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COMMITTEE ON THE JUDICIARY

WASHINGTON, DC 20510–6275

BRUCE A. COHEN, *Chief Counsel and Staff Director*
BRIAN A. BENCZKOWSKI, *Republican Staff Director*

April 15, 2010

The Honorable Gary Gensler
Chairman
U.S. Commodity Futures Trading Commission
1155 21st Street NW
Washington, DC 20581

Dear Chairman Gensler:

We write to express concern over the applications pending with the Commodity Futures Trading Commission (CFTC) for Media Derivatives, Inc., and Cantor Futures Exchange, L.P., to be designated as contract markets for the purpose of trading movie futures contracts, as well as their related requests for the approval of movie futures contracts themselves.

We have worked together for years in a bipartisan fashion to promote intellectual property laws that safeguard and promote the arts. We are very concerned about the proposed creation of an exchange to trade financial instruments that are tied to movie industry performance. The trading of contracts tied to movie box office performance would be unprecedented. On its face, it risks creating perverse incentives for movie failure that may undermine the integrity of the industry. Such trading would also impose tremendous costs on the industry to ensure that employees with insider information could not use that information to their own financial gain at the expense of the industry or the public. A broad coalition of entertainment industry groups has already filed comments with the CFTC to express their specific concerns with these applications. This outpouring of criticism from all corners of the industry raises serious red flags that the CFTC ought to take very seriously.

We are additionally concerned about the nature of these movie futures exchanges in the wake of the recent financial crisis. Our economic downturn has been directly linked to attempts to manipulate our financial markets. Without delving into the technical merits of these applications, movie futures contracts appear to constitute a platform for betting and speculation that is even more risky and manipulative than the typical financial product. We ask that the CFTC exercise great care in examining the potential effects of these proposals.

Thank you for your consideration of our concerns.

Respectfully,

PATRICK LEAHY
Chairman
Committee on the Judiciary

ORRIN G. HATCH
United States Senator