From: Rick Holley <diastole@cox.net>
Sent: Thursday, February 4, 2010 8:11 PM
To: secretary <secretary@CFTC.gov>
Subject: Regulation of Retail Forex

Congratulations on your attempts to tighten regulation on the Forex industry and to further its reliability and legitimacy.
I am however writing today as a retail Forex trader to oppose the proposition to alter the margin requirements for forex traders. There are areas within the industry where public safeguards need to be improved, but the margin requirement is not one of them. All regulated firms are already required to disclose at length the function and risk involved in any type of trading. Consumers do not enter the realm blindly, nor do they have risk exposure greater than the amount in their accounts. Brokerages will close any position that falls below the margin requirements automatically. No one will find themselves in an untenable debit position. The reason this market works is because of its extraordinary liquidity, and it is that liquidity which allows our financial institutions the freedom to act in their own interest, especially in troubled times. Eliminating retail forex accessibility only serves to sharply decrease liquidity and has no beneficial purpose in trader protection.

On the contrary, more hard times may befall the banking system if they soon cannot trade currency so freely. The other negative consequence to be considered is that regulations of this type would hinder only American traders, while foreign 'competitors' will have unimpeded freedom. They would have an order of magnitude leverage advantage over Americans, and this would shift huge numbers of American traders and their dollars into foreign accounts almost overnight. This would actually weaken regulatory control over the market.

If there is an area of this market that needs regulatory correction, is it in the current arrangement that the only access retail customers have to the markets and to market data flow often comes from a brokerage that is directly opposed to the consumer in the market. The 'dealing desk' brokerages have an innate conflict of interest that is never allowed in other securities markets. Small consumers are often taken advantage of by unscrupulous means such as requoting, slippage, and in house data feed 'accidents' which are veiled attempts at stop hunting. Cleaning up conflict of interest is the best and most useful means of regulatory effort toward this market. Elimination of liquidity is not.

Thanks for your efforts and attention.

Richard Holley
diastole@cox.net