

From: Tan Hock Chien <hockchien@gmail.com>
Sent: Thursday, January 21, 2010 1:26 AM
To: secretary <secretary@CFTC.gov>
Subject: Regulation of Retail Forex (RIN 3038-AC61)

Dear Sirs,

RIN 3038-AC61

I have recently learned that as part of the proposed regulations, it is stated: "leverage in retail forex customer accounts would be subject to a 10-to-1 limitation," which means 10:1 leverage would be the maximum amount allowed for all Forex traders in the U.S.

I would like to share my comments below.

Overall I think this is unnecessary and would only have more negative impacts than any benefit.

1. First of all this would only drive all the US-based brokers to other countries. Instead of stopping forex trader in US (and of course also those outside of US), it merely diverts them to other brokers outside US.

2. This is against the fundamental of free market where one should be allowed freedom of choice to decide what leverage he is comfortable with. Unlike loans to those house buyers who the lenders know have no chance of servicing them at all, this leverage in forex generally only cause losses of risk monies. No one is going to lose his house. We should instead focusing on regulating these big reckless financial institutions!

3. The proposed regulations appear to be resulted from the recent financial crisis. If indeed that is the case, it is a case of barking at the wrong tree! The recent crisis was caused not by all these retail investors/speculators, it was caused by the big institutions who did not follow proper risk management practices (who of course leverage on other people's monies!). The proposed restriction is more like killing the cat after being harmed by the tiger.

4. The proposed restriction appears to be a step backward. If indeed this is the direction we go, then we are just going to the direction of more and more market controls, eventually following the foot steps of those countries where their currencies are totally controlled!

5. Normally people who suffer the most are not those who trade with leverage but those who have been cheated to invest in certain forex trading scams. This has nothing to do with leverage. In fact restriction on the leverage may even result in more people having to abandon direct trading and join some of these investment schemes which are scams mostly.

6. The proposed restriction is also going to have negative impact on market liquidity.

In a nutshell, the proposed restriction has all the negative impacts with basically no benefits (since most traders would just change to other brokers in other countries).

I sincerely hope that the proposed change is not implemented.

Best regards,
Hock Chien