

From: Erik Pettersen <erik.pettersen@rogers.com>
Sent: Tuesday, January 26, 2010 12:33 AM
To: secretary <secretary@CFTC.gov>
Subject: Regulation of Retail Forex

Dear Sirs:

I think everyone applauds the efforts to improve the quality of the OTC Forex Brokerage Industry. To that end I think the CFTC should also consider the following:

1. Have client accounts insured similar to FDIC; and/or
2. Client accounts should be fully segregated under a trust designation from the brokers operating accounts.

The issue all Forex traders have is with the proposal to limit leverage to 10:1. This is put forth on the basis that it will protect these same traders. I believe it was the NFA that has tabled this recommendation and I personally have to question whether the NFA truly represents the Forex industry, especially in light of recent unpopular regulations eliminating hedging and implementing FIFO.

I say this as I am aware the major Forex Brokers have formed a committee to fight this proposed leverage decrease. Why indeed are these firms forced to go to these measures if the NFA is truly representing the Forex industry? It is very evident that this change would have a devastating impact on their business. I hesitate to say, but this is not a good time to be forcing business to leave the U.S.

There are two good expressions that apply in this instance: "If it ain't broke; don't fix it" and "Stupid is as stupid does".

All successful traders only survive because they have excellent money management. That applies to all markets. Some traders might limit their risk on any one trade to 1% of their account and another perhaps 3%. Some may only risk their account on all outstanding trades to a maximum of say 6% or maybe 12%. Some traders will only leave the maximum necessary in their trading accounts and will move funds back and forth from their regular bank accounts as required. The point is each trader develops a money management system that works best for them. It is never intended that leverage of 100:1 even come close to being utilized.

Trading is a business. People who do not know or understand this have no business trading. But of course we know they do. The industry has done a reasonable job with training videos and making demo and micro accounts available. I think perhaps a bit better job could be done with training to include leverage (maybe Excel spreadsheet) along with guidelines on good money management practices. The easier it is for new people to trading to learn about the risks the better. An additional suggestion for account opening procedures is to either ask or be asked to prove how long they have been trading or trading live. It perhaps could be mandatory that someone new to trading may only have a demo account for the first "X" months before they are allowed to open a live account. I personally don't think that is necessary, but I would prefer to see something proactive like that than be faced with a leverage decrease.

The point is you can't stop someone from taking the food money to buy lottery tickets; you can't stop someone from selling the house and going to Vegas. Is it fair to penalize FX traders who have spent considerable time to learn their business to protect those who have not? There is only so much that can be done to protect people who are prepared to gamble their money. The brokerage industry's job is to ensure the risks and training resources are adequately identified.

I'll finish with spot FX trading is world wide and the U.S. would be well served to maintain a competitive properly regulated Forex Brokerage industry. I'm from Canada and if this is enacted, I will close my existing U.S. based account.

Thank you for your time.

Erik Pettersen