



**Independent** ■  
Film & Television  
■ ■ ■ **Alliance**®



29 April 2010

**MOVIE INDUSTRY OPPOSES BOX OFFICE FUTURES,  
SUPPORTS THE FINANCIAL REGULATORY REFORM BILL'S  
BAN ON MOVIE SPECULATING**

**Dear Senator:**

Two of the pillars of the landmark financial regulatory reform legislation the Senate is considering are transparency and disclosure; we could not agree more with those principles. We're going to apply them to claims supporters of movie futures are making, specifically in a recent letter they wrote to you opposing the bill's thoughtful, prudent ban on trading futures on box office receipts. Literally the entire spectrum of the film industry -- independent studios and majors, labor and management, creators and exhibitors -- supports the ban in the Senate bill.

The letter sponsors wrote creates the impression Secretary Geithner said in a recent interview on *Good Morning America* that he opposes the ban, when in fact he clearly stated the opposite:

*Good Morning America:* We were talking about derivatives a moment ago. There's now a proposal to have movie futures traded. Do you think that's a good idea?

*Secretary Geithner:* No, I don't. Here's what I think about this, George [Stephanopoulos]. The financial sector will be creative and will innovate and will come up with products that meet some real need people have and to also come up with those products which are designed to help people bet on some basic outcome. That's going to happen. It's a necessary part of running a good financial system. But those things come with risks. And our job, our obligation is to make sure that we're reducing those risks, we can contain the damage when those financial innovations go awry. And again, you need the government equipped to do a better job earlier, preemptively, to limit the risks that come with innovation.

We couldn't agree more. The ban on movie futures does exactly what Secretary Geithner seeks to achieve: It will contain the potential damage of financial innovations gone awry. Is the movie business a risky business? No question. Will legalized wagering in any way decrease that level of risk? Inconceivable. It will increase the risk, and to the public, these ill-conceived contracts will be pure speculation.

The letter you received suggests the ban on movie futures would set a dangerous precedent. We submit that not imposing the ban on the contracts would be a dangerous precedent:

- Unlike every other futures market, there is no cash market underlying these contracts. No one buys and sells box office receipts.
- There is no price discovery function in trading box office futures. Box office receipts are not determined by longs and shorts in the futures pits, they are determined by whether audiences turn out for individual, unique films.
- And because trading these contracts presents so many potential problems from possible manipulation, the contracts are designed unlike every other futures contract so that

potential natural hedgers are prevented from being able to use them. Even if we were to try to use them, we think those restrictions are unworkable.

The ban on movie futures is indeed making sure “the government [is] equipped to do a better job earlier, preemptively, to limit the risks that come with innovation.” Movie makers have the resources to invest in their films, as well as sophisticated, proven methods for dealing with the risks; box office futures trading is unnecessary, and imprudent.

The letter you received goes on to claim that contracts speculating on box office receipts are being traded in certain unidentified foreign markets “with zero government oversight or regulation.” This appears to be a reference to Entrade, an Irish online wagering site that blocks actual money bets from the US on movies, pursuant to a settlement order with the CFTC, which threatened legal action against it.

The proponents of movie futures trading also create the impression that there is a real divergence of opinion in Hollywood concerning box office speculation, when nothing could be further from the truth. This coalition represents over 2.4 million people working in all fifty states, in virtually the entire film industry. They are experts in the way the film business works and experts in what is good for the industry.

It is not surprising sponsors of the contracts would find someone to support their agenda. But with due respect, of the two individuals sponsors have cited, Schuyler Moore is merely one attorney among thousands working at large private law firms in Los Angeles, and he does not speak for anyone but himself; and Michael Burns of Lionsgate Entertainment was one of the founding investors in the Hollywood Stock Exchange, now owned by the other exchange seeking to trade movie futures.

These outlier viewpoints supporting box office trading stand in stark contrast to the views of the rest of the entertainment industry. The overwhelming consensus in the industry is that no one wants these contracts or has any intention of using them. They stand only to cause harm. This effort to create a synthetic derivative will serve the interest of no one other than the two exchanges who would reap transaction fees and those who are “inside” with highly technical information, not the public interest. The ban in the Senate bill is both appropriate and necessary.

Sincerely,

Jay Roth  
National Executive Director  
Directors Guild of America

Jean M. Prewitt  
President and Chief Executive Officer  
Independent Film & Television Alliance

Matthew D. Loeb  
International President  
International Alliance of Theatrical Stage  
Employees

A. Robert Pisano  
Interim Chief Executive Officer  
Motion Picture Association of America, Inc.

John Fithian  
President and Chief Executive Officer  
National Association of Theatre Owners