

**From:** Marc Ilgen <marc@westofpluto.com>  
**Sent:** Tuesday, January 19, 2010 12:56 PM  
**To:** secretary <secretary@CFTC.gov>  
**Subject:** Regulation of Retail Forex - my objections

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Regarding: RIN 3038-AC61

To Whom It May Concern:

I wish to voice my objections to several of the proposed rule changes regarding regulation of the FOREX industry. My main concerns are with the proposed 10:1 leverage and with the requirements that all introducing brokers be guaranteed by their respective FCMs.

#### Leverage Requirements:

The proposed 10:1 maximum leverage requirement rule change is highly counterproductive and will essentially destroy the US forex industry. Live the poorly conceived change to the rules to disallow hedging (hedging does indeed serve a valuable purpose in forex trading!) the 10:1 leverage rule will simply have the effect of driving all US accounts overseas, removing money from the US economy at a time when economic conditions make this quite undesirable. While I understand the concern regarding the use of too much leverage, there are legitimate situations where a trader may want to use more than 10:1 leverage in certain situations. Forex trading is not a long term "buy and hold" type of investment – instead it involves taking profits on much smaller moves. No reasonable trader will continue to put up with ridiculous regulations like this that serve no purpose other than to give the trader an overwhelming incentive to simply move his/her money to a UK or European-based FCM. If your intention is simply to kill the business of US based FCM's, you could not have done more to achieve that than to enact the no-hedging and 10:1 margin rule changes.

#### IB Guarantees

Furthermore, by requiring all US based Introducing Brokers to be guaranteed by their FCMs, you will have effectively killed the business of small boutique IBs. Any reasonable FCM will only be willing to guarantee their largest most established Introducing Broker firms, due to the large capital and paperwork requirements for these guarantees. Unfortunately, the US economy over the past several decades has been taken over by large corporations who use political and economic clout to rewrite government regulations in their favor and destroy any competition from smaller competitors. This regulation simply continues the tradition of large firms using government regulations to squeeze smaller firms out of the market, thereby securing profits for large corporations but destroying the ability of small business (the lifeblood of the US economy) to compete. Wealthy executives at large IBs get wealthier but thousands of small business entrepreneurs and their employees get left out in the cold. The purpose of government is supposed to be to foster a healthy economy where all firms can compete, but the proposed regulations do the very opposite by destroying competition and furthering the divide between the haves and the have-nots.

It would be much more beneficial to at the very least provide some sort of exemptions for small IBs to allow them to stay in business. No FCM will go through the cost or hassle of guaranteeing an IB unless that IB has at least 100 clients with many millions of investment capital. Small IBs with a few clients have no chance of getting guaranteed. Why cannot the CFTC allow some provision for small IBs to be exempt from these regulations? The CFTC already has regulations that exempt CTAs who manage fewer than 15 clients. Why not do the same with IBs? It is fine if you also require any non-guaranteed IB to explicitly state that they are not guaranteed on their marketing materials. Small IBs can live with

that. What small IBs cannot live with is the guarantee requirement – that will simply put them out of business.

I look forward to seeing changes in the proposed regulations to address these concerns.

Regards  
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