From: dan price <danprice21703@yahoo.com>
Sent: Tuesday, February 16, 2010 12:52 AM
To: secretary <secretary@CFTC.gov>
Subject: Re: Regulation of Retail Forex

I wish to add to this letter of comment.

It is in relation to my assertion that our financial services industry has engaged in practices to enrich themselves with hideous profits at the expense of their customers. I contend the reason financial services companies are so opposed to 100:1 leverage is that the average person can figure out that they will pay less to the market makers and their brokers in the pursuit of gains. Forex investment competes with all other products offered by financial services industries, so they are keen on limiting individual access to these markets.

These same companies are engaged in writing options which 'protect' the individual investor against the ravages of the market. Offering this service comes at a fee (three fees instead of one). Have you heard of the 'commonplace' wall street adage that if dealer is to sell a far out of the money put the dealers simply goes buy a mercedes? Why? Because the profits from constructing these no risk (no risk to the underwriter) instruments is monumental. (all risk of options is borne by the market) And to create more, simply press your computer key ... Simple no cost for product, no risk and unlimited sales. Theoretically unlimited profits and no work whatsoever other than programming the computer in the first place. A socialist might say that creation of options should be a government function.

Well one could simply say competition will keep prices in line. However these same firms are set on limiting the access of companies to write options in an effort to 'protect' the system from risks. I wonder of the bar is not set sufficiently high that few firms can compete, then if only a few firms can compete, is there competition? Or are firms who do not tow the pricing line punished somehow?

I do not know the answers to these questions. I also do not know if these are valid questions. I do know that I am more than a little bit jaded about how the systems are set up to guarantee high profits to financial 'service' firms while individual investors are saddled with high fees.

Ever wonder that investors may flock to Forex not just because the leverage offers the potential for real profits from trading but that the structure of the marketplace allows very low cost transactions? Now the very firms that benefit the most from onerous regulation of Forex markets are at your door pleading for the opportunity to 'serve' the individual investor by 'protecting' this investor from the ravages of the lowest cost financial trading instrument on the planet. I ask you to answer, whom are these firms protecting?

I would also conjecture that low cost Forex trading is in our national interest. Why? because individual investors are the heart of innovation and these investors if winning money in the gunslinging Forex market will likely invest their winnings here in the US in other ways. This as opposed to the financial services firms living in Manhattan who are more likely to spend $$ on fine foods and other items that do not contribute to our overall wealth over the long term.

I know my arguments are infantile compared to those of the well monied financial services firms. I also know that by putting my words out early it will allow these companies to tailor their responses. I do not fear this. Why? Because if you believe that free, low cost markets are good for the U.S. then you will immediately believe my statements to represent common sense wisdom.

Good luck with all this and I do hope that the CFTC has undertaken a study of these endeavors with the intent to protect the individual investors from charlatans, liars, cheats and robbers with high fees .... Not just from the charlatans and liars at the expense of high fees.

Dan Price

----- Original Message ----
From: dan price <danprice21703@yahoo.com>
To: secretary@cftc.gov
Sent: Fri, February 12, 2010 5:56:39 PM
Subject: Regulation of Retail Forex

RIN 3038-AC61

I am writing in opposition to a 10:1 leverage limit for all retail investors. I am not against the other proposed rules such as registration and capital requirements.

Part
of the benefits of the internet is to allow retail investors the same access to markets as the big players. Certainly you will hear from large players who engage in high leverage for their firm, but have figured out it will be better for their bottom line if small players to become part of the club. But will you hear from small retail traders who are not hurt by the current rule and use them to their advantage?

I
write modestly from the perspective of one of these small traders who understands that we can buy options. However if I place a currency trade I can place a limit trade and I do not have to pay the guaranteed

profit to my dealer. He only makes money if the market wiggles. This way I am making the markets work for me, not solely my dealer. This is one reason current options trading firms will want to have you limit the leverage for Forex. The other reasons is the insane profits involved being the house and creating options out of thin air.

