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**Sent:** Wednesday, January 20, 2010 5:57 PM  
**To:** secretary <secretary@CFTC.gov>  
**Cc:** Stawick, David <dstawick@CFTC.gov>; Smith, Thomas J. <tsmith@CFTC.gov>; Bauer, Jennifer <JBauer@CFTC.gov>; Penner, William <WPenner@CFTC.gov>; Cummings, Christopher W. <ccummings@CFTC.gov>; Sanchez, Peter <PSanchez@CFTC.gov>  
**Subject:** Re: STRONGLY OBJECT TO 10-1 LEVERAGE LIMIT IN REGULATION OF RETAIL FOREX PROPOSAL RIN 3038-AC61

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Attn : David Stawick, Secretary and ALL CFTC policymakers re: RIN 3038-AC61

As a non-affiliated US-based Retail FX trader, please note for the record that I am STRONGLY OPPOSED to the 10-1 leverage limit as proposed in RIN 3038-AC61 relating to the Regulation of Retail Forex. (100-1 is the correct level.)

#### **Counter-productive effects**

This senseless limit would in NO way protect, aid or benefit me but rather would greatly harm me since this restriction, if passed,

1. would require that I submit substantially more margin-funds into non-protected, non-FDIC insured, non-SIPC eligible accounts, actually exposing me to increased risk in the event of bankruptcy of my Forex Broker.
2. would NOT divert my business into regulated-Futures trading (as the CFTC is probably hoping), but rather would cause me to seek an unreliable, higher-risk offshore FX broker to trade through, whose practices might be questionable.
3. would HARM & DIMINISH my ability to diversify & protect my entire investment portfolio. If I need to use more margin-funds for Forex, I will have LESS money to allocate to other instruments (stocks, bonds, commodities (gold, oil) cash, Real Estate, etc.), I will be LESS well-diversified and therefore I will have even more risk.

#### **Social Utility – Nanny not needed**

I do not want the CFTC to treat me like a child and dictate how I should trade. While 100-1 leverage is available to me - should I choose it - I am never forced to use it.

Automobile speed limits are socially beneficial because they may reduce or prevent property damage & physical harm to the driver, passengers and many others all around. THIS pointless limitation, however, addresses only a victimless, non-existent, voluntarily self-imposed “phantom” risk.

#### **Slippery-Slope Absurdity**

If client loss-prevention is your aim, then consistency dictates that you also ban trend-following trading strategies since a strong argument can be made that this will prevent more customer losses than your 10-1 leverage-limitation proposal. Is the absurdity of your proposal obvious yet?

#### **Lower FX vols require far greater leverage**

FX volatilities are generally substantially lower than in the Equities or Futures market. Therefore, substantially more leverage is required simply to capture equivalent trading opportunities.

I am very concerned because ever since Congress empowered the CFTC to policy-make in Forex via the Farm-Bill, it's as though you've been given a huge ray gun with no idea how to use it so you're all just shooting anything & everything in sight... To the man with a hammer, everything looks like a nail.

The bottom line is that OTC Retail Forex trading is NOT Futures trading. Please do not try to treat it as such!

**PLEASE IMMEDIATELY STRIKE YOUR PROPOSED 10-1 LEVERAGE LIMITATIONS.** Leave 100-1 leverage intact. Please remain focused ONLY on pursuing anti-fraud provisions and crime prevention, as per your congressional mandate.

Don't let proposal RIN 3038-AC61 become an expensive lesson in unintended consequences....

Thank you.

Michael Farmer  
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