

From: Elias Lorette <eliaslr30@gmail.com>
Sent: Saturday, January 23, 2010 2:17 AM
To: secretary <secretary@CFTC.gov>
Subject: Comment on forex leverage

To whom it concerns,

I do not think it is a good idea to limit the leverage to 10 to 1. Here is why:

1. Leverage is really a traders best friend - if he/she is trading a good system.

A good trader may not be able to trade the markets with low leverage because it would take him too long to make any money, as a result you will be limiting the trading pool to only those individuals who are wealthy or already financially independent. That is somewhat discriminatory don't you think.

The best thing really to do is to allow people to trade with high leverage but limit the amount they can deposit into their account. For example someone can deposit 50.00 into a 500 to 1 account and trade a position worth 25000. That's good leverage. Actually if they lose the initial 50.00 - that's tough but it's not a fortune. On the other hand if they are a good trader they can make a livelihood from it - which really is the point of trading. So I don't think high leverage should be ruled out for everyone. Maybe you could come up with a rule that you need to make a certain profit in your account over a certain amount of time in order for your leverage to be increased. I think proving that you are a savvy trader should be one rule in determining if someone should be allowed to risk a certain amount of money. For example, you could state that someone could start with 10:1 leverage and if after a week, they are making profits they can trade at 20:1 then 40:1 up to 400:1. On the contrary you could have a broker limit the leverage for a customer who is losing money and not trading well; for example if they are losing money after a week of trading then their leverage could be cut in half.

The market is about making money and if you take the possibility of making money out of the market then there will be no draw for anyone to trade forex thereby defeating the purpose of the trading. I think it would be very unfair to eliminate high leverage trading altogether but I do agree that the forex should be better regulated.

For example there is a retail broker that I have traded with that will only give you the quoted price when you close your position. For example if you are going long and the price goes from 1.5050 to 1.5060 and you open up a window to close your position and the price rises to 1.5075 a good broker will give you the 1.5075 or maybe a little bit more, but a crooked broker will only give you the quoted price of the window at 1.5060, and they will keep the other 15 pips for themselves. That is criminal behavior. But I have traded with a good firm that will give the price even as it rises. That is a good company. I think the board could regulate against unethical and unfair practices like I have described. Also a bad firm will not help you get out of a losing position, for example, like in the case

above if you are
in a position at 1.5050 and it drops to 1.5000 and you decide to get out, then a good firm will liquidate
you at the market,
maybe even as low as 1.4997 but an unfair company will requote as far down as they like maybe to
1.4975 because in some
cases the company doesn't buy the currency but is simply betting that you will lose so they implement
tools to help you lose,
like re quoting a stop loss against you as it moves down. These are just some insights from my
experience into how some brokers work.

The customer should always get the market and not just what the broker thinks is good for them. That
is rule number
one. If a broker gives you a bad price on each trade, it doesn't take long to lose a lot of money, but on the
other hand
if he is fair then sometimes even if you are not trading great you can still make some money.

I hope this helps you.

Sincerely, Elias Lorette.