

Congress of the United States
Washington, DC 20510

October 6, 2015

Edith Ramirez
Chairwoman
Federal Trade Commission
600 Pennsylvania Avenue, NW
Washington, DC 20580

Dear Chairwoman Ramirez:

We write regarding recent reports that employees of fantasy football websites may have used nonpublic information to place bets at each other's websites. These reports raise serious questions about the integrity of these online fantasy sports websites, and it raises the question of whether there are sufficient consumer and competition safeguards to protect the integrity of these online games.

As you know, Congress enacted the Unlawful Internet Gambling Enforcement Act (UIGEA), which prohibits companies that engage in betting from accepting payment to settle unlawful gambling debts. The bill was supported by Congress and the major sports leagues as an important way to protect the integrity of the games, to ensure that college and professional athletes did not improperly influence the game. The Act explicitly excludes fantasy sports, in which participants make virtual teams based on real athletic players and score points based on the performance of those players in real games. The exemption was made on the assumption that it would not affect the integrity of the game and would be inconsequential.

Recently, a number of websites have created daily or weekly contests in which online participants compete against tens or hundreds of opponents to win cash prizes. These websites have ballooned in popularity with prize pools of up to \$2 million. However, employees of two of the most popular websites, DraftKings and FanDuel, have allegedly won large prizes at the rival's websites. Recently one employee of DraftKings accidentally leaked ownership and lineup information and won \$350,000 the same week in the rival site. If he had early access to this data, it would have given him a significant advantage in the contest he entered. Furthermore, it was reported that there are no prohibitions on employees using rival websites. In fact, according to one industry employee quoted by Legal Sports Report, many of the top moneymaking players at these sites "are employees – often executives – of other sites."

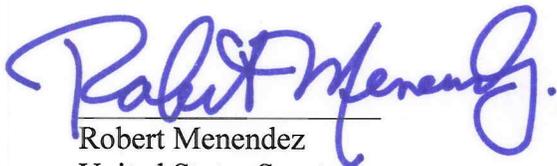
UIGEA required the Treasury Department and the Federal Reserve Board to jointly create regulations for payments systems to block unlawful bets, but the Act gives the Federal Trade Commission (FTC) the authority to enforce provisions not otherwise specifically assigned. We ask whether the FTC has sufficient jurisdiction to promulgate regulations that include safeguards against this behavior, or whether additional legislation is needed.

Consumers also expect companies that hold online contests to do so in a fair, transparent manner. Allowing employees of fantasy sports websites with access to nonpublic information to participate in online fantasy games, even if the games are operated by other fantasy sports companies, could give

those employees an advantage akin to insider trading. Therefore, we also ask the FTC to investigate whether this constitutes an “unfair or deceptive practice” as defined in Section 5 of the FTC Act.

We believe that fantasy sports should be legal and be subject to appropriate consumer and competitive protections. Therefore, we look forward to hearing from you on this practice. If you have any questions, please contact Senator Menendez’s Counsel, Andrew Geibel, at (202) 224-4744 or Representative Pallone’s Counsel, Lisa Goldman at (202) 226-3400. Thank you for reviewing this issue. We look forward to hearing from you.

Sincerely,


Robert Menendez
United States Senator


Frank Pallone
Member of Congress