



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



**NATO**

---

**FOR IMMEDIATE RELEASE**

April 8, 2010

## **ENTERTAINMENT COMMUNITY OBJECTS TO PROPOSED ONLINE MOVIE-FUTURES WAGERING**

*Coalition of creators, talent, craftspeople, independent production and distribution companies, industry workers and theater owners raise concerns about box-office wagering services*

**Washington, DC** – A coalition of entertainment industry workers, creators, independent producers and distributors, business organizations and theater owners today urged a federal commission to reject a proposal to create an online motion picture box-office wagering marketplace.

In a letter to the Commodity Futures Trading Commission (CFTC), the Directors Guild of America (DGA), the Independent Film and Television Alliance (IFTA), the International Alliance of Theatrical Stage Employees (IATSE), the Motion Picture Association of America (MPAA) and its member companies and the National Association of Theatre Owners (NATO) urged the CFTC to deny a request from Media Derivatives, Inc. (MDEX) to create a designated contract market for the trading of financial derivatives based on film futures.

The letter explained that the proposal by MDEX is based on a faulty understanding of the film business and could potentially damage the industry and the economic interests of its workers.

“The designation of MDEX as a contract market is not warranted where, as here, its sole purpose is to provide a trading platform for instruments that do not constitute legitimate futures or option contracts, but are in essence wagers that are susceptible to manipulation. Rather than providing a real and useful means for hedging risk or price discovery, these instruments will be harmful and burdensome to the motion picture,” the groups said in their letter.

The letter charged that establishing online box office wagering marketplaces will be “detrimental to the industry they ostensibly are created to serve.” And it continued:

“MDEX Contracts create a panoply of negative effects and risks for the motion picture industry that do not now exist – from actually creating conflicts of interest for studio employees and independent contractors by providing the means to bet against the success of the product to complicating motion picture financing by creating new, but false, unreliable, and non-economic valuations of a motion picture’s success. The risk of depressed box office receipts is more pronounced with box office futures because futures pricing, although lacking any reliable economic basis, could nonetheless affect a motion picture’s prospects by negatively affecting financiers’ and audiences’ pre-release perception. Because the ultimate

breadth of distribution can be revised up to the time of release and afterward, the MDEX market could affect distributors' ability to secure screens if the MDEX Contracts are perceived to be trading negatively. The harmful effect of negative publicity is not limited to theater showings. Many prices for downstream licenses and other sources of revenue are driven in part by box office gross.

“Motion pictures slated to open in limited theaters (which can still involve openings in 625 or more theaters) and then broaden based on word of mouth could be ruined by futures pricing that casts it in the false light of a failed opening.

“Approval of the MDEX Contracts also will require studios and all other industry participants that have the power to affect futures pricing to institute and police anti-insider trading compliance regimes for MDEX contracts at great cost to them. It is problematic whether any prohibition on insider trading would need to take into account inside information held by insiders who are not subject to the control of the studios. There are many industry participants who have access to material, non-public information and could try to use that information to profitably bet on MDEX Contracts. These range from financiers and their advisors, potential distribution partners, exhibitors (who have a right to see a motion picture prior to licensing it in the U.S.), talent, crew, agents and other representatives, special effects and other post-production vendors, trailer houses, festival screening committees and the employees, families, and friends of all these people.”

The CFTC is currently scheduled to take action on the MDEX application to establish a designated contract marketplace (DCM) on Friday, April 9. The MDEX request to contract film futures is scheduled for action by April 23.

Separately, Cantor Futures Exchange, L.P. has a request for approval to register as a DCM for the trading of financial derivatives based on film futures, which is scheduled for April 20. Cantor's request for approval to contract film futures and options is pending in May. The groups signing the letter today intend to file written comments about concerns about this proposal as well.

# # #

### **About the Signers of this Letter:**

#### *About DGA*

The Directors Guild of America was founded in 1936 to protect the economic and creative rights of directors. Over the years its membership has expanded to include the directorial team - Unit Production Managers, Assistant Directors, Associate Directors, Stage Managers and Production Associates. Today, through the collective voice of more than 14,000 members, the Guild seeks to protect the rights of directorial teams, to contend for their creative freedom and strengthen their ability to develop meaningful and lifelong careers in film, tape and digital media.

#### *About IFTA*

The Independent Film & Television Alliance (IFTA) is the global trade association of the independent motion picture and television industry. Headquartered in Los Angeles, IFTA represents and provides significant entertainment industry services to more than 150 member companies from 22 countries, consisting of independent production and distribution companies, sales agents, television companies, studio-affiliated companies, and financial institutions engaged in content finance.

*About IATSE*

The International Alliance of Theatrical Stage Employees, Moving Picture Technicians, Artists and Allied Crafts of the United States, Its Territories and Canada, AFL-CIO, CLC (IATSE) is one of the largest entertainment labor unions in the world and represents over 110,000 technicians, artisans and craftspeople employed in stagecraft, motion picture and television production, the trade show industry, and affiliated crafts throughout the United States, Its Territories and Canada. For background information on the International Alliance of Theatrical Stage Employees: [www.iatse-intl.org](http://www.iatse-intl.org).

*About MPAA*

The Motion Picture Association of America, Inc. (MPAA) serves as the voice and advocate of the American motion picture, home video and television industries from its offices in Los Angeles and Washington, D.C. Its members include: Walt Disney Studios Motion Pictures; Paramount Pictures Corporation; Sony Pictures Entertainment Inc.; Twentieth Century Fox Film Corporation; Universal City Studios LLLP; and Warner Bros. Entertainment Inc.

*About NATO*

The National Association of Theatre Owners is the largest exhibition trade organization in the world, representing more than 30,000 movie screens in all 50 states, and additional cinemas in 50 countries worldwide. Our membership includes the largest cinema chains in the world and hundreds of independent theatre owners. NATO is headquartered in Washington, D.C., with a second office in North Hollywood, California.

**For More Information:**

DGA: Sahar Moridani, 310-289-5333, [SMoridani@dga.org](mailto:SMoridani@dga.org)  
IFTA: Jim Benson, 323-965-1990, [jbenson@lippingroup.com](mailto:jbenson@lippingroup.com)  
IATSE: Katherine Orloff, 212-730-1770, ext. 150 [iapr@mac.com](mailto:iapr@mac.com)  
MPAA: Howard Gantman, 202-378-9127, [Howard\\_Gantman@mpaa.org](mailto:Howard_Gantman@mpaa.org)  
NATO: Patrick Corcoran, 818-506-1778, [pfc@natoca.com](mailto:pfc@natoca.com)