

From: JOSEPH BEVERLY BEDARD <jnbinaz@msn.com>
Sent: Thursday, February 11, 2010 3:14 PM
To: secretary <secretary@CFTC.gov>
Subject: Regulation of Retail FOREX

Dear Sirs, Madams,

I have come to understand that the CFTC is considering limits on retail FOREX leverage of 10 to 1, and I would like to take this opportunity to tell my view of the adverse affects such a limitation would impose on the small retail FOREX investor. I firmly believe that such a limit would increase the real risk for the small FOREX investor. Here's my rationale.

The higher leverage (say 100-to-1) allows the small investor to participate in FOREX trading in a meaningful way while risking a very small percentage of their total portfolio funds on each trade (say 1% or 2 %), and continue with several simultaneous trades up to a total "at risk" limit of less than 5% or 10% at any given time. This is the primary mechanism that allows individual small investors to participate in FOREX with reasonable actual risk. An imposition of the 10 to 1 limit would mean that an investor, in order to realize the same results as with higher leverage amounts, would now have to risk ten times the amount of their portfolio on each trade. This will result in one of two consequences for the small investor: a) the investor would have a ten times greater probability of getting a "Margin Call" and thence losing the entire amount of their portfolio, or b) be forced out of the market which would be left open to only the very large investors and institutions.

I personally believe that the small investor has a right to participate in this wonderful investment opportunity, and that imposing the 10 to 1 limit would be hurting those of us who are serious and sensible regarding risk and money management. At the same time it would increase the actual losses of those who would be reckless.

Also please keep in mind that, unlike leverage accounts in the equities markets, FOREX brokers do not allow the loss of more than the value in ones account. One is allowed to put at risk only the amount in his/her portfolio - no more. That amount is, for the "Reasonably Prudent Person" discretionary and would not seriously affect his/her standard of living if lost. I also put forth the hope (and assumption) that it is the "Reasonably Prudent Person" who is the target of your good legislation and rulings.

In closing, please let me reiterate my sincere belief that, with even the most basic money management, the risk in FOREX with the current leverage allowances is overall very acceptable, whereas reducing the limit of allowable leverage to 10-to-1 would increase risk for the small investor and in some cases would force him out of the market.

Respectfully yours,
Joseph H. Bedard

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