10-001
COMMENT
CL-05596

From: Ray <pip_seeker@yahoo.com>
Sent: Friday, February 26, 2010 6:36 AM
To: secretary <secretary@CFTC.gov>
Subject: 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 am **AGAINST 10:1** leverage proposal. The time spent on imposing new rules on small time traders while the banks go "unchecked" is truly apalling. If you all actually did your job for once none of the mess you are currently having to clean up would be necessary.

When are the watch dogs going to wake up and realize who is responsible for this mess. The SEC was handed Madoff on a platter nearly a decade before the implosion of the scheme... but yet the SEC couldn't tell head from a hole in the ground.

Now we have the CFTC crafting stupid legislation while the true criminals just sit back and laugh. When the hell are you people going to pull your head out????

Recently passed legislation by the NFA to invoke FIFO accounting rules as well as No Heging in the same FOREX account is anti-competitive and unconstitutional. These rules as well as 10:1 leverage limits should be rescinded.

The article below is hopefully a change in attitude toward the real criminals. They should be the ones held accountable for this melt down. You and your watchdog friends should be placed in the cell right next to the whole lot of em.

http://www.nytimes.com/2010/02/26/bu...LcPBaHxZ3ESQeg

In Greece s Crisis, Fed Studies Wall St. s Activities

Petros Giannakouris/Associated Press
Greece's economic troubles have transfixed markets for weeks, and recently, workers there went on strike to protest budget cuts.

By NELSON D. SCHWARTZ and SEWELL CHAN
Published: February 25, 2010
Greece s problems deepened on both sides of the Atlantic as the Federal Reserve disclosed it was investigating Goldman Sachs and other banks that helped the country mask its debts, and investors grew increasingly leery of lending any more money to a nation flirting with default.

Banks Bet Greece Defaults on Debt They Helped Hide (February 25, 2010)

Enlarge This Image

Mary F. Calvert for The New York Times
Ben Bernanke of the Federal Reserve is looking at derivatives.

Enlarge This Image

Michael Reynolds/European Pressphoto Agency

Senators Christopher Dodd, left, and Richard Shelby. Mr. Dodd has taken aim at credit-default swaps.

Wall Street s role in the run-up to the debt crisis has generated criticism and calls for an inquiry from European leaders. The Fed examination is the first time American regulators will examine the highly profitable if little-known business of supplying custom-made financial instruments to strapped countries on the Continent.

While Greece s economic troubles have transfixed world markets for weeks, its problems have snowballed in recent days as workers went to the picket lines to protest budget cuts and the government struggled to raise cash to cover what is Europe s largest budget deficit. Last year, Greece s deficit equaled 12.7 percent of gross domestic product.

On Thursday, the Moody s ratings agency joined Standard & Poor s in warning that it might downgrade Greek government bonds, a move that would increase the premium Athens must pay to borrow. The move comes at a precarious time for Greece, which must raise 25 billion euros ($34 billion) over the next few months to avoid a sovereign default that officials fear could cause the finances of other weak European economies to collapse.

In a sign of the challenges their nation faces, Greek officials also called off a planned trip to the United States and Asia aimed at interesting new investors in its bonds because of a lack of demand, according to an investment banker who was briefed on the government s fund-raising strategy.

The European Union has said it would come to Greece s aid only if it develops a plan to reduce its deficit by March 16, further ratcheting up the pressure.

Even if they bring the deficit to zero, with interest rates at 6.5 percent and a growth rate of zero at best, Greece s debt ratio remains on an explosive path, said Miranda Xafa, a former executive board member at the International Monetary Fund. I just don t think they can raise funds from the market now.

Greece has suffered from large deficits for years, and until now it seemed as if big banks would always be there to bail it out. As far back as 2000 and 2001, Goldman helped Athens quietly borrow billions to mask its poor finances by creating derivatives that essentially transformed loans into currency trades that Greece did not have to disclose under European rules.

Ben S. Bernanke, the Federal Reserve chairman, told Congress Thursday that the Fed was looking into a number of questions relating to Goldman Sachs and other companies and their derivatives arrangements with Greece.

Mr. Bernanke said the Securities and Exchange Commission was also concerned about how derivatives financial instruments that are largely unregulated and do not trade on public exchanges have contributed to Greece s problems. Obviously, using these instruments in a way that intentionally destabilizes a company or a country is counterproductive, he said.

The S.E.C., in a statement, said that it could neither confirm nor deny the existence of an investigation, but added that it was cooperating with United States and international regulators in examining potential abuses and destabilizing effects related to the use of credit-default swaps and other opaque financial products and practices.

Goldman declined to comment, citing its policy of not addressing legal or regulatory matters. But in a Feb. 21 presentation, Goldman said, The Greek government has stated (and we agree) that these transactions were consistent with the Eurostat principles governing their use and application at the time. Eurostat is the European Union s statistics agency.

Goldman is not the only bank that supplied derivatives designed to lower deficits. In the late 1990s, JPMorgan Chase helped Italy reduce its budget gap by swapping currency at a favorable exchange rate. In return, Italy committed to future payments that were not booked as liabilities.

A spokeswoman for JPMorgan said that Italy disclosed all of the deals to Eurostat.

Senator Christopher J. Dodd, Democrat of Connecticut and the chairman of the Senate Banking Committee, also took aim at credit-default swaps, which allow banks and hedge funds to wager on whether a company or country might default.

Critics say the swaps have contributed to Greece s problems and increased the odds of a financial collapse.

We have a situation in which major financial institutions are amplifying a public crisis for private gain, he said.

The Fed inquiry was begun about three weeks ago, according to an official involved in the investigation who was not authorized to comment publicly. Fed examiners are focusing on whether Goldman and other banks complied with guidance the Fed issued in 2007 outlining how to manage the risk of complex financial vehicles. The investigation is still in its early stages, he added, as officials sift through records detailing how the derivatives were created, what compliance procedures were followed and what internal analysis was performed. The Fed is also looking at whether Wall Street made additional financial arrangements for Greece that have not been disclosed.

Growing concern over these transactions have made investors more doubtful than ever about the government s ability to quickly secure tens of billions of euros in new financing it needs to avert default. Greece faces a critical test next week, when it will try to raise about 3 billion euros ($4 billion), through an issue of 10-year bonds.

But with threats of a downgrade to its sovereign debt looming, investors say Greece would need to pay a whopping 7 percent interest rate just to get people to buy. That is almost a percentage point more than the rate investors received in the previous Greek bond sale, in January, and a full 3 percentage points more than Greece s borrowing cost before the current crisis.

A spokeswoman for the Greek Finance Ministry did not respond to a request for a comment.

The rise in investor skepticism has led Greece to adopt a new financing strategy. Instead of selling debt through public auctions, where the danger of a failed offering could further unnerve markets, it has gone directly to institutional investors, sounding them out in one-on-one meetings, mostly in London.

Bankers and analysts in Athens say there is a debate within the Finance Ministry as to whether the government should go to the market now, or wait until a new menu of changes like more taxes and further public sector wage cuts is announced, in the hope that such measures will result in lower financing costs.

But a more dire view is already taking hold, according to some bankers, as investors fret that Greece may simply not be able to cover 20 billion euros of debt coming due in April and May, and 53 billion euros for all of the year. It seems unlikely that such a quantity can be raised from investors many of them conservative pension funds and insurance companies that are already nursing losses from the 8-billion-euro Greek bond issue in January that was hit by the recent market downturn.

Landon Thomas Jr. contributed reporting.