From: Paul Bakke <psbakke@4dv.net>
Sent: Saturday, January 23, 2010 10:39 AM
To: secretary <secretary@CFTC.gov>
Subject: Opposition to Proposed Regulation of Retail Forex

Mr. Stawick,

I am writing to comment on your proposed regulation, **RIN 3038-AC61**, and register my strongest objection to it.

I am opposed to it for the following reasons:

1. It unduly limits my freedom as a retail forex trader to choose the amount of risk I am willing to take to hold a position.
2. 10:1 leverage or 10% margin requirements will force most retail forex traders out of the market because the volatility of the forex market will force more margin calls and thus rob traders of their capital since most brokers will simply close the position at a loss.
3. This in turn will reduce liquidity in the market since the hundreds of thousands of retail forex traders currently help to provide the liquidity that enables the larger institutions to open and close their positions.
4. Your regulation will have the effect of harming the retail forex trader rather than protecting them.
5. Your regulation will force the retail forex trader to move their accounts to foreign brokers in countries that do not regulate to this degree.

No one I know, whether it be brokerage firms, trading gurus/teachers, or other experienced traders, opens positions in the forex market that take full advantage of the high amount of leverage (i.e. low margin requirements) that has been typically available, up to 400:1 (it's impossible to sustain any kind of movement against the position otherwise if a few pips triggers a margin call). Most competent traders use leverage on the order of 3:1 or 5:1 for initial orders and may build a position that goes as high as 15:1. They do however depend on the extra free margin afforded by high leverage allowances to enable utilizing a relatively large stop loss to endure intraday volatility. For example, if I am an end of day trader, I will typically need to set a stop that is 100 or 200 pips away from the market. With a 10% margin requirement, this will be very difficult to do; even if one uses 1:1 leverage, this forces a higher amount of risk to enter the position than most competent traders feel comfortable taking.

Your recent imposition of 100:1 leverage (1% margin) was bad enough as it put a serious kink in my trading ability, but I'm living with it. If you further reduce the leverage to 10:1, I will have to close down my trading business and so will many others. Please don't do it!

Sincerely,

Paul Bakke, Owner
BB Capital Management Group
Denver, CO