From: Flora Anderson <floraanderson@comcast.net>
Sent: Thursday, February 11, 2010 7:52 AM
To: secretary <secretary@CFTC.gov>
Subject: Fw: Regulation of Retail Forex - Additional Comments

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C/O: CFTC

Additionally,

There is actually no logic in having any type of governmental leverage regulation on retail customers.'
Here's the reason:

If for instance the leverage were an astronomical figure of say 1,000,000:1, then it would be impossible mathematically to exist simply because, if using for an example the EUR/USD with a $1,000,000 position, each pip would be worth
$100. If a client then had on deposit only $1, the spread that most firms charge for commission would be about 2 pips or $200.

And, usually even tiny fluctations in value would swing the EUR/USD relationship through 10,20,40 pip ranges. The forex firms are in business to make a profit and would never allow such a miniscule balance held for someone using a $1,000,000 EUR/USD position. But as the leverage is brought into a more reasonably mathematically and business model speaking range of 1000:1, then a client with $1 in the account could control $1000 of the EUR/USD pair. Here each pip would be worth $.10. So with the spread and a small price fluctuation, that would be possible to do, but not feasible for either the client or the brokerage firm.

However as the leverage is brought further down to 400:1, then a $1 position would control $400 of he EUR/USD pair. Each pip would be worth $.04 or 4 cents (US). That would leave enough room for both the spread and volatility ranges of 25 pips before bringing the account to zero. When a clients' funds are brought to zero many firms now use a no-margin call feature that removes said clients from the market before a negative balance is incurred. But most people would prefer to have much wider safety zones than 25 pips, so even if this were allowed by the firms, most people would use much less leverage, depending on their account size and trading style.

Because of the liquidity in the forex markets and instantenous trading systems, using higher leverage is not only feasible, but also a necessity. Both industry and the clients are interesting in making a profit and do not need additional leverage limits because as shown above, the system has its own checks and balances.

Sincerely,

JA

----- Original Message -----
From: Flora Anderson
To: secretary@cftc.gov
Sent: Tuesday, February 09, 2010 11:42 AM
Subject: Regulation of Retail Forex

C/O: CFTC

I strongly advise against further regulation of the amount of leverage available to U.S. retail customers at this time.
Last year a number of changes were implemented including a decrease in the amount of available leverage.
It is my opinion that further changes are not required for the following reasons:

1. In the first place, forex was not responsible for the decrease in stock values in U.S. and other markets.
The problem was tied to public perception as a result of cheap loans made available to unqualified homebuyers, the loans then packaged and traded as complex derivatives. As the economy as a whole went through a weakening cycle, the homeowners began to default on their loans. This in turn had an effect on the aforementioned derivatives markets that in turn led to capitulation from the highest levels achieved in the equity markets.

2. As an economy of hard working americans, we are an open and free society that benefits from free trade. By imposing additional restrictions on the forex market, this freedom will be reduced substantially. Much tax generating revenue will be lost as fewer entities will continue to trade, thus requiring fewer employees to provide analysis, customer service, computer related services, accounting, legal, and so on. With this hole in the economy created an extended economy will no longer exist as these employees will no longer be in existance within the current capacities, resulting in a further expanding domino effect within an already weakened overall economy.

3. By imposing additional leverage limitations, less liquidity will exist within the forex markets, thus making it possible for unscrupulous nations to manipulate currencies against the free world.

4. Among, the U.S. retail forex traders who remain in forex, many will be forced to trade overseas where these restrictions are not as imposing. This will mean that money once held in U.S. banks and once generating taxable interest to the U.S. treasury will no longer do so. Additionally, U.S. retail customers trading overseas may be more apt to have funds sitting with firms that are not necessarily as safe as at home, though many of the foreign dealers are substantial trustworthy firms.

Please do not impose any additional financial or leverage regulations on U.S. Retail Forex customers.

Sincerely,

James Anderson Jr