I write asking you to think this through from the perspective of a small investor who may not be protected by the 10:1 rule. Would it be reasonable that a person who has placed a certain number of trades or certain number of years? or certain size of account? that would not be protected by a 10:1 rule? Or would some type of very extensive education requirement help? Not the boilerplate and quick weekend seminars, but possibly some accredited university courses that included tests, labs etc.?

I am merely asking you overall
to think about this from a perspective of someone who may not be harmed if they were given equal access to markets as Goldman Sachs, AIG or Warren Buffet. There must be a reasonable way for a small businessman(woman) to open a small fledgling trading business trading their own account and make some money for the dinner table. I do fear that the 10:1 rule is intended to stop people from doing this or to force them to buy expensive options in the process.

I wish to further point out how the options/stock marketplaces are not protecting retail traders and are enriching wholesale traders or market makers.

I recognize in this discussion that if the bar to achieve professional versus retail trader status were to be set reasonable that the comments below would become mute. I understand that there will be wide divergence of opinion on what a 'retail' versus a professional trader may be. However I think that considering the risk of the Forex market and the potential rewards to our country of having capable people play this market that we should consider this point very carefully. Afterall retail traders that make money also pay taxes ... So for the treasury we should promote 500:1 leverage.

I am not intending to insult you with basic information. However I wish to compare current Forex markets with stocks in the illustration. I will for the moment not address options which by the way have higher transaction costs than stocks.

Stock investors must contend with two elements of cost. And one element of capital utilization. The costs are commissions and spreads. Commissions are paid by options traders, stock investors and futures traders, but not Forex traders. Spreads are also a cost and are set by the market makers and in cases of electronic trading platforms in recent years set by those with advance (mili-second) knowledge of market positions. 'Retail Traders' (or shall we call them sheep) are stuck with paying these costs in advance of any order.

Forex traders however only needs to consider spreads. Simply open up two websites simultaneously and a reasonable approximate of spreads can be estimated. That is a 'retail' trader can easily compare these prices. This same retail trader is only hit with this one price, not two prices, that of commissions and spreads. (if you were to use this same test in stocks it would not hold as well) A Forex trader can additionally have the market pay the spreads by setting limit orders.

Forex traders also have access to high amounts of leverage. Leverage that I employ to provide protection of my interests. That is I use

leverage as a means to keep me in the game. I typically try to position no more than 10% of my portfolio while maintaining the other 90% as downside protection to take care of market wiggles. To do this with the proposed 'retail' protection limit of 10:1 would limit my gains to the point that I would not be able to 'play the game' anymore. It would not be a problem for me if the rule was that I had 100:1 leverage, but could only initiate trades at 10:1 leverage. It would also not be a problem if the house guaranteed that I could not loose any more than is in my account.

Options costs are even greater than stocks costs.
Options investment for retail traders involve commissions, spreads and options interest. Not only are there three ways to loose money there are three ways for market makers to make hideous profits from options.

Is it not surprising that the large trading houses are arguing that they are 'protecting' the 'retail' investor by forcing them to options?

What current proposed rules to limit low cost Forex markets to 10:1 leverage and not limit options leverages are going to do is to drive traders from a system that has one cost to that of a system that has 3 costs.

Now any small businessman knows that to watch and manage one cost is much easier than managing 3 costs. So what about a system that forces 3 costs on individual traders versus a system that used only one cost? Consider that a trader may be marginally profitable with 3 costs to bear, maybe they make a killing when only considering 1 cost. Might this trader also pay more US taxes?

Ever wonder why the allure of Forex? I suggest it is not just the leverage, but it is the lower cost structure. Not to say that leverage is not a great equalizer for the individual versus the trading houses.

I also wish to point out that most of the calls for 'protection' of the individual trader will come from the 'expert trading' houses which by the way loose out when an individual investor decides to use Forex at the exclusion of stock or futures investments. (Investments that are so layered with costs that individual traders are almost completely guaranteed to loose when day trading anyway.)

I also wish to point out that these large institutions will point out now low currency options costs are. Will these options be so low priced if 10:1 limits are imposed?

If this rule goes into effect I will have to seriously consider renouncing my citizenship in order to pursue my profession. Not a pleasant thought but the thought that I would have to live life without my primary income is not a contemplation I wish to undertake.

Dan Price