

From: Paul Krater <paulk2002@yahoo.com>
Sent: Monday, January 18, 2010 10:10 AM
To: secretary <secretary@CFTC.gov>
Subject: Forex leverage

To Whomever:

I just read a report that you all are considering lowering the maximum leverage from 100 to 1 to 10 to 1 for traders here in the US.

I already wrote to the NFA, when they changed the trading rules to require FIFO and no more hedging, which in my opinion, hurt the traders who knew what they were doing, and obviously fell on deaf ears and the NFA doesn't care about the real traders - they only want to "protect" the new trader.

This email might not do any good with you all either, but I'm writing it just the same, in case there are some people in this "overseeing body" who are smarter than those in the NFA.

I confess, leverage has always been one of those areas of trading that I didn't understand too well, except to say that when I traded, and I had a 200 to 1 leverage, my margin requirement wasn't as large as it is now, at 100 to 1, and if I understand things, and you all require 10 to 1, then that will kill trading for most people except for the very rich, for it will require traders to have a very large account size (which most people don't have), to be able to trade just one lot on a normal acct, to earn any good amount.

For a 100K demo acct, and 200 to 1 leverage, I used to be able to trade 10 lots of Eur/Jpy and my margin was about \$7,500, and now, if I wanted to trade those same 10 lots, it would be about \$15,000. If you make the leverage 10 to 1, then you will cause a lot of traders to not trade, for they don't have the money to do so, for in the above example, I would only be able to trade about 5 lots that would be approximately \$75,000 in margin, for just one pair and one trade, which would be suicide to be trading like that - much too risky.

And like I said, most traders don't even have \$10,000 in their acct. You would be hurting the industry to require such a small leverage, when you and the NFA are supposedly trying to "protect" the trader.

Well, I don't think this will protect the trader - they will still make the same stupid mistakes 'cuz they don't know what they're doing, while the ones that do, won't be able to do what they'd like, which is to earn money.

But you probably don't trade, so you wouldn't know, just like the politicians who aren't passing a health care bill - they get health care whether it's passed or not, but to MILLIONS of people, those are the ones that NEED it, yet can't get it or afford it, 'cuz some person just doesn't "get it", and you all are probably like politicians - just passing this and that, thinking that you're doing the "right thing" - trying to "protect" the average and new trader, when all along, with all of these new rules, you're just making it harder and harder for the true trader to earn a living, all the while letting the rich get richer and the middle layer getting squeezed out again, and you all, as a "governing body", just pass one thing after another, w/o really knowing what you're doing to the true trader (not the banks or corporate giants).

A suggestion: Pass a rule that those who are fortunate enough to have more than a 100K regular acct, that they have to have 10 to 1 leverage, but let the smaller accts be 200 to 1 leverage.

Again, this will probably fall on deaf ears (as has so many other emails to the NFA), 'cuz mo than likely, no one there trades and knows what really goes on (and you're trying to protect those who shouldn't even be trading in a live acct, unless they understand and know how to trade in the first place, by having a track record and good history in a demo acct), where they end up losing their money 'cuz they didn't know what they were doing, or they got away from what they had learned and practiced.

If you do pass the leverage to 10 to 1, just know that you will be the cause of many more traders losing or not trading, and letting the rich get richer.

Regards,
Paul Krater
A Forex Trader