§ 40.8(c)(1)–(3); 145.9; 5 U.S.C. § 552(b)(4).

13 17 C.F.R. § 39.21(a); 7 U.S.C. § 7a-1(c)(2)(L).

14 *See supra* note 1 at 4.

15 17 C.F.R. § 39.13(f)(2).

That same lack of information limits participants' ability to meaningfully respond to Klear's proposal.

Klear's affiliations make its decision to withhold its governance process from the public filing particularly concerning. In addition to Klear (a DCO) and KalshiEX (Kalshi's DCM), Kalshi also owns Kalshi Prime LLC[16], a registered FCM, and Kalshi Trading LLC, a liquidity provider. Klear asks the CFTC to approve criteria that Klear itself would apply to decide which contracts become eligible for margin, yet by redacting its governance process, Klear leaves market participants unable to assess whether that discretion is insulated from the interests of its affiliates. The CFTC's recent Conflicts and Affiliations proposal[17] recognizes that a DCO exercises substantial discretion in setting margin requirements and managing defaults, and that where a DCO has an affiliate clearing member, "the structural incentives to exercise that discretion in a manner that favors the affiliate . . . can compromise the DCO's role as a neutral risk manager."[18]

Klear's proposal would introduce precisely that risk, yet its filing does not address DCO Core Principle P regarding conflicts of interest.[19] The conflict presented here is arguably a larger concern for event contracts because KalshiEX determines how its contracts settle. Once margin is introduced, KalshiEX's determinations would directly drive losses, margin calls, and potential defaults at its affiliated clearinghouse. Cboe has previously[20] urged the CFTC to require DCMs to clearly define and publicly disclose settlement conditions, and this is even more critical now since an outcome determination could trigger defaults rather than simply allocate fully posted collateral. Consistent with Cboe's view that affiliations require "full transparency, as well as sufficient assessment and analysis to ensure that the market fully understands . . . how all known and potential conflicts are to be mitigated,"[21] the CFTC should require Klear to disclose whether any affiliate will act as a clearing member for margined positions or itself receive margined treatment,

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16 Formerly known as Kinetic Markets LLC.

17 91 Fed. Reg. 50926 (Aug. 6, 2026).

18 *Id.* at 50959.

19 7 U.S.C. § 7a-1(c)(2)(P); *see supra* note 1 at 3-4.

20 *See* Letter from Patrick Sexton, Cboe Global Markets, Inc., dated May 5, 2026, *available at* https://cdn.cboe.com/resources/government_relations/Cboe-Response-to-CFTC-ANPR-on-Prediction-Markets.pdf; Letter from Patrick Sexton, Cboe Global Markets, Inc., dated July 27, 2026, *available at* https://cdn.cboe.com/resources/government_relations/Cboe-40-11-Response.pdf.

21 *See* Letter from Patrick Sexton, Cboe Global Markets, Inc., dated September 28, 2023, *available at* https://cdn.cboe.com/resources/government_relations/FINAL-Cboe-Response-to-CFTC-RFC-Affiliated-Entities.pdf.

and how Klear will ensure that its margin and default-management discretion is exercised impartially.

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For these reasons, Cboe recommends that the CFTC extend its review of Klear's proposal, as Regulation 40.5(c)(2) permits for submissions that raise novel or complex issues or are of major economic significance,[22] so that it can evaluate the proposal in light of the affiliate conflicts identified in its recent Conflicts and Affiliations proposal and solicit public comment before acting. Cboe further urges the CFTC to require Klear to publicly file the substance of Sections 2 through 4, including its margin methodology and one-day MPOR justification, with confidential treatment limited to narrowly segregable proprietary information; to disclose its governance process and how it will ensure that its margin and default-management discretion is exercised impartially with respect to its affiliates; and to describe the customer-level safeguards that will apply to margined positions. Finally, the CFTC should withhold approval until Klear publicly demonstrates that its framework adequately accounts for the unique risk profile of the specific event contracts it intends to make eligible for margin. Cboe appreciates the CFTC's consideration of these comments and would welcome the opportunity to discuss them further.

Sincerely,

s/Patrick Sexton

Patrick Sexton
EVP, General Counsel, and Corporate Secretary
Cboe Global Markets, Inc.

[22] 17 C.F.R. § 40.5(c)(2).