From: William Lloyd <ywlloyd@yahoo.com>
Sent: Sunday, January 24, 2010 11:36 AM
To: secretary <secretary@CFTC.gov>
Subject: Regulation of Retail Forex

CFTC,

I am a retail forex trader and have been for about five years now. I trade with OANDA, which allows a maximum leverage of 50:1. That is the leverage that I use to trade. I have never had a margin call as I manage my positions and exposure. Please do not lump OANDA in with the bad examples of forex brokers. I have been a customer at OANDA for five years and have never had an instance where I thought OANDA was operating against my interests.

I consider 10:1 leverage as proposed to be too restrictive. At the same time, I believe brokerages that encourage customers to engage in trading at a leverage of 400:1 are doing a disservice to the trading community. I also note that there is apparently no corresponding proposal to limit forex trading for institutions, despite the many examples we have had in the past of institutions blowing up due to leverage (Barings PLC and LTCM being two prominent examples).

I find it difficult to not consider it hypocritical that regulatory agencies want to restrict retail forex trading to 10:1 while other institutions and types of trading that involve significantly more money do not face these kinds of restrictions. My current understanding is that banks such as Goldman Sachs and JP Morgan still have a leverage of between 25:1 and 30:1 as institutions and that other organizations such as GMAC and AIG have leverages as high or higher. Fannie Mae and Freddie Mac are currently trading at leverages of 100:1 or even 400:1 depending on how one calculates. The FDIC uses a leverage of well over 100:1 today. I do not know what the FHA leverage is, but given the recent growth in their retained portfolio, it must at least be over 10:1 and is probably approaching 100:1. The OTC derivatives market also uses large amounts of leverage and has a notional worldwide value of between 600 Trillion and 1,000 Trillion US dollars, depending on who is doing the counting. Former chairperson of the CFTC, Brooksley Born, fought unsuccessfully for regulation on OTC derivatives in the late 1990s. The massively negative impact of OTC derivatives can be clearly seen (perhaps most egregiously in examples such as Iceland and CDS activity (including AIG)). I am of the opinion that CFTCs time would be much better spent dealing with the OTC derivatives issue rather than this.

Surely, the threat to the financial system from any one of these aforementioned examples is multiples of any threat posed by retail forex traders. I am of the opinion that regulatory capital and energy would be better spent on dealing with institutional traders and government controlled entities, who, despite their supposed sophistication, continue to represent a very real and large threat to the financial system.

In short, I am opposed to resticting leverage in the retail forex market to 10:1, especially as institutions will apparently not be under any such similar restrictions. This unfortunately smells very much like the powers ganging up on the little guy to restict market access and force retail traders to use other vehicles (or stop trading) to one, provide money to investment houses, and, two, to reduce competition through regulation rather than through providing a better service to the customer. I do not believe that such a restiction, without a corresponding restriction on institutions, provides for an orderly market or enhances the financial position of the United States. On the contrary, I believe that such a restiction represents an erosion of economic and financial power for the individual, which, in time, will translate to a reduction in the economic and financial positioin of the nation. Throughout history this has always held true and it always will.

My contact information is

ywlloyd@yahoo.com
872 Flagler Dr
Gaithersburg, MD
20878
240.477.7413

Thank you,

William Lloyd