

From: J. D. Bai <baijacob@yahoo.com>
Sent: Sunday, February 14, 2010 7:02 AM
To: secretary <secretary@CFTC.gov>
Subject: Regulation of Retail Forex

Hi,

Recently I received notice from my brokers that CFTC is going to lower the retail forex trading leverage to 10:1 as a maximum leverage.

The following is my comments with ID number RIN 3038-AC61:

I am from China and been trading forex since Feb. 2006 using two US brokers, OANDA and FXsol. I traded forex part-time for 2 years and full time for 2 years. Since last year, no more big losses, and since this year(2010), I started to make profits consistently. So, as an experienced retail trader, my comments shall be useful for your reference.

This proposal of loweing leverage to 10 times is unreasonable and absurd in some sense.

First of all, the volatility of the major foreign exchange rates like EUR/USD, GBP/USD, USD/JPY, USD/CHF is small compared to oil, gold and other prices, because the difference of the max. and min. prices on one day is one percent usually. While oil, gold and most other commodities prices can change much higher, yet, the leverage of these instruments futures contracts are higher than 10 times.

Secondly, the trading cost of forex (spreads) is higher than the futures contracts. If with lower leverage, trading forex would be more difficult than futures.

Thirdly, lowering leverage as a protection for retail traders are unrooted and not useful. The gamblers can go to casino. The lazy, unknwledged, mentally un-initialted and lousy traders will lose after all over a long time, even with no leverage. The stock market is good proof for this.

Fourthly, the margin call(MC) rule is also very important. Some brokers use zero available fund as MC trigger, some use 50% net balance, some use zero net assets as trigger(this rule is very very harmful for novices). You should make a some limitations/rules on MC rule.

For experienced and profitable traders, 30 times of leverage are enough(for OANDA MC rule, other MC rule it could be 50 times).

I searched many brokers from the other countries before. Since I believe in CFTC, I only choosed US brokers as members of CFTC. If CFTC will implement this rule in the future, I have no choice and have to close my accounts in US and find brokers in UK or EU even I have used them for four years.

A forex trader.