Tennessee Sports Wagering Council

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VIA CFTC Comments Portal
https://comments.cftc.gov

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

RE: Prediction Markets, RIN 3038-AF65

Dear Secretary Kirkpatrick:

The Commodity Futures Trading Commission ("CFTC") seeks public comment regarding event contract derivatives traded on markets commonly referred to "prediction markets," and, in particular, comments related to the types of event contracts that may be prohibited as contrary to the public interest.

The Tennessee Sports Wagering Council ("SWC") is the regulator of sports wagering in the State of Tennessee and is responsible for enforcing and supervising compliance with the laws and rules relating to wagering on sporting events in this state. Offering sports event contracts through prediction markets is fundamentally contrary to the public interest of Tennesseans.

As an initial matter, the SWC disputes that sports event contracts offered on prediction markets fall within the jurisdiction of the CFTC at all. Sports event contracts are sports wagers, not swaps under the Commodity Exchange Act[1]. In Tennessee, it is a taxable privilege to offer sports wagering pursuant to a license issued in accordance with the Tennessee Sports Gaming Act[2] (the "Act"). Sports event contracts offered or accepted by individuals within the state of Tennessee are wagers subject to oversight and enforcement by the SWC. Tennessee, like many

[1] 7 U.S.C.A. §§ 1 *et seq,*
[2] Tenn. Code Ann. §§ 4-49-101 *et seq.*

other states across the nation, has enacted extensive regulatory protections to effectuate its oversight responsibility, governing virtually every dimension of sports betting activity, including:

- The ability to investigate and determine who may operate a sportsbook within the state, including assessing a potential licensee's integrity, honesty, financial responsibility, and ability to comply with applicable laws;
- Defining what types of sporting event markets may be offered, including prohibiting markets that may lead to integrity issues such as certain college proposition wagers, events that involve minors, wagers on injuries, and other wagers that are contrary to the public interest;
- Identifying categories of individuals who may pose a threat to the integrity of sporting events, and designing measures to prevent those individuals from wagering;
- Imposing stringent age, identity, and geolocation verification requirements on players;
- Requiring the creation and maintenance of self-exclusion programs and responsible gaming tools;
- Prohibiting particular types of advertising, promotions, and marketing, especially to minors, and mandating the inclusion of responsible gaming assistance and prevention messages and an approved problem-gambling helpline number:
- Prohibiting the use of credit cards and certain other types of financial instruments;
- Requiring anti-money laundering and fraud controls, and notification of unusual or suspicious wagering activity;
- Requiring extensive integrity monitoring controls and immediate reporting and sharing of integrity concerns;
- Devoting a significant percentage of tax revenue to the funding and support of programs that research and treat problem gambling;
- Reviewing legal agreements between sportsbooks and players, including terms and conditions and house rules governing the acceptance of wagers and payouts to players;
- Establishing a formal complaint and dispute resolution process to assist players with resolving issues with sportsbooks;
- Enacting technical standards designed to ensure the fairness, security, and integrity of online platforms;

- Auditing the operation and performance of sportsbook platforms to ensure compliance with the law;
- Investigating violations of the law and assessing fines against those who violate it; and
- Investigating and vigorously pursuing illegal sportsbooks operating within the state.

Tennessee's laws and rules are essential to manage the risks associated with sports betting, including those posed to individuals at risk for gambling-related harm. The SWC's crucial work in protecting the integrity of sports betting and ensuring that consumer protections are enforced cannot be replaced by the CFTC in the prediction market space on a nationwide basis because the CFTC has neither the authority to replace it, nor the framework or staff to manage it.

Enforcement of protections necessary to create and maintain a healthy, fair and safe sports betting environment requires more than just rulemaking and self-certification by those who offer wagers. Rather, as in Tennessee, it requires the regulatory agency to work closely with all stakeholders on day-to-day questions and considerations on all aspects of the wagering environment essential to the protection of the public interest of Tennessee.

The SWC's team of lawyers, compliance analysts, auditors, accountants, investigators, and technology experts work closely with stakeholders involved in the sports betting industry to ensure that laws and regulations are followed in an effort to create the safest environment possible for players, to manage risk, and to protect the public interest. Those stakeholders include national organizations that are similarly invested in the health and safety of sports betting, such as the North American Gaming Regulators Association, institutes of higher education within the state, sports governing bodies, the Tennessee Department of Mental Health and Substance Abuse, the Tennessee General Assembly, and the constituents of Tennessee who participate in sports betting.

Supplanting Tennessee's robust, effective regulatory structure over sports betting in favor of the limited, self-certifying model of prediction market betting would be highly detrimental to the public interest of Tennessee and its citizens. For these reasons, the SWC strongly objects to the CFTC's continued position regarding prediction market sports event contracts.

Sincerely,

Mary Beth Thomas
Executive Director

cc: William "Billy" Orgel, Chair, Tennessee Sports Wagering Council