From: Daniel Shinnick <drshinnick@geovantage.com>
Sent: Friday, January 22, 2010 12:03 PM
To: secretary <secretary@CFTC.gov>
Subject: Regulation of Retail Forex

Mr. Secretary,

     Good day to you. I am writing regarding Proposal number RIN 3038-AC61 which it is my understanding proposes among other things:

1. Require the registration of counterparties offering retail foreign currency contracts as either futures commission merchants (FCMs) or retail foreign exchange dealers (RFEDs).

2. Persons who solicit orders, exercise discretionary trading authority and operate pools with respect to retail forex would also be required to register.

3. As was the case prior to the passage of the Farm Bill, "otherwise regulated" entities such as financial institutions and SEC-registered brokers or dealers remain able to serve as counterparties in such transactions under the oversight of their primary regulators.

The proposed regulations also include financial requirements designed to ensure the financial integrity of firms engaging in retail forex transactions and robust customer protections.

4. FCMs and RFEDs would be required to maintain net capital of $20 million plus 5% of the amount, if any, by which liabilities to retail forex customers exceed $10 million.

5. Leverage in retail forex customer accounts would be subject to a 10-to-1 limitation.

6. All retail forex counterparties and intermediaries would be required to distribute forex-specific risk disclosure statements to customers, and comply with comprehensive recordkeeping and reporting requirements.

I've taken these point directly from the CFTC release posted on the website and mean only to address those things specifically mentioned therein. I support the majority of these regulations in principle including the registration of counterparties as FCM's and/or RFEDs (pts 1-3), the maintenance of capital (pt 4) though to what level, I defer to those more knowledgeable. The requirement of dissemination of information regarding forex-specific risk (pt6) I also support as there does exist a sizable amount of risk.

However I take issue with Point 5, the limitation on leverage to 10:1. I can only speak for myself but such a limit will manifestly change the nature of the market not just for the broker but also for the clients of which I am one. It will in effect place investments beyond my personal reach and as such shut me out of the market all together.

As a responsible investor I have done all the due diligence in learning about the risks involved with trading the forex market. I have investigated the background of my broker on your website, made certain they are register as a Futures Merchant and studied trading at length. Though to my knowledge they are not mandated to do so fx dealers almost universally offer free practice accounts. This is an invaluable tool to this kind of study and it is vital in my opinion. To be sure FX trading is not something to be engaged in by the undisciplined but minimum margin account balances such as would become mandatory under the 10:1 leverage regulation are no guarantee of discipline. They do however guarantee exclusive access to the market by those of means. When the market itself offers an avenue to success for those possessing the proper discipline to limit it's access to only a few would be irresponsible.

That is what I believe the regulation seeks to establish with its 10:1 leverage requirement. Some assurance of the quality of the investor. As such, I would support mandatory offering of the practice account perhaps even a minimum number of practice trades. But I cannot support a regulation that will in effect make my continued learning and appreciation of this highly disciplined practice less tangible and success less achievable. I encourage you to let the investor decide his or her own mind about the risks they are willing to accept.

Humbly,

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