

**From:** Edward Schwarze <samuraidog1@gmail.com>  
**Sent:** Friday, January 22, 2010 12:34 PM  
**To:** secretary <secretary@CFTC.gov>  
**Subject:** Release 5772-10

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Dear CFTC:

I wish to take this opportunity to respond to Release: 5772-10 which I just finished reading in its entirety. While I am certainly in agreement that some form of regulation of off-exchange retail foreign currency transactions is in order, and the need certainly exists to protect the consumer from fraudulent practices within the industry, it is my opinion that the scope of your proposal goes too far.

In particular I wish to speak in reference to the proposed 10:1 limitation on leverage in retail forex customer accounts. I believe this limitation would prove quite problematic in several respects. I have traded the retail forex currency market for several years now at a 100:1 leverage level (200:1 has been available). I realize this amount of leverage allows for a more significant return on investment even with small market movements, but also carries with it the potential for a speedier loss of invested monies. I have been comfortable with this trade-off. It has required me to be careful in my training and planning. What it has also offered is the opportunity for me and thousands of others to begin trading in the foreign exchange market with a very small initial investment. Nowhere else in the investment world did I find the opportunity to begin building a respectable account balance with trades of only \$100.00.

Restricting the leverage to 10:1 would certainly reduce the risk of trading considerably, but at the same time it would also reduce returns by an astounding 90%! This could very well cause investors who now are happy to move in and out of the market in safer short duration trades to be tempted to leave their trades in the market longer in an attempt to generate improved gains. This would certainly increase the odds that the market could turn against such individuals and remove their profits.

As I mentioned earlier, it is the leverage in the foreign exchange currency markets that initially attracted me to them. I have long subscribed to the idea that funds used for trading should not come from vital financial areas but instead from expendable monies that would not disrupt one's lifestyle if lost. As you are no doubt aware, there are many investing opportunities available for those with deep pockets who have large amounts available for speculation. For many of us these opportunities are not or should not be available. Yet we hear of individuals who watch their savings or mortgage monies disappear in such transactions. The forex market, for me, gives those with limited funds an opportunity to explore the world of investing and speculation with amounts small enough to be within reach of the average consumer.

It is the 100:1 leverage that makes this possible. Limiting this leverage will likely serve to do only one of two things: (1) drive thousands of individuals such as myself out of the forex market completely, or (2) compel investors to seek opportunities with foreign brokers who will no doubt leave their leverage levels intact. This would certainly be contrary to the purpose of your legislation, as we all know that fraudulent brokers are much more commonly found in overseas and even in neighboring nations.

I thank you for your efforts to improve the safety with which investors participate in the forex market. Please understand that I do support these efforts. But I must ask you to reconsider your stand on leverage levels. I would very much support you in requiring brokers to offer investors a broader scope of leverage options. Requiring brokers to offer a range of leverage levels from 10 to 100:1, for example, would allow the investors themselves to choose between the increased safety net of lower leverage levels and the increased risk/reward ratio of the 100:1 level. But to eliminate the higher leverage levels completely would prove to be a devastating move for smaller investors.

Thank you for your attention to this matter. It is my hope that you will give serious consideration to my request and my future as a forex trader. Should you wish to contact me regarding this matter, please feel free to use this e-mail address.

Sincerely,  
Edward T. Schwarze