10-001
COMMENT
CL-03751

From: isaiah410@aim.com
Sent: Monday, January 25, 2010 10:43 AM
To: secretary <secretary@CFTC.gov>
Subject: Proposed Retail Forex Leverage Change

Dear CFTC,
I am a retail forex trader and I do believe that the proposed 10-to-1 limit will not only kill the retail forex market but will be counterproductive vis a vis your efforts to fight forex fraud. Please read the excerpt from my blog for my reasoning.

What a difference a year makes; this time last year, world economies and markets were still in the process of carving out a bottom, fear of job losses was rife, and uncertainty reigned supreme. While there is little basis for any end zone style celebration (especially with unemployment still at 10%), things have definitely improved and there is every reason to believe recovery is underway. Recovery cycles are often characterized by new legislative proposals, regulations and rules to control risks and avert the next crisis. Some of these regulations are effective - almost like aces (e.g. FDIC Insurance scheme) but others are unnecessary and sometimes counterproductive. The Jan 13th 2010 proposal to impose a 10-to-1 leverage limitation on U.S retail Forex accounts by the United States Commodity Futures Trading Commission (CFTC) definitely falls in the latter category. The good news is□the CFTC is actively seeking public comments on this proposal and I give CFTC Chairman; Gary Gensler credit for affording us (retail traders) the opportunity to present our view point.

According to the CFTC, The primary reason for the proposed 10-to-1 leverage limit is to further protect consumers against Forex fraud. An excerpt from the CFTC website (http://www.cftc.gov/newsroom/generalpressreleases/2010/pr5772-10.html) reads □□These proposed rules for retail foreign exchange trading are important steps in implementing the additional consumer protections authorized in the 2008 Farm Bill.□

In my view, the 10-to-1 leverage proposal is not only needless but will result in more dollars lost to fraudsters. It simply doesn□t address the issue of fraud.

Today (with the current 100-to-1 leverage), in a standard US retail account; to trade $100,000 of let□s say GBP/ USD, a consumer will need to commit **$1,000.00** whether to a genuine trading platform / Investment Service or a fraudulent one. To trade $100,000 in a 10-to-1 leverage regime (as proposed by the CFTC), a consumer will need to commit **$10,000.00**. This leverage cap does nothing to police fraud or protect unsuspecting investors; instead, it increases the potential amount that will be lost to fraud per incident by tenfold.

The disadvantage of the 10-to-1 leverage proposal has the potential to do even further damage:

1. It will stunt the and even regress the growth of retail Forex industry in the United States; effectively threatening several thousand jobs when unemployment is already at 10%. Many jobs are supported by retail accounts and 10-to-1 will drive several traders out of the US Forex market.

2. When traders are driven out of the US Forex market, where will they go?...offshore of course! Many accounts will end up in the United Kingdom.
So readers, I have given my two cents but please make your position on this issue known to the CFTC by sending your comments to secretary@cftc.gov.