

**From:** Raja.N <raja3313@yahoo.com>  
**Sent:** Friday, January 22, 2010 1:48 AM  
**To:** secretary <secretary@CFTC.gov>  
**Subject:** Regulation of Retail Forex

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Greetings Dear Secretary,

Ref: identification number **RIN 3038-AC61**

I am a full time retail forex trader.

We understand CFTC is proposing to reduce leverage for the retail forex to 10:1.

Currently, the Forex playing field favours large players like banks/Multinational companies/Hedge Funds.

Banks have many advantages (as I understand):-

- 1.They have access to large capital for proprietary trading , and hence able to withstand large market swings against their position.
- 2.They have privy info on ->when and how much currency their large corporate multinational clients wish to bring in or transfer out of the country. The banks can time the clients transaction and/or front run their own trades to benefit them.
- 3.They work closely with Central Banks/Fed and may have access to insider info on interest rate changes etc.
- 4.They have dedicated resources such as ->analysts (fundamental/technical) ,risk managers, traders(buy side/ sell side), powerfull computers & software for number crunching and automated trading.

5.Their trading cost (spread) is minimum since forex transactions are cleared at the Interbank network level.

6.The bank also earns the spread (their main income in forex business)

The retail forex trader only has a few advantages:-

1.High leverage allows him to participate in the market with small capital.

2.His "total operating cost" is small (spread + internet + electricity for computer etc)

3.He can be nimble and small pip gains can offset the operating costs and produce net profit for the month end.

If the leverage is reduced for the retail player :-

1.Many retailers may not have adequate initial capital to participate and as a result have to exit the market.

2.There will be decrease in " returns on capital invested".

3.It will decrease the risk involved (for the remaining retail players)

4.It will drive away retail traders to non CFTC regulated brokers

The retail forex industry will shrink to a level where many retail forex brokers and traders have to close/exit .

CFTC should consider limiting the leverage for retail forex to 50:1 rather than a drastic reduction to 10:1

I would request and like to know what is the current and proposed

leverage for Banks and Hedge Funds.

Thank You & Have a Great day.  
Best Regards

Nadaraja.C (Raja)