



800 Lancaster Avenue, Villanova, PA 19085 | 610-519-4389 | michael.pagano@villanova.edu

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Chairman Gensler
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Submitted electronically

Dear Chairman Gensler:

I would like to thank the CFTC Chairman and Commissioners for the opportunity to comment upon the topic of movie futures contracts that is being contemplated at your Commission and at the recent House Committee Hearing on the Application of Cantor Futures Exchange for trading Domestic Box Office Receipt contracts.

Accordingly, I'm enclosing with this letter an electronic copy of:

- An analysis titled "The Potential Effects on the Movie Industry of Futures Trading on Film Revenues." This report was prepared for the House Committee Hearing referenced above and discusses both the benefits and costs associated with introducing a contract such as the proposed Domestic Box Office Receipt (DBOR) futures instrument that has been developed by the Cantor Futures Exchange.

The enclosed report has three key components that address this important issue from several perspectives.

First, using classic financial principles that describe what effective futures contracts and financial markets should contain, I find that the DBOR contract and Cantor Futures Exchange meet these criteria and thus this contract market represents a legitimate and effective vehicle to conduct futures trading in the area of first-run movies. In addition, the role of speculators within a futures market is clarified using the U.S. Commodity Futures Trading Commission's (CFTC) own description of these market participants. Contrary to some of the

recent media coverage, speculators are not “gamblers” or “evil” and thus these investors provide a useful economic role in ensuring liquidity and greater price transparency within a futures market.

Second, this report also demonstrates how the introduction of a DBOR market can benefit not only the direct participants in such a futures market but also help other players in the movie industry such as consumers and the movie studios. The main benefits of introducing a DBOR futures market are:

- 1) Better risk management for investors and other participants in the movie business,
- 2) Increased new investment in the movie industry from current film investors,
- 3) Additional investment from new investors that are now attracted to the film industry, and
- 4) Greater transparency which yields useful price signals for the entire economy.

The report also examines two potential costs of such a market related to the possibility of market manipulation and / or insider trading. However, the financial incentives of the Cantor Futures Exchange and the clear mandate of the CFTC to ensure that futures markets are fair to all participants indicate that both of these organizations have the proper motivation to actively employ the necessary surveillance and enforcement systems in order to mitigate the possibility of market manipulation and / or insider trading.

Lastly, this report also reviews the academic literature on this subject and I find that there is both sound financial theory and solid empirical evidence that support the notion that the benefits of introducing a futures market can greatly outweigh the potential costs noted above. Empirical evidence over the past two decades not only in the U.S. but also more recent evidence from numerous countries around the world confirm the positive effects of introducing a futures market in terms of increasing price transparency, providing better risk management, reducing price volatility, and increasing the liquidity of markets.

If you have questions about this report, then please call me at 610-519-4389.

Sincerely,

MICHAEL S. PAGANO, PH.D., CFA

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