

From: Will Chase <wtchase@ameritech.net>
Sent: Friday, January 22, 2010 3:06 PM
To: secretary <secretary@CFTC.gov>
Subject: Regulation of Retail Forex

Regarding: RIN 3038-AC61

As a trader who's been trading Forex, Futures, Stocks, Index Funds and commodities now for a couple years now, I would like to make some comments regarding the proposed new regulations.

It seems as though the current environment is bent on continually generating new regulations in an effort to protect people from themselves. It is interesting to me, since the retail Forex market is run by firms without regulation, and the Forex firms that run these operations are largely bucket shops who trade against the clients, unlike futures exchanges. These firms put the retail Forex trader at an extreme disadvantage as compared with futures firms regulated by the SEC.

What 100:1 does for the retail trader is allow that trader to withstand the daily volatility and to establish wide protective stops. Without a smaller margin requirement, retail traders will set tighter stops, and lose more money. Having said that, any trader not employing proper risk management strategies will lose money, no matter what the margin is. In essence, the new policy will cause traders to lose more money, not protect them. Bad traders will lose money regardless, but the new policy will cause them to lose it quicker.

Also, what the retail Forex industry has allowed the "small" guy to do, is to enter the world of trading and learn how to make money with a small amount of capital. This is good, since the government has done and is doing a lousy job of protecting the social security program. More people learning to trade and making money doing it, will ease the welfare burden of the government. Of course, I'm assuming your agency is taking a "protectionist" position on behalf of the retail trader. If you are, you are misguided.

Also, please note that if the US adopts this policy, guess where retail traders will trade? Outside the US.

My suggestion is to regulate that firms that operate these Forex shops for they are largely a license to steal money from retail traders. This is why most of my transactions already are through a futures exchange. Having said that, currency crosses can only be traded on the spot Forex market. For that reason, and that reason alone, I keep a retail Forex account open. It appears with the current environment however, that I need to start looking to Sweden, Australia or the UK for my spot Forex transactions.

Sincerely; William T. Chase