SIG
SUSQUEHANNA

January 14, 2021

VIA Electronic Submission and Email

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

Re: CFTC Rule 40.11(c) Review and Comment Period
Proposed RSBIX NFL Futures Contracts (Industry Filing 20-004)

Dear Mr. Kirkpatrick:

Susquehanna International Group, LLP ("SIG")[1] appreciates the opportunity to comment on the proposed RSBIX NFL futures contracts (the "Contracts") self-certified by the Eris Exchange on December 15, 2020 (the "proposal"). The Commodity Futures Trading Commission ("CFTC") has provided several questions regarding the proposal that relate, in large part, to the public interest. As a longstanding market maker ("MM") of exchange traded derivative instruments, we believe the public interest would be very much served by the Eris Exchange providing a regulated market to trade the Contracts in the proposed manner and we would enthusiastically offer our services as a MM in the Contracts. The reasons supporting our views are provided below.

The perceived value of a derivatives product stems largely from its ability to hedge against unwanted risk. When a product with such abilities is made available by a regulated derivatives market, the public generally benefits. In this case, we believe that there will be significant direct and indirect benefits to numerous stakeholders, such as the targeted eligible contract participant customers (i.e. the licensed sportsbooks and the owners of sports stadiums and arenas), their end-user retail consumers (in terms of cost and risk pass-thru) and the various regulatory and taxing authorities of the states in which they reside.

The Contracts are not only suitable to help manage the significant financial risks applicable to the NFL related businesses (the "Customers"), the efficient access and transparency provided by the Eris Exchange for the Contracts should attract meaningful counter-party competition and

1 SIG affiliated companies have operated as registered market makers and brokers in the U.S. securities and futures markets for over 30 years and collectively participate in a significant percentage of daily consolidated volume in exchange listed products.

liquidity. Such competition and liquidity results in better "fair market" pricing and helps avoid unwanted market volatility. Ultimately, combining this highly effective hedge product with the efficiencies of the Eris Exchange will bring a level of symbiosis between Customers and liquidity providers that will provide better prices for Customers and significantly serve the public good.

Several of the CFTC's questions regarding the potential listing of the Contracts relate to whether the Contracts constitute "gaming" as referenced in CFTC Rule 40.11. We defer to the arguments the Eris Exchange and its representatives have submitted on this issue. However, we understand the distinction between gaming and trading in the Contracts as follows. Sportsbooks operate a licensed and legal business in their home states under the guidance and regulatory authority of their respective state gaming regulatory bodies. The licensed sportsbooks face financial risk for their operations. The Contracts provide a financial markets solution to hedging such risk. As such, the hedging activity is financial trading, not gaming, and is therefore properly before the CFTC for approval.

An additional question posed by the CFTC asks if the Contracts could create incentives to influence the outcome of the underlying sporting events. We believe listing of the Contracts will have the opposite effect. As an initial matter, as referenced above, there is a multibillion dollar gaming industry with an extensive regulatory and oversight system in place to address those concerns. Secondly, the purpose of approving the Contracts and creating a hedging market is to provide a mechanism to hedge risk associated with underlying sporting events such that the parties to the transaction have less risk to the outcome of the underlying event. Finally, the more transparency with respect to the financial interests on the outcome of a sporting event the less opportunity for such a situation to occur as pricing discrepancies would garner attention.

The final question posed by the CFTC with respect to the Contracts is whether the Contracts are "contrary to the public interest". We believe the opposite, that the Contracts are very much in the public interest and will significantly benefit, both directly and indirectly, multiple underlying stakeholders as discussed below.

The Contracts can be used to hedge business risks in the same manner as other successfully listed hedging products. That is, once the excess business risk has been identified by the Customer, it can be efficiently transferred to another party more willing and able to manage the risk. Indeed, when a farmer uses a listed future to hedge a crop harvest, or a financial institution uses a listed future to hedge a portfolio of investment products, the same general risk management goal applies to those financial markets users as it does to Customers that will hedge using the Contracts on the Eris Exchange. In this instance, Customers such as the owners of sports stadiums and arenas can similarly hedge the business risk of uncertain revenues associated with potentially hosting additional playoff games. The ability to hedge risk will also enable licensed sportsbooks to operate sounder businesses--whether the licensed sportsbook is a private entity or a public entity (such as a state lottery). Typically, a sportsbook that reaches its risk limit on a specific underlying sporting event stops accepting additional wagers with respect to that event. The availability of the Contracts however, will enable the sportsbooks to hedge that risk, balance their book and continue accepting additional wagers from its end-user retail consumers. The end-user retail consumers benefit indirectly from the Contracts because they will be able to place wagers that the sportsbooks would otherwise not accept; and licensed sportsbooks will benefit by being able to continue operating their business rather than temporarily stopping taking wagers due to identifiable risk. Further, given the inherent uncertainty of the outcome of sporting events, licensed sportsbooks typically charge a consumer at -110 odds (the consumer must wager $110 to win $100) to place a bet. Knowing that the Contracts provide a hedging tool should enable the licensed sportsbooks to overall reduce their prices (which are typically set to include risk) thereby benefiting the end-user, retail consumer. Consequently, the licensed sportsbook benefits from operating a risk managed business, the end-user, retail consumer benefits from improved pricing and the state benefits from increased tax revenues.

Similarly, approval of the Contracts will benefit the overall United States sports betting market and state treasuries by attracting sports betting activity from the offshore, unregulated and untaxed market to the onshore, regulated and taxed market. Since the United States Supreme Court struck down the Professional and Amateur Sports Protection Act in May, 2018, 25 states and the District of Columbia have legalized sports wagering, with several more states proposing to do so in the coming years. However, recent articles suggest that the entire United States legal, regulated, taxed sports wagering market is less than 10% the size of the offshore, unregulated, untaxed market. Reasons include, among other things, high pricing, lack of innovation and the inability to make large wagers. As referenced above, approval of the Contracts and the resulting ability for licensed sportsbook operators to more easily hedge risk will help address those issues. See: https://www.actionnetwork.com/general/despite-growth-legal-sports-betting-still-just-fraction-of-illegal-market.

In conclusion, SIG strongly supports the CFTC's approval of the listing of the Contracts and believes that the Contracts are in the public interest as they are an innovative product that will create an active, competitive hedging market benefiting a variety of different stakeholders, including licensed sportsbooks, stadium and arena owners, retail sports wagering customers and numerous state regulatory and taxing authorities.

Sincerely,

DMPollard

David Pollard,
Head of Strategic Planning