

From: Juraj Obert <bboybladej@gmail.com>
Sent: Friday, January 22, 2010 4:29 PM
To: secretary <secretary@CFTC.gov>
Subject: Regulation of Retail Forex

Dear Sir or Madam,

I would like to express my opinion on your latest proposal of regulation of retail Forex trading. This raised some concerns about the future of the greatest capital market today. While your proposal addresses several aspects, I would like to focus on the major issue, which is the proposed restriction of maximum leverage to 10:1.

First, let me say that I find imposing a limit on leverage to be a helpful idea, in the sense that it will prevent inexperienced traders from losing their accounts too fast - sometimes in a manner of days. Very often, we are witnesses to mind-blowing losses, which are mainly due to extensive use of high leverage.

On the other hand, high leverage is what attracts professional traders to this market in the first place. Professionals commonly use leverage of up to 50:1 and they can do it in a safe, controlled way. I consider myself to be a very advanced trader and I never use leverage higher than 20:1 - 30:1. Therefore, I find the limit of 10:1 to be simply too low.

I understand that an effort is being made to protect traders' funds, but you must also understand that lowering leverage will not necessarily turn bad traders into good traders. It will protect them from losing their accounts, but only temporarily. Hence I find this solution to be inadequate, in the sense that it will only delay the problem.

I would like to ask you to consider the following proposition: Let the maximum limit of 10:1 be applicable only to novice, inexperienced traders and let experienced and professional traders use higher leverage. The trading skills can be simply measured by providing a track record, which can be reviewed by respective brokerage companies. These can then allow a trader to use higher leverage, if their record proves to be consistently profitable and in accord with sound money management rules. Requirements for a trading record to be considered adequate can be formulated by CFTC.

To sum up, I believe that a limit on maximum leverage is a useful tool to prevent traders from losing their accounts too quickly. However, it is counter-productive for professional traders with sound money management rules. Therefore, I propose to limit leverage to 1:10 for novice traders, and establish a set of requirements, which would allow a trader with a proven track record to lift their leverage to at least 1:50.

Sincerely,

Juraj Obert,
PhD student
University of Central Florida