From: Howard M. <howiema@gmail.com>
Sent: Wednesday, February 3, 2010 9:24 PM
To: secretary <secretary@CFTC.gov>
Cc: Donny chuc <akadoggs@hotmail.com>
Subject: Regulation of Retail Forex

RE: Proposal to Change Retail Forex Regulation, specifically 10:1 leveraging.

CFTC,

Please take into serious consideration my comments below regarding your proposed changes for maximum leveraging.
As a Retail Forex investor I find the proposal not only highly restrictive but also detrimental to the retail forex industry in the United States.

My following arguments are presented below in numerical seperation:

1.) By limited leveraging you will deter current investors and prospective investors and force them to open accounts with Retail Forex brokers outside of the United States. Increased captial requirements push prospective investors out of the market because they simply cannot afford to inject higher captial requirements in order to have a the same profit yields prior to this proposed change.

Focus: Push prospective and current investors out of US based FX Brokers

2.) Because there will be a large exodus of retail FX investors going to offshore brokers you effectively reduce the income/revenue generation of US based brokers, due to multiplier factors it will induce a chain of events that will contribute to the lowering of GDP, tax revenue, and increase unemployment. US FX brokers will have reduced clients, reduced business, reduced revenues, reduced profitability- there are simply no clients to earn spreads off of. This will induce cost cutting, reducing staff, degradation of services and the list can go on. The Government is impacted as well because there will be less tax revenue collected from the earnings of these brokerages. If there are no clients there is no revenue.

Focus: Weakening US Economy further via loss of jobs and tax revenue

3.) Reduced liquidity in the market between Retail investors- the proposed changes will deter people from the market, their funds could have potentially be trading in the market but are now vested elsewhere.

4.) Major investment banks will be impacted in the United States as they are the major liquidity providers for some of the FX brokers. This flow of business will be reduced due to reduced retail investors trading in the United States. What was once a mutually beneficial network for both parties may now result in market inefficiencies.

5.) The CFTC already implemented higher margin requirements on December 1, 2009. It would be prudent to observe the impact of the change on the industry for a period of time before making further changes. There is simply not enough data collected to warrant a change in governance/rules. In an effort to create further regulation all historical data must be observerd and analyzed. At this moment in time CFTC and NFA don't even have 6 months of data on the impact of the increased margin requirements put into effect Dec 2009. It is prudent to observe, plan, then act. Not just act and try and fix problems after making a an error- modification of leverage to 10:1 in this case would be erroneous without further supportive data.

6.) Even Canada's Forex regulation deemed as highly restrictive- restricts leverage @ 30:1, moving from 100:1 to 10:1 is a 1000 % change. It would be prudent to explore progressive moves versus such a large change.

Please take my points into consideration-
I am a concerned retail forex investor. If the change is meant to protect forex clients then you have just done the opposite. You have pushed them away from this form of investment all together.

Sincerely,
Howard Ma
Retail forex participant.