

**From:** ray austin <ray\_austin@hotmail.com>  
**Sent:** Sunday, February 21, 2010 7:18 AM  
**To:** secretary <secretary@CFTC.gov>  
**Subject:** Regulation of Retail FOREX

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Comments on Regulation of Retail FOREX

David Stawick, Secretary,  
Commodity Futures Trading Commission,  
1155 21st Street, N.W.,  
Washington, DC 20581.

**RE: RIN 3038-AC61**

Dear Mr. Stawick,

I think lowering the leverage requirement for retail FOREX transactions will do the exact opposite in regards to customer protection.

It wouldn't matter if you lowered or raised the leverage amount in terms of customer protection. The fact of the matter is many uneducated people try their hand at FOREX and lose. Reducing leverage will not change this outcome when FOREX brokers blanket the internet with advertising promising fast and easy money with a little disclaimer at the bottom of heavy risks of loss.

Lowering the leverage of retail FOREX in the U.S. would do nothing but kill a legitimate business.

Why would Americans keep trading in a climate that is laden with laws against them? Why would foreigners open a FOREX trading account in the U.S. when the rules are prohibitively against them compared to other jurisdictions around the globe? [Leverage works for you as much as against you.]

We have already suffered massive restrictions already from the NFA with imposing No hedge rules and FIFO. Most U.S. brokers have already opened brokerages outside the U.S. already due to the enactment of these misguided rules and to my knowledge all have plans to do so.

By enacting this legislation to restrict and limit traders further will only cause a mass exodus of FOREX trading in the retail U.S. markets. No U.S. based brokerage under U.S. jurisdiction will be able to compete with the foreign counterpart.

We live in a global economy but yet we still make rules and regulations on a single economy scale? WHY?

This will cause American traders to put their money in less than scrupulous brokers with less ethics than what the U.S. permits via the NFA oversight.

So if American traders put their money in a foreign FOREX broker how can you say this will benefit the trader? How will this benefit the U.S. based broker if they are unable to compete?

Are we not satisfied until we move all high paying jobs overseas?

The rule of limiting Retail FOREX transactions to 10:1 leverage should be tossed out and abolished. Congress intention in giving the FOREX oversight was not to kill a legitimate business, this is what you will be doing if this rule is passed.

Before we were hit with all the erroneous NFA rules and regulations we were afforded up to 400:1 leverage. Guess what? people were blowing accounts even at that level. Changing the level of leverage will do nothing to prevent someone from blowing an account or losing in FOREX.

The U.S. retail FOREX market is an infant when comparing it to the U.K. and various other places. Yet they don't see the

need for these kinds of rules and restrictions. If you are so worried about the consumer you should educate them and not restrict them.

Because an educated trader will know better when the time comes. Limiting leverage or some of these other ridiculous things the lawmakers that be come up with all in the name to protect us from OURSELVES? What a pathetic joke. If it's not obvious already I would hope that you elect to leave leverage rates the way they currently are at the minimum of 100:1. Otherwise the blood of retail U.S. FOREX markets are on your hands and the people you are trying to protect will be leaving your jurisdiction in droves.

An example below as why this rule of limiting FOREX retail transactions to 10:1 leverage should be abolished.

Under current trading rules:

Trader A trades with a \$10,000 account with 100:1 leverage and needs the leverage to withstand various DD [DRAW DOWN] sequences that happen randomly. Trader A makes on average \$1,000 USD per month or 10% a month. Trader A could make more, but due to trading style wishes to keep risk to a minimum.

Trader A under a 10:1 leverage requirement would be forced to maintain a \$100,000 trading account to maintain the same risk levels as above. However the return would fall to 1% a month due to the hefty investment to keep risk low.

If you put Trader A in a higher trading account the effect is the same. If trader A has a 20,000 account making \$2,000 USD per month the requirement under 10:1 rules would mean \$200,000 trading account.

It is simple mathematics to see why 10:1 leverage rule should be abolished. If rule is imposed you have just killed the U.S. based retail FOREX market. The people you say you are trying to protect will be fleeing your jurisdiction for more favorable conditions.

**Additionally the previous rules imposed by the NFA [FIFO and No Hedging in same FX acct] should be reconsidered and tossed out as "Anti-Competitive" as they do nothing in the way of promoting or allowing U.S. based brokers a competitive edge in the Retail FOREX business as the opening of Foreign Brokerage offices by U.S. based brokers would clearly show you.**

**To be afforded the ability to regulate something.... it must actually exist to be regulated. If the 10:1 Leverage rule is adopted your regulation authority will be very easy because the FOREX market as you now know it will cease to exist within your jurisdiction.**

Sincerely,

Ray Austin

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