

From: Donald Johnson <dmajfx@yahoo.com>
Sent: Wednesday, January 27, 2010 4:27 PM
To: secretary <secretary@CFTC.gov>
Subject: 'Regulation of Retail Forex'

David Stawick,

I would like to comment on the proposal RIN 3038-AC61. I have been trading the retail forex market for 3 years. *I disagree* with the proposal to change the forex leverage to 1:10 in order to reduce risk to the trader.

Point 1 - 1 to 100 leverage - Currently I invest \$300 in trade with the potential to make \$90 profit and I have \$60 at risk as a loss. My trading account is \$3000. I am an intra-day active trader. My trade plan states a 1 to 1.5 risk ratio in my loss to profit ratio. I plan to make 30 pips profit and risk 20 pips as a loss. My current trade plan says that at one time I can have 10% of my account in trade at one time or \$300. Either one trade or three trades at one time can only equal 10% of my account. One trade would be \$300 or 3 trades would be \$100 each. My trade plan states I can only risk 2% of my account as a loss totally per 1 trade or 3 trades combined at one time. So I am risking as a loss a total of \$60 to make a profit of \$90 with \$300 in trade at 1 to 100 leverage.

Point 2 - 1 to 10 leverage - In order to have the same potential \$90 profit and \$60 loss risk I would have to invest in a trade \$3000 instead of \$300 as in point 1. Since that is 100% of my current trading account all your proposal has accomplished for me is not to minimize my risk but to take me out of the market to trade at all. That would include any trader with \$5000 or less in their trading account.

Point 3 - The answer is not leverage control but margin control. Account margin limitations should be revised so that the trader's out of pocket Capital Investment Risk Exposure is never any greater than 5 or 10% of their trading account at any time. Traders with a good trade plan and a good money management plan can control their risk in the forex market with 1 to 100 leverage. Those traders that are asking for your intervention are those traders that trade too high a percent of their trading account in one trade and are risking/allowing too high of a loss percentage of their trading account. Leave leverage alone; leverage is neither the problem or the solution. The answer to risk exposure is not leverage control. In fact, leverage control would have the exact opposite effect by increasing risk - tenfold.

Point 4 - I believe CFTC should use whatever pro-active and aggressive steps necessary to keep unscrupulous brokers/operators and get-rich-quick-and -easy 'fantasy' educational scams out of business.

Don Johnson
2614 S Green St SLC Utah 84106
dmajfx@yahoo.com
cc:<http://hatch.senate.gov/public>