



Via Electronic Submission

Mr. Christopher Kirkpatrick
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Re: Commodity Futures Trading Commission Rule 40.11 Review of Proposed RSBIX NFL Futures Contracts (Industry Filing 20-004)

Dear Mr. Kirkpatrick:

We write on behalf of U.S. Integrity, Inc. (“USI”) in response to the request by the Commission for responses to several questions concerning the proposed Eris Exchange, LLC (“ErisX”), RSBIX NFL Futures Contracts. USI fully supports the introduction of these contracts and believes they will be of substantial benefit to the sports and licensed sports-betting industries. We submit this comment to respond to one of the Commission’s questions in particular (question 5):

Could the trading of these contracts that involve sports gaming create incentives to influence the outcome of a sporting event or other outcomes related to sporting events? What mechanisms would be available to the Commission or to the DCM to surveil for, and guard against, manipulation of these contracts through manipulation of sporting events or other outcomes related to sporting events?

For the reasons, and as set out in more detail below, USI does **not** believe that the trading of these contracts will create incentives for the manipulation of sporting event outcomes. There is already in place a robust set of mechanisms to prevent such manipulation. The advent of lawful, licensed sports betting throughout much of the country has led to an increase in resources and attention devoted to these efforts. A national futures market of the sort contemplated here will neither add to the incentive for unlawful activity nor make it more difficult to detect or to prevent.

About U.S. Integrity

U.S. Integrity offers customized sports-integrity solutions for NCAA conferences, universities, professional leagues and individual teams. We also work closely with regulators from numerous gaming control boards and offer a variety of fraud-detection tools for sportsbooks. Our services are focused on three primary areas: intelligence and monitoring, investigation and education.

We are the trusted partner to dozens of sports organizations, regulatory agencies and sportsbooks operators, including the NBA, Pac-12, Southeastern Conference & Big XII.



Ensuring Integrity in Sporting Events

Concern over the integrity of sporting events is not new. The first major scandal in professional football in the United States reportedly occurred in 1906 and involved allegations that the coach of the Canton Bulldogs and a player from the rival Massillon Tigers took bribes to extend to a third game the Ohio League championship series between the two teams.¹ Far more notorious was the “Black Sox” scandal of 1919, in which several members of the Chicago White Sox were accused of taking bribes to throw that year’s World Series against the Cincinnati Reds.²

Notably, both of those scandals occurred prior to the legalization of sports betting, even in Nevada, which was the lone state to permit full-fledged sports books until 2018. Of course, there also have been more recent, widely reported controversies, including the 2007 episode involving a veteran NBA official who was convicted of making calls that impacted point spreads and totals on games he officiated, and a 2014 scandal in which an unlawful bookmaker attempted to persuade University of Texas El Paso (UTEP) players to fix a game.³

The reason for this phenomenon is simple: even without widespread lawful sports betting, unlawful, underground – and, with the advent of the internet, offshore – sports betting proliferated.

Indeed, it is well-recognized that “[m]atch fixing is more likely to occur in illegal markets where there is no regulatory responsibility, where monitoring betting patterns is of no concern, and where line movements may not matter.”⁴

Nevada gaming regulators and the major sports leagues and associations recognized this threat and for many years have maintained efforts intended to deter and to detect attempts to influence game outcomes for nefarious purposes. Notably, the Nevada Gaming Control Board (GCB) long has maintained close relationships with law enforcement to monitor and prevent unlawful activity. In the 2014 UTEP case, for example, the Federal Bureau of Investigation (FBI) reached out to the GCB in its investigation of the scandal.⁵

The increase in regulated sports betting has led to an increased focus on game integrity. The sports leagues have adopted explicit policies governing player, official and staff behavior and have devoted substantial resources to their policing efforts.⁶

¹ See, e.g., “Blondy Wallace and the Biggest Football Scandal Ever: 1906,” *The Professional Football Researchers Association*, available at www.profootballresearchers.org/articles/Blondy_Wallace_Scandal_.pdf (noting that the details of the scandal and of those responsible remain controverted).

² See, e.g., “Black Sox Scandal,” *Encyclopaedia Britannica*, available at www.britannica.com/event/Black-Sox-Scandal.

³ Harris, B. (2020), “Regulated Sports Betting: A Nevada Perspective,” *UNLV Gaming Law Journal*, 10(1), 75-104, at 85-86 (internal citation omitted).

⁴ *Id.* at 82.

⁵ *Id.* at 86.

⁶ See, e.g., NFL Gambling Policy, available at <https://nflcommunications.com/Documents/2018%20Policies/2018%20Gambling%20Policy%20-%20FINAL.pdf>.



The RSBIX NFL Futures Contracts

Against that backdrop, the impact of the proposed RSBIX NFL Futures Contracts (and any future contracts involving other sporting events) will be negligible for several reasons:

- First, the volume of activity that will be represented through the futures contracts is likely to be extremely modest, when measured against the retail volume of sports-betting nationally. The contracts will be available only to licensed sports books and certain sports industry participants, not to individual consumers (gamblers). Hence, the existence of the market will not add in any way to any “incentive” to fix or otherwise to undermine the integrity of sporting events.
- More importantly, the parties to the contracts themselves will have no motivation to attempt to influence event outcomes. The principal participants – the sports books – will be using the contracts to hedge their underlying economic risk. They will use the contracts to ensure that they are **indifferent** to the outcomes of the sporting events, not to influence the outcomes in either direction. In other words, by entering into the contracts, market participants would protect themselves from undue loss **no matter the outcome**. There simply would be no reason to attempt to influence the events’ outcomes.
- In addition, those sports books are heavily licensed and regulated. Indeed, sports books are classified as financial institutions under federal law and are subject to a panoply of money laundering and suspicious activity reporting obligations.⁷ That is in addition to rigorous state gaming regulatory oversight and requirements.
- Lastly, as already noted, both the gaming regulators and sports leagues and associations already vigorously monitor game integrity to detect unlawful attempts to influence event outcomes. Nothing about the proposed contracts necessitates any different or additional efforts in that regard.

For all of those reasons, USI is confident in attesting that the offering of the RSBIX NFL Futures Contracts will in no way contribute to the manipulation of sporting event outcomes or otherwise undermine the integrity of sporting events.

Thank you very much for the opportunity to submit these comments.

Respectfully submitted,

Matthew Holt
Founder & CEO

⁷ See 31 U.S.C. § 5312(a)(2).