

From: Phillip V. Duong <phillip.v.duong@gmail.com>
Sent: Tuesday, February 16, 2010 1:21 AM
To: secretary <secretary@CFTC.gov>
Subject: Regulation of Retail Forex

CFTC,

I've been trading the forex market for a little under 5 years. Recently, I got an email from my broker stating that the CFTC may be enacting new rules/regulations - some rules that may lower the leverage that new/existing accounts can trade with. Currently, I am used to 100:1 leverage; however, this new regulation (as my understanding) would lower this to 10:1.

Though, I do appreciate the CFTC enacting regulation to protect consumers, I feel that this will cause more harm to the average trader than good.

First, the leverage of 10:1 would "force" traders to open larger accounts in order to make sufficient income in this market. By lowering the leverage to such a small amount, an average trader would need an account 10 times as large. I am envisioning that new traders would start borrowing money from their family/relatives/friends to fund their account initially. In due time, 90% of new traders, will fail - losing that entire lump sum. I remember, in my early years of trading, I have "blown out" my account on several occasions. However, fortunately, they were small accounts.

Leverage is not the main factor that causes traders to lose money - it is more related to poor education, bad risk management, and lack of discipline. By allowing 100:1 leverage, a new trader can open up a \$100-200 account and "test the waters." As a suggestion, you can enact new regulation that requires new traders to go through certain education or pass certain tests - I believe that would be helpful for novice traders.

Secondly, by lowering the leverage, most existing/experienced traders will migrate their account overseas - to brokers that do provide 100:1 leverage. Traders that are used to getting 100:1 leverage will not want to trade at 10:1 leverage and will find avenues to get the leverage they want. Unfortunately, if they do open accounts overseas, it provides them less protection since the CFTC can not regulate brokers in different countries; thus, the people that the CFTC wanted to protect - are now unprotected (hope that sentence made sense...).

I strongly believe that the CFTC should not lower the leverage for all traders. Perhaps, it can be a scale. New traders are forced to only have 10:1 leverage for their 1st trading year. Traders with 2-4 years experience can have 50:1. 4+ years can have 100:1. I just thought of this idea... I think this would work well.

If you want any additional input, let me know. Feel free to ask me anything you'd like. Thanks for your time!

Regards,

Phillip V. Duong

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