

**From:** Curtis Croft <cr.croft@hotmail.com>  
**Sent:** Saturday, January 23, 2010 4:57 PM  
**To:** secretary <secretary@CFTC.gov>  
**Subject:** Regulation of Retail Forex

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Dear Mr. Stawick:

I am writing in reference to pending regulation changes for retail accounts trading currencies (RIN 3038-AC61). I use the foreign exchange market to hedge currency exposure which I incur with the purchase of foreign stocks and bonds. A reduction in the available leverage in forex accounts from 100:1 to 10:1 would significantly increase capital requirements for these accounts to attain the same level of currency hedging. This would seriously reduce my ability to attain this hedge or would require additional capital to be taken from the portfolios that I am trying to protect.

I assume that this leverage restriction is being proposed because of the serious problems that many Wall Street banks incurred by using high leverage ratios. High leverage can cause severe financial damage in any market if improperly used. However, there are huge differences in market profiles, especially regarding liquidity. For example, if I choose to invest in credit default swaps on the sovereign debt of Abu Dhabi, there may be only 9 other people in the world on the other side of the trade, and we are all looking at the same information to make investment decisions. If I decide that the time is right to sell these instruments, chances are that the other guys just made the same decision, and my investments are suddenly worthless in the short run. Leverage just makes this situation more painful.

In the foreign exchange markets millions of investors are making decisions every minute. All of my positions can be liquidated in a nano-second. There is no more risk to me at 100:1 leverage than at 10:1 as long as I understand the potential impact on my account values from currency price movements and set my contract position level accordingly. If the investing public is experiencing difficulty with these accounts as they are currently structured, I recommend that the CFTC require more educational materials be made available to assist investors in understanding how to use leverage properly rather than penalize the entire marketplace to protect the ill-informed. Thank you.

Regards,

Curtis Croft

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