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Sent: Tuesday, February 9, 2010 1:17 AM
To: secretary <secretary@CFTC.gov>
Subject: Regulation of Retail Forex

Dear CFTC ,

The proposal to reduce the leverage assumes that traders are not using leverage properly. Having leveraging capabilities isn't tantamount to over-leveraging one's positions, and this is what the proposal is failing to recognize; instead, leverage merely allows a trader to exercise exact risk management in relation to the size of their positions. For instance, if a trader wished to risk only 1% of their total capital per position, they would use leverage to determine the amount that they are willing to risk per pip, based on the size of their stop loss. Having leveraging capabilities allows a trader to dynamically adjust the size of their stop, so as to accommodate the current volatility levels of the market, while still maintaining a fixed position risk, regardless of whether they are risking 10 pips or 1000 pips.

Conversely, not having such leverage available will likely negatively impact traders who are using appropriate risk management. Reducing the leverage means that you will have less available margin for active positions, even if you are risking the same amount in both scenarios. This means that such traders are more likely to experience a margin call, assuming a consistent position risk, if the leveraging allowances were to be reduced

The most unpalatable part is that the proposal suggests not only to limit the leverage - they evidently intend to practically eliminate it. Anyone who trades the forex markets knows that this would effectively put an end to US-based retail forex trading, since very few people would be able to properly trade under such a mandate. US-based FCMs would go out of business, and US-based traders would invest their money with overseas brokers.

The proposal sadly appeals to the lowest common denominator: the people who over-leverage positions with inappropriate stop-losses. In doing so, they consequently hurt all of the traders who trade with appropriate risk management, and merely use leverage as a necessary and responsible tool.