

August 8, 2024

The Honorable Rostin Behnam
Chairman
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Re: Comment on Proposed Rulemaking on Event Contracts

Dear Chair Behnam,

We are writing in response to the Commodity Futures Trading Commission's ("CFTC") proposal to amend its rules concerning event contracts in certain excluded commodities (the "Proposal"). We, the undersigned individuals and organizations, firmly support the CFTC's Proposal due to the substantial and multifaceted threats that political event contracts pose to our democratic processes, financial market integrity, public trust, and the CFTC's important mission serving the American people.

Firstly, political event contracts undermine the integrity of elections by introducing financial incentives that can drive manipulation and interference. Allowing betting on election outcomes creates dangerous circumstances where individuals or groups might attempt to influence electoral processes for financial gain. This not only threatens the fairness of elections but also encourages unethical and potentially illegal activities aimed at skewing results.

Secondly, the Proposal is vital to prevent the erosion of public trust in our electoral system. In an era where misinformation and disinformation are rampant, adding a layer of financial speculation to elections will exacerbate public skepticism. By prohibiting these contracts as against public policy, the CFTC would help protect the right to vote, ensure that those elected reflect the will of the voters, preserve the sanctity of the electoral process, and reinforce the message that elections are about civic duty and democratic participation, not financial speculation.

Moreover, our support for the Proposal is rooted in several key aspects of the amendments, which are crucial for maintaining the integrity and fairness of both our financial markets and our democratic systems. For example, the amendments focus on simplifying the criteria for what constitutes an event contract that "involves" an enumerated activity, such as political events, is significant and important. By concentrating solely on contracts that "involve" these activities, the CFTC can more effectively prevent contracts that may indirectly link to gambling from being listed or cleared. This is essential to close loopholes that could otherwise be exploited to introduce harmful speculative practices into the market.

Furthermore, clarifying the definition of "gaming" within the CFTC's regulatory framework is a vital component of this Proposal. By explicitly including the staking or risking of something of value on the outcome of various contests, including political contests, the CFTC can more

effectively identify and regulate these event contracts. This clarity helps ensure that any event contract involving political contests, such as elections, is appropriately categorized as gaming. This includes not only the outcomes of elections but also related events such as candidate entries or withdrawals and polling results. This comprehensive approach is necessary to address all potential avenues for speculative gambling on political events.

Most importantly, the proposed amendment to categorically determine that event contracts involving political contests are contrary to the public interest is a decisive and necessary measure. By prohibiting these contracts from being listed for trading or accepted for clearing on CFTC-regulated markets, the CFTC is taking an appropriately strong stance to protect the public interest. This prohibition addresses the significant public interest concerns associated with political event contracts, ensuring that the integrity of our elections and the public's trust in the democratic process are not compromised by speculative financial activities.

From a regulatory perspective, the CFTC's mandate is to oversee commodity and derivatives markets, making sure they function effectively for hedging and price discovery. That ensures that vitally important commodities are available to the American people when they want them, in the amounts they want, and at prices that reasonable reflect supply and demand. Whether the CFTC does that job well or poorly impacts everything from cereal and coffee at breakfast, bread and peanut butter in lunch sandwiches, gas for cars and trucks, cotton for shirts and skirts, and sugar in almost everything. In contrast, political event contracts offer no such significant hedging benefits and do not contribute to price discovery. Instead, they represent speculative gambling that falls outside the CFTC's regulatory expertise, experience, and purview, and will detract the CFTC from its primary mission. By focusing on commodities that impact everyday life, such as agricultural products and energy resources, the CFTC can continue to serve and protect the American people.

In conclusion, the CFTC's Proposal is a necessary and decisive action to protect our democratic institutions, uphold market integrity, and maintain public confidence. By prohibiting political event contracts, the CFTC will prevent the introduction of significant risks and ensure that its regulatory focus remains aligned with its core mission of safeguarding the integrity and functionality of the commodity and derivatives markets. We urge the CFTC to finalize and implement the Proposal without delay.

Sincerely,

Action Center on Race and the Economy
Americans for Financial Reform Education Fund
Better Markets
Clean Elections Texas
Common Cause
Congregation of Sisters of St. Agnes
End Citizens United // Let America Vote Action Fund
Get Money Out -- Maryland
Institute for Agriculture and Trade Policy
Michiganders for Fair & Transparent Elections
Missionary Oblates of Mary Immaculate

National Disability Rights Network (NDRN)
NETWORK Lobby for Catholic Social Justice
People Power United
Public Citizen
Revolving Door Project
School Sisters of Notre Dame Collective Investment Fund
Secure Elections Network
Seventh Generation Interfaith Coalition for Responsible Investment
Un-PAC

Individual Signers:

Daniel A. Simon
Jacoba Dolloff
John Chevedden

CC: The Honorable Kristin N. Johnson, Commissioner
The Honorable Christy Goldsmith Romero, Commissioner
The Honorable Summer K. Mersinger, Commissioner
The Honorable Caroline D. Pham, Commissioner