From: Daniel Ford <temporal@insightbb.com>
Sent: Wednesday, February 17, 2010 11:12 PM
To: secretary <secretary@CFTC.gov>
Subject: Proposed Regulation of Retail Forex, RIN 3038-AC61 (2 of 2)

To:

Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street NW
Washington, DC 20581

Subject:

Proposed Regulation of Retail Forex, RIN 3038-AC61 (2 of 2)

Dear Sirs or Madam:

I wish to amplify the key points raised in my previous comments and include some additional suggestions:

1. Combating unscrupulous Forex brokers is good for the legitimate retail Forex industry, but misguided leverage rules risk destroying the U.S. retail Forex industry and driving business overseas, perhaps to those very same types of disreputable Forex brokers the CFTC is attempting to combat. Furthermore, misguided leverage rules risks costing the U.S. good paying jobs and tax revenue at a time both are sorely needed.
2. Forex is far <u>less</u> volatile than other securities and commodities (<20%), therefore 100:1 leverage in Forex is <u>not</u> the same as 100:1 or even 20:1 leverage in stocks or commodities. Not only are most Forex currencies priced at 1/100th cent (.0001), but because of the very low volatility the leverage is required to make retail Forex possible.
3. Most Forex brokers institute protections to keep their clients from losing more than their original deposit, unlike other leveraged products such as futures or stocks. Therefore, while a margin call is theoretically possible, institutional protections are in place at most brokerages to prevent that from ever occurring.
4. The proposed Forex margin rules, if implemented, may have the opposite effect and increase risk by driving retail traders to other products that do not have the same desirable characteristics and protections that retail Forex currently enjoys.
5. If the CFTC wishes to protect retail Forex customers from unreasonable risks, rather than limit essential margin, the following are some suggested actions:
   - Require stop losses to be part a component in every opening order, or require brokers to automatically set a stop loss order at 10% of the client's account balance. In the alternative, require all Forex brokers to implement risk mitigation protocols to achieve the same.
   - Require all retail Forex brokers to guarantee and honor stop loss orders.
   - Require all retail Forex brokers to liquidate positions before an account reaches a zero balance (no negative balance permitted.)
   - Prohibit retail Forex brokers from trading against their own clients (i.e. require "non-dealing" desks to fill orders.)
   - Enact regulations to ensure the accuracy and consistency of quoted prices provided by retail Forex brokers.
   - Require retail Forex brokers to fill orders at or better than the quoted price (no slippage from quoted.)
   - Require retail Forex brokers to provide current and future clients with "plain English" summaries of core rules, company practices, and policies.
   - Require retail Forex brokers to provide, and require that all new clients pass, a 50 question on-line exam before engaging in live trading. Questions could cover how margin works, different order types, and applicable brokerage policies, etc.

Thank you for your consideration in this matter.

Sincerely,

Daniel Ford