

From: wat_7@netzero.net <"wat_7@netzero.net">
Sent: Friday, January 29, 2010 7:55 PM
To: secretary <secretary@CFTC.gov>
Subject: Regulation of Retail Forex

I am writing to object to the proposed regulation of retail Forex traders (RIN 3038-AC61). Specifically, I object to the provision that states, "Leverage in retail forex customer accounts would be subject to a 10-to-1 limitation."

I understand the cftc see increasing leverage requirements as increasing consumer protection, but the result will be the opposite of what you intend because this provision would drive small retail traders to offshore brokers who are not subject to any regulation. As a result, they may be in danger of losing all their money, regardless of any specific trading decisions they make, because of unethical brokers.

I also have three years of trading experience as an independent trader. and should not be subject to a 10-to-1 limitation and have no idea why you think this would be protective of me. It will prevent me from moving profits out of my trading account on a regular basis because I would need additional capital to maintain margin requirements. The result would be that I would have more money, not less, at risk at any given time.

Finally, it is tempting to say that the small retail trader is most at risk in trading because they're uninformed. This, however, is a questionable statement based on various studies. Research has found that mutual fund managers, newsletter writers, Wall Street strategists, and investment advisors make the same behavioral errors in the financial marketplace as the "uninformed public" does. One only has to look at the behavior that led to the financial crisis of 2008 to know this is true as regards risk. While the response might be that these people can afford it, I remind you that it was the public's money used to bail out the financial institutions.

Rather than a blanket requirement of 10-to-1 leverage, it would be more appropriate to require some sort of training for those who intend to trade, even if this was only confined to risk management issues as opposed to a more general how to trade approach. Traders who could not show sufficient training or experience could be required to pass an online exam that would show they understand risk and money management. The individuals could be assessed a fee for this so that the cost would be borne by those who wished to trade. Brokers could not open an account unless the individual could show proof of passing this exam. This would do more to limit risk than to have a blanket provision such as 10-to-1 margin requirements. This is no different from requiring a driver's license for someone who wishes to drive.