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To: secretary <secretary@CFTC.gov>
Subject: Regulation of Retail Forex

Secretary, CFTC:

The reasoning of the Commission's proposed regulation of the retail forex market place appears to be that retail forex customers need protection. On the one hand, the rules seem to imply, they need protection from dishonest or under-capitalized FCMs and RFEDs. That may be true and several of the proposed rules attend to that.

On the other hand, the proposed 10:1 margin rule seems intended to protect the retail investor from himself. Such protection is not possible if the market remains open. Eventually, an investor is going to lose more or risk more than the commission believes is prudent and the intent of the 10:1 rule will have been violated.

If a rule mandating 10:1 margin is instituted there will be very few retail forex customers to protect. The retail forex "industry" is largely dependent upon high leverage that allows small retail investors to enter the market place with their small stakes. (In one sense, then, the high leverage serves the Commission's purposes of protecting the consumer.) Eliminate the possibility of entry with a small stake, and retail forex will move offshore, where the US investor will have even less protection. The other rules then become irrelevant.

Proper risk management protects the prudent investor in all retail investment markets. Imprudent investors will always find ways to lose money. We can protect retail stock investors from stock market losses by preventing them from buying stocks. We can protect bond investors by preventing them from buying bonds. The same argument can be made for collectibles and real estate.

Perhaps the Commission has sound reasons for the other proposed regulation of the FCMs and RFEDs. These proposals are highly technical -- I leave them to you. However, I strongly object to the idea of reducing the leverage of the retail forex market. Please continue to warn investors, cajole them, scare them. But don't handcuff them in the name of protection.

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