10-001
COMMENT
CL-01396

From: Andy <andy9775@gmail.com>
Sent: Thursday, January 21, 2010 12:04 AM
To: secretary <secretary@CFTC.gov>
Subject: Regulation of Retail forex (Release: 5772-10)

I am writing on the issue of proposed 10:1 leverage in retail forex. I do not believe that this is the way to prevent fraud and protect traders. All this will do is force traders to put up 10 times the amount of money and if someone wants to steal their money they will, and it will be more lucrative. Second in terms of consumer protection, if a trader has x:1 leverage he or she can blow their account not matter what value "x" is, it's all a matter of risk/money management. If one risks 2% of their total account size then there is a smaller chance of losing the account, but if that same person risks 25% of their account, no matter what the overall leverage is, they will still lose, although more with lower leverage. In terms of preventing another financial crises this is a bad way to approach it as retail traders make up less than 4% of total daily transactions. Also many brokers have built in systems where if a trader cannot cover any loss, the position is automatically liquidated. What should be done is trader education, teaching someone what leverage does and forcing them to read on the subject prior to opening an account as well as forcing a 60 day/30 trade demo period. Also a government agency can be formed to educate and protect traders which would create jobs. On the broker end, forcing them to hold customer funds separate from company funds as well as higher standards for records keeping and making sure they have sufficient capital, as well as management and resources that are up to date and up to industry standards in order to protect the trader rather than banning the trader and forcing him to take the brunt of the restructuring. The focus should be on education and creating a higher level of security, this can increase the amount of off shore customers signing up with US firms, thus increasing jobs and growing the entire forex industry in the United States.
Thank You,
Andy C.