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To: secretary <secretary@CFTC.gov>
Subject: Regulation of Retail Forex

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I am an experienced trader on the foreign exchange spot market. I am informed that the Commodity Futures Trading Commission is considering a proposal that would limit leverage to a 10:1 ratio. That proposal would be devastating to my trading. There would be no reason to continue, and I would be out of business. Forex trading is currently my only source of income. I have been unable to find any employment, and there is no possibility that I could ever find a job that would permit me to make the money I need to pay my bills and build my savings. Yet with forex trading, I am able to do both using a 100:1 leverage. A 10:1 ratio would require I make 10 times as many successful trades. There is no logic to the imposition of this restriction.

I would agree that a 10:1 ratio would likely result in smaller losses and smaller gains from trading forex. That restriction, however, will not make traders better or more successful. If a trader is unsuccessful, losing money at a smaller rate is illogical and serves no substantial public purpose. Forex trading is, by its nature, an activity that involves substantial risk. That risk is controlled by money/trade management techniques combined with basic, sound trading strategies and analysis - not by limiting the size of trades, which is the sole effect of artificially increasing the amount of margin required to trade.

If the CFTC wants to have a serious impact in providing logic and sound regulation of the forex market within U.S. borders, clearly the resources should be applied to exposing disreputable brokers and, more importantly, providing educational opportunities for retail traders. The most significant reason for unsuccessful trading is education. Limiting the size of trades through margin requirements will only produce the same lack of success over a longer period of time.

If the purpose of the proposed limitation on leverage is designed to create stability in or among brokers, it would appear that experience does not justify the regulation. Brokers with inadequate resources, reserves and systems will fail and have failed precisely for those reasons. On the other hand, the quality brokers have used sound financial management to persevere and profit.

Thus, regardless of whether the objective is to protect traders from their own ignorance or folly by having them lose money in smaller amounts but with the same result over a longer period of time, or if the objective is to make marginal brokers less marginal, the proposed regulation of leverage would accomplish neither objective and appears to be a visceral reaction that lacks the analytical foundation to achieve desired results.

I believe that the market clearly does not and should not require a limitation on leverage, whether it is 10:1 or some other number. The proposal resembles trying to prevent automobile accidents by manufacturing better bandages. I strongly object to any limitation on leverage.

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