



**Media Derivatives, Inc.**

6720 N. Scottsdale Rd., Suite 250 | Scottsdale, AZ 85253 | (480) 707-0700

March 26, 2010

Chairman Gary Gensler  
Commodity Futures Trading Commission  
Three Lafayette Center  
1155 21<sup>st</sup> Street, N.W.  
Washington, D.C. 20581

Dear Chairman Gensler:

On behalf of Media Derivatives, Inc. ("MDEX"), we appreciate the time and effort that the Commissioners and staff have devoted to our application for registration as a designated contract market ("DCM"). As you know, we are eager to obtain registration as a DCM and believed that we have fully complied with the designation criteria and core principles set forth in the Commodity Exchange Act ("CEA"), and we have enjoyed our close working relationship with Commission staff.

Despite our belief that we have faithfully complied with all applicable statutory requirements, coupled with the MPAA's lack of timeliness in submitting its comments, we look forward to responding to the Motion Picture Association of America's ("MPAA") letter of March 23, 2010, which raises several issues that the Commission or its staff have previously and thoroughly considered. We have thus attached hereto a discussion paper addressing the MPAA's comments, much of which is based upon the more than 100 documents that MDEX has submitted to the CFTC with respect to its DCM application and later product submission.

MDEX does not believe that the MPAA's questions should further delay its approval as a DCM, which we anticipated on or before March 24<sup>th</sup>, 2010 and have now agreed to extend to April 2, 2010. MDEX's application represents extensive collaborative efforts between MDEX and the CFTC staff in addressing the issues associated with the development of the MDEX market structure and its initial products. Furthermore, CFTC staff has diligently and comprehensively analyzed, considered and recommended the MDEX DCM application for approval based on recognizing MDEX's compliance with the CEA's designation criteria and core principles. The public comment period for the MDEX DCM application ended on November 5<sup>th</sup>, 2009 (nearly five months ago) and the public comment period on the initially proposed product offering ends on April 8<sup>th</sup>, 2010.

We recognize that the MPAA's concerns for certain products may invite speculation with respect to movie box office revenues, as we have worked closely—and continue to work closely—with many of

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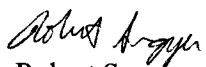
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the constituents of the MPAA. However, while our products are not geared toward retail speculation, nothing in the CEA or the CFTC's rules bar speculation. In fact, as the Commission and its staff is well aware, speculation provides liquidity, which creates capital efficiency and promotes hedging opportunities. MDEX has specifically designed its products to serve as hedging tools to provide risk management opportunities to the motion picture industry, and MDEX looks forward to continuing to research, develop and launch products that will satisfy the greater risk management needs of the entertainment industry at large. The arguments presented by MPAA have been raised and addressed many times over the years, particularly with respect to new types of users, such as non-financial corporations, insurance companies and pension plans, and new types of products, such as financial futures, security futures, credit events futures, TRAKRS and many other products. We recognize that futures products are relatively new to the entertainment industry, but novelty should not serve as a substitute for statutory compliance under the CEA.

MPAA claims that its members' reputations may be tarnished by the products, but fails to mention that contracts are already based upon movie box revenues. One need look no further than the Hollywood Stock Exchange and the foreign, unregulated market of Intrade, which offers a plethora of so-called "contracts-for-differences" based upon box office revenues, all of which are devoid of any regulation. Rather than operate in an opaque foreign or OTC market, MDEX seeks to inject transparency into these types of products, while allowing such products to be traded in the U.S. under a comprehensive regulatory regime. MDEX strongly believes that its pending DCM application represents the very embodiment of what is being advocated by the Commission in bringing unregulated OTC markets (such as film slate financing deals which are all OTC) into the regulated clearinghouse and exchange framework.

MDEX looks forward to the expeditious approval of its application. To the extent necessary, we would be happy to meet with you to discuss any issues further.

Sincerely,



Robert Swagger  
Chief Executive Officer

cc: Commissioner Michael Dunn  
Commissioner Jill E. Sommers  
Commissioner Bart Chilton  
Commissioner Scott D. O'Malia

via electronic copy: Ms. Jane Croessmann and Ms. Riva Spear Adriance