

**From:** Joshua M. Haines <joshuamhaines@gmail.com>  
**Sent:** Monday, January 25, 2010 6:20 PM  
**To:** secretary <secretary@CFTC.gov>  
**Subject:** Regulation of Retail Forex

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To Whom It May Concern:

I am writing you in regards to RIN 3038-AC61. This proposal seeks to bring some regulation and transparency to the retail foreign exchange market, which I applaud, but the limitations sought regarding leverage are unwarranted and inappropriate. First off, leverage is an available resource to traders and they are not mandated to use it. Limiting it to 1/10 of its current commonly found maximum would hinder those traders who are disciplined in its use. It is like forcing all drivers regardless of age and experience to have an instructor ride along 100% of the time. One size does not fit all when it comes to leverage. Those exercising no discipline are not traders but gamblers who can just as easily part with their money just as rapidly at a casino without such restrictions. But those with experience should not be forced to endure the same limits as "first time drivers."

Secondly, it is not the government's place to mandate the amount of risk I can take on, particularly when established industry guidelines already do so. For example, friends of mine have signed up for several credit cards and have run up large balances on all of them. Ultimately credit ceases being extended because those extending credit have determined the threshold they will allow. The retail forex industry widely uses 100:1 leverage and a potential trader can hardly research the markets, investigate a broker, or speak to fellow traders without hearing about the dangers of excessive reliance on margin. Some conservative brokers have restricted leverage even further, such as Interactive Brokers at 40:1, and Dukascopy, which discusses leverage with new clients before determining their margin requirements. RIN 3038-AC61 seeks to restrict the leverage of traders far beyond the long-accepted and conservative thresholds of these responsible and respected brokers and others like them.

Lastly, large capital requirements will be to the detriment of domestic foreign exchange companies. Traders wanting to "get their feet wet" will not be able to afford these new requirements and will invest their money elsewhere. Other traders will find ways around the regulations by opening accounts with foreign companies, thereby driving domestic companies' profits out of the U.S. and ultimately sending the companies themselves fleeing abroad.

While I am whole-heartedly against a change in leverage, I firmly believe in compromise, and offer a few suggestions: 1. consider a higher margin requirement than ARIN 3038-AC61 mandates. For instance, 50:1 is far better than 10:1 for experienced traders, and still far more restrictive than 100:1. 2. The CFTC could offer guidelines to brokers in determining the trading aptitude and experience of those applying for new accounts with their brokerage. Traders who can show experience trading would be allowed greater leverage while new traders would be extended far less. 3. Force brokers to create a form that traders must sign offering a simple outline of leverage and one or two sample trades where leverage is used. 4. Force brokers to create a quick trading simulation that walks potential traders through sample trades and asks them to calculate margin requirements, or alternately the simulation could close with a quiz. This is akin to my school loans. When I was preparing to repay them, I had to read and answer 10 multiple choice questions to finalize my payback settings. Brokers could force traders to do this before finalizing their accounts.

Regardless of the outcome on the topic of leverage, traders are just like those with credit or anyone who walks into a casino, and are ultimately responsible for their own accounts and finances. Limiting

responsible traders and mandating the degree of responsibility that traders must or are allowed to take on is not the government's job, especially when it punishes a functional industry. Please carry on with your consumer protections, but please do not proceed with these excessive restrictions as they are written.

Thank you for your time in this matter,  
Josh Haines