From: gselinsky@aol.com
Sent: Wednesday, January 20, 2010 10:00 PM
To: secretary <secretary@CFTC.gov>
Subject: Proposed regulation of the retail forex market

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To Whom it May Concern:

I am a retail forex trader, who has recently learned of the CTFC's proposed regulation of leverage available by over the counter currency brokerages to customers.

I would like to opine that while the current proposal of 10:1 is considerably more reasonable than FINRA's earlier proposal of 1.6:1, it is still a highly restrictive amount. 10:1 leverage is very restrictive for traders who have little capital to trade with.

Most profitable traders risk no more than 2-5% of their account equity per trade. Most short term currency strategies require a stop loss of 20 to 40 pips, while longer term strategies can require up to 100 pips and even more. Restricting leverage to 10:1 would require that a trader with a long term strategy using mini lots have an account of $5000-$10,000 in size, or switch to a shorter term strategy. Short term strategies, in addition to requiring more screen time, are more difficult to profitably trade especially for beginning traders. This would put traders with little capital in a very difficult position.

It is possible for traders to use micro and nano lot brokers, but such brokers are dealer desk operated, and can take positions against their clients. Such broker arrangements are not suitable for all traders.

It is true that many Forex brokerages carelessly advertise the profitability of currency trading. If the CTFC is interested in protecting investors, it would be wiser to target the deceptive practices of brokerages that make such advertisement claims as "The Euro is easy to trade". There are already SEC regulations in place that regulate the promotional activities of registered investment advisers. Such ideas should be implemented towards the deceptive advertisement practices of certain currency brokerages, which push naive, unsophisticated investors into believing that currency trading is an easy profession. Likewise, stricter rules should be implemented towards purveyors of "currency trading systems", which have a questionable reputation and do not often deliver what their advertisements promise.

One other practice that the CTFC can make mandatory is for brokerages to disclose more clearly the dangers of the careless use of leverage, perhaps requiring an illustration of this with live examples (i.e. account equity risked, possible outcomes over x amount of failed trades), not merely state that leverage "increases risk of loss as well as profits".

Finally, the CTFC can make a more effective effort to regulate "dealer desk" brokerages who take positions against their customers, and may use artificial means of manipulating price information to do so.

Regulating leverage is probably the least effective method of protecting investors from careless losses. It may actually encourage traders with less risk capital to take greater risks, it will hurt professional and responsible traders, and it will certainly encourage a flight from CTFC regulated currency brokerages. The net effect may be opposite of what is desired. Worst of all, it sets a precedent that leverage is the main cause of account destruction, which in my opinion is very untrue.

Thank you for taking my opinion into consideration.

- George Selinsky
Currency Trader