From: jcvr18@aol.com
Sent: Friday, January 15, 2010 10:30 PM
To: secretary <secretary@CFTC.gov>
Subject: RE: NEW proposal for 10:1 leverage for forex

Please don't make this a Law it's ridiculous

Above, I said that too much safety is a bad thing. Hidden away amongst some wonderful regulations to help protect people against many of the more common scams is a little surprise that could spell the end of much retail forex trading at US brokerages.

The plan is to set the **maximum** leverage for US retail forex to **10:1**. Just so that we are clear that this is not me slipping a digit, that's Ten to One.

I love risk management. I can take make the worst trading decisions in the world and only lose money at an incredibly slow pace. Risk management is a good thing, but this is ridiculous.

Just like **NFA's anti-hedging** and **FIFO rules that interfere with stops**, this is stripping away the right to make one's own informed (or uninformed) decisions. Some brokers who know that their customers will take all their money out of the USA have found limited ways around the Hedging and FIFO restrictions, but there won't be a way around this. Once again, in order to protect us, the government is taking away all the sharp tools in the shop so that children can play safely around the power equipment.

This will provide some limited protection foolish newbies who have been known to instantly wipe out their life savings with a mouseclick, but the world can't be designed to protect every person from every possible mistake. The government's regulatory role in the forex market should be to protect us from fiscal fraud, not from being able to click buy or sell with some leverage.

Let's do some math. Suppose you have just over $10,000 in your account. Let's ignore spread for a moment to simplify the math. Under 10:1, you can open only 1 lot. That's $100,000 of an xxxUSD pair. If it goes a few pips against you, then there's not enough money in your account and your broker could give you a margin call. If it goes 50 pips in your favor and you move your SL to breakeven (thus, your current risk is only your profit and nothing else assuming your broker is good at honoring stops) or even to +10 pips (thus locking in $100 profit and having your only risk be $400 of your profit), you won't have enough money to open a second lot (or even a single minilot) if you want to scale into a good position.

Using tight risk management as I've described elsewhere (1% of account balance) and a 20 pip stop, you should be able to place a single trade for 5 minilots in a $10,000 account. Under 10:1, you would be able to open (at most) a second position. Even if you have profit locked in, you wouldn't be able to open a third position for this amount.

In my opinion, this restriction is both stupid and insane. I wonder what those big brokers that will have less local competition due to the capital requirements will think when even more forex traders move their money offshore. How many US jobs will this cost if it is implemented?

What's next? 10:1 leverage on all other commodities?

What to do
Sincerely,
Jeff Simberg