

5/19/08

secretary

From: Thomas Powers [tpowers1@gmail.com]
Sent: Saturday, May 17, 2008 4:34 AM
To: secretary
Subject: Public Input: "Event Contracts"

COMMENT

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To Whom It May Concern:

I write expressing support for limited regulation of "Event Contracts" and against an outright ban. I believe that such contracts should be regulated with similar scrutiny to current oversight of derivatives markets.

What public purpose is served in the oversight of these markets?

Oversight of "Events Contracts" markets combines two things: oversight of any derivatives market and oversight of a gambling institution. The question is whether oversight of a gambling institution forces us to have additional regulations beyond the usual (maybe up to and including a ban).

But online gambling is no different in spirit from (non-banned) physical casino gambling, and is literally no different from non-banned online horse race gambling, which has an exception under the Safe Ports Act. Some have said that online gambling makes gambling easier, and therefore more addictive. But this is like saying that we should ban McDonalds, since it makes it easier for some people to gain weight. The mere existence of a downside doesn't prove that the downside of a policy is greater than the upside. Moreover, with online gambling, we'll never know whether the benefit of allowing people to do what they want outweighs the cost, unless the current ban is repealed. Remember, the ban can always be re-instated if things go wrong.

What differentiates these markets from pure gambling outside the CFTC's jurisdiction?

What differentiates pure gambling from "legitimate" trading is not necessarily clear. The argument for having different jurisdictions is pragmatic, not logical, in that dividing the regulatory burden among various organizations allows each organization to specialize. The CFTC knows better than other regulatory organizations how to regulate contingent claims markets, though it will have to work with other agencies to understand the risks of gambling. Since the CFTC has the specialized knowledge, Event Contracts fall under its jurisdiction.

In conclusion, I don't feel that online gambling is significantly worse than land-based gambling, which is legal but regulated. There is certainly no empirical evidence to prove as much, just speculation. Given that, it sounds very un-American to me to reduce the people's freedom simply because of the government's speculative fear of what "might happen." Finally, the CFTC should regulate online gambling when "Events Contracts" are involved (not online poker games, etc.) since CFTC has specialized knowledge about derivative contracts.

Best,

Thomas Powers
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