



**MOTION PICTURE ASSOCIATION OF AMERICA, INC.**

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September 10, 2012

**Via Hand Delivery**

David A. Stawick, Secretary  
Office of the Secretariat  
Commodity Futures Trading Commission  
1155 21<sup>st</sup> Street, N.W.  
Washington, D.C. 20581

**Re: Application of Cantor Clearinghouse, L.P., for Registration as a  
Derivatives Clearing Organization; Petition for Modification of Order of  
Registration ("Petition")**

Dear Mr. Stawick:

The Motion Picture Association of America, Inc. ("MPAA") respectfully files this comment regarding the above-referenced Petition of Cantor Clearinghouse, L.P. ("Cantor Clearing") to modify the Commission's Order of Registration ("Registration Order") to Cantor Clearing.

**A. Introduction**

The MPAA is an association of its member companies, Paramount Pictures Corporation, Sony Pictures Entertainment Inc., Twentieth Century Fox Film Corporation, Universal City Studios LLLP, Walt Disney Studios Motion Pictures, and Warner Bros. Entertainment Inc. The MPAA is the voice and advocate of the American motion picture, home video and television industries, domestically and, through our subsidiaries and affiliates, internationally. We champion a healthy, thriving film and television industry by engaging in a variety of legislative, policy, education, technology, and law enforcement initiatives. These efforts range from safeguarding intellectual property rights to using technology to expand consumer entertainment choices, to championing fair trade agreements and a secure future for artistic freedom of expression.

**B. Cantor Clearing's Petition**

Cantor Clearing requests that the Commission modify Conditions 1, 2 and 3(d) in the Registration Order that together limit Cantor Clearing to clearing only a Domestic Box Office Receipts ("DBOR") Contract that was intended to be traded by the Cantor Futures Exchange, L.P. ("Cantor Exchange"). Cantor Clearing seeks these modifications so that it will be authorized to clear futures and/or options on commodities other than DBOR or other media-related contracts. Cantor Clearing's submission explains that the business plan of Cantor

Exchange “at this time does not include listing any media-related contracts.”<sup>1</sup> Consistent with this statement, Cantor Clearing’s submission states that, if the modifications to the Registration Order are granted, Cantor Clearing initially will clear Foreign Exchange Spot Index Binary Flex Options traded on the Cantor Exchange.

**1. Requested Modification to Condition 1.** Condition 1 of the Registration Order provides that “Cantor shall limit its activities as a registered DCO to contracts executed on the Cantor Futures Exchange, L.P. the class or category of which shall have been approved . . . in accordance with the terms and conditions of the Commission’s order designating the Cantor Exchange as a contract market.” The condition referred to in the Commission’s Order of Contract Market Designation (“Designation Order”) requires Cantor Exchange to “submit for Commission review and approval any new class or category of contracts associated with media-related products . . . prior to listing them for trading on its designated contract market.” Accordingly, Condition 1 of the Registration Order restricts Cantor Clearing to clear only classes or categories of media-related contracts that have been approved by the Commission.

Cantor Clearing requests that Condition 1 be amended to read: “Cantor shall limit its activities as a registered DCO [Derivatives Clearing Organization] to contracts executed on the Cantor Futures Exchange, L.P.”

**2. Requested Modification to Condition 2.** Condition 2 of the Registration Order provides that Cantor Clearing shall clear only such Commission-approved, media-related contracts for which there are daily trading price limits. Cantor Clearing requests that this Condition be eliminated in its entirety.

**3. Requested Modification to Condition 3.** Condition 3(d) provides that Cantor Clearing shall require original performance bond of 100% of contract value for long positions and the greater of \$25 or 50% of the previous day’s settlement price for each short position. Condition 3(d) of the Registration Order describes the specific margin levels that were set for the DBOR Contract. Cantor Clearing requests that Condition 3 be modified to state: “Cantor shall require at all times original performance bond in an amount not less than 100% of the at-risk amounts for any contract that it clears (both long and short).”

### **C. The MPAA’s Position**

The MPAA’s central concern is that the Commission make no modification to the Registration Order for Cantor Clearing (or the Designation Order of Cantor Exchange) that eliminates or diminishes the requirement that every class or category of contracts associated with media-related contracts must be reviewed and specifically approved by the Commission before any such contract may be permitted to trade. The significant and controversial legal, economic and policy issues pertaining to the trading of any media-related contract, and Congress’ swift and express rejection of the Commission’s approval of the DBOR Contract

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<sup>1</sup> Cantor Clearing’s Response (Exhibit A at page 1) to the Commission’s Request for General Information/Compliance submitted with its Petition.

and prohibition of trading contracts on any motion picture box office receipts, abundantly demonstrate the wisdom and necessity of requiring Commission review and approval of any class or category of media-related contracts before any such contract be permitted to trade.

We recognize that the modification to Condition 1 of the Registration Order that Cantor Clearing requests could be reasonably interpreted to have no effect on the requirement in the Designation Order for Commission prior approval of any class or category of media-related contract. However, to preclude any ambiguity in the event the Commission were to grant Cantor Clearing's requested modification to the Registration Order, the Commission's order should expressly state that the requirement in the Designation Order that Cantor Exchange submit for Commission review and approval any new class or category of contracts associated with media-related products prior to listing them for trading remains in effect and that Cantor Clearing may not clear any class or category of any media-related contract prior to the Commission's approval of it.

The Commission's history with media-related contracts warrants continuation of the requirement of Commission review and approval of any such class or category of contracts before they could be permitted to trade. Recognizing the controversial issues presented by media-related contracts, the Commission wisely conditioned Cantor Exchange's authority under the Commission's April 20, 2010 Designation Order to list any class or category of media-related contracts and Cantor Clearing's authority under the April 20, 2010 Registration Order to clear such contracts on receiving prior Commission approval. This eliminated the potential for Cantor Exchange to list and trade such contracts based on a self-certification alone, as the CEA in other circumstances may otherwise permit. In June 2010, the Commission, over the MPAA's objection and by a 3-2 vote of the Commissioners, approved the DBOR Contract for trading. Congress overturned the Commission's approval of the DBOR Contract and rendered it nugatory by enacting, on July 16, 2010, Section 721(a)(4) and (e)(10) of the Dodd-Frank Wall Street Transparency and Accountability Act (the "Dodd-Frank Act"). Those provisions amended Section 1a(9) of the Commodity Exchange Act ("CEA"), 7 U.S.C. § 1a(9), to exclude motion picture box office receipts from the definition of "commodity" and amended 7 U.S.C. § 13-1 to make trading in contracts on motion picture box office receipts unlawful.

Preserving the requirement for Commission review and approval of any class or category of media-related contracts does not conflict with Cantor Clearing's purpose for seeking modification of the Registration Order. Cantor Clearing's stated objective in obtaining a modification of the Registration Order is to be authorized to clear contracts *other than media-related contracts*. Further, Cantor Clearing's application expressly states that Cantor Exchange's business plan at this time does not include listing any media-related contracts. Thus, no reason is presented for altering the existing conditions with respect to media-related contracts, and they should be preserved.

Apart from the foregoing views, the MPAA expresses no position on whether Cantor Clearing should be permitted to clear contracts other than media-related contracts or the terms on which it may clear non-media-related contracts.

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We are happy to meet and with confer the Commission and its Staff to address our views further if that would be helpful to the Commission's consideration of Cantor Clearing's requested modifications to the Registration Order.

Respectfully,

A handwritten signature in black ink, appearing to read "Greg Frazier".

Greg Frazier  
Executive Vice President