From: Josh Davidson <josh@algorithmfx.com>
Sent: Friday, January 15, 2010 4:59 PM
To: secretary <secretary@CFTC.gov>
Subject: Regulation of Retail Forex

RE: RIN 3038-AC61

Dear Sir,

At first I thought the suggestion in the memorandum mentioned above to restrict the available margin offered to retail forex traders to 10:1 was a joke. I mean anybody familiar with the futures market knows that a currency future offers anywhere from 100:1 for day trading margin to 50:1 for overnight margin.

The EC contract which is valued at $125,000 EUR has a notional USD value of around $175,000 USD when the EC price is at 1.4000. However a broker like Interactive Brokers has the following margin requirements:

Intraday Initial: $2025
Intraday Maintenance: $1500
Overnight Initial: $4000
Overnight Maintenance: $3000
Source: http://www.interactivebrokers.com/en/accounts/margin.php?ib_entity=llc

Even taking the highest required margin ($4000), this means that you can trade the Euro Future at nearly a 50:1 level of leverage!

So, I must ask, is the suggestion that retail forex customers have only a 10:1 level of leverage a joke? Or are the members of your staff who suggested such an idea so disconnected from actual trading and the market that they were just ignorant of that fact. I mean they were looking to require 5x the amount of margin to trade on cash forex market even though it has far greater liquidity and more participants?

Either way, it doesn't look good for the bureaucrats at the CFTC.

Sincerely,
Josh Davidson