

From: Eric Kahiga <ericoswavey@gmail.com>
Sent: Sunday, January 24, 2010 8:55 AM
To: secretary <secretary@CFTC.gov>
Subject: Regulation of Retail Forex

Dear Sir.

I am writing about the proposal to control retail forex in the USA. Some of the proposed regulations are good and timely namely;

1. **All** forex brokerages in the USA will have to be registered somewhere.
2. **All** forex account managers in the USA will have to be registered.
3. **All** US based investment pools claiming to be trading forex will have to be registered.
4. **All** IBs to registered brokerages will have to be registered.

This is a good measure and will protect the industry from numerous forex scams.

However, some of the proposals will kill the industry and take jobs away from the USA because traders like me will prefer to trade with a company registered elsewhere. The proposals are namely;

1. FCMs and RFEDs would need to maintain a net capital of at least \$20 million, plus 5% of any amount of retail customer liabilities that exceed \$10 million.

(This will make competition really hard for the upcoming start ups and it is bound to only benefit the more established companies. Another problem is that this could easily make smaller and otherwise well regulated companies move offshore. Some of these will set up shop in places with little or no regulation. This moves both jobs and money out of the USA. It will also make traders in the USA exposed to scams originating in other countries with less regulations. Regulators should have a scaled in capital requirement for start up brokerages while having those below the final minimum be under higher levels of scrutiny.)

2. The plan to set the **maximum** leverage for US retail forex to **10:1**.

This is by far the worst of the regulations. While it is important to protect naive first time traders who might out their life savings by using too much leverage, this will affect everyone else who uses sensible money management. It will only make traders look out for other countries that have favourable leverage limits. One of the attractiveness of forex trading is the leverage offered and one of the most important forex lessons is money management and using leverage wisely. Leverage is a very important tool and albeit dangerous tool. What the Government should is educate the public instead of punishing the traders who know how to effectively use the tools. New traders should be advised to get educated about the forex market before starting to trade.

Kind regards.

Eric.