

From: Anlei Li <llxa2@hotmail.com>
Sent: Wednesday, March 3, 2010 7:27 PM
To: secretary <secretary@CFTC.gov>
Subject: Regulation of Retail Forex

Attention: David Stawick Re: *RIN 3038-AC61*

Dear Mr. Stawick:

I am writing to advise you of my strong opposition of the CAP of Leverage to 10:1. I am not sure why this was proposed and what is the purpose of this proposal but I can assure you this proposal will not only have a detrimental effect to the Retail Forex Industry which some day could become a major financial contributor to the CFTC but also to the US economy in large. Passing of this ineffective requirement will not benefit anybody. This is a Lose-Lose situation. I will explain how this new proposal will impact negatively the individual Forex traders, the Forex market, the Retail Forex Brokers and US economy in large.

1. If your aim for passing this requirement is to protect the so called small investors from losing money, I can tell you this requirement will not be effective but will actually exacerbate the problem. With the trading strategies in mind, with the larger leverage, he/she would only need to invest smaller amount of money but with the newly capped leverage requirement, the investor would need to put in more of their savings or alter an otherwise profitable trading strategies into a riskier one which may require more frequent trading or in riskier positions and lose money quicker.

2. For the Forex market in large, with the possibilities of investors trading more frequently and taking on more positions to compensate for the new leverage rate, this increases volatility and unwarranted movement unnecessarily and yet lower liquidity in the Forex market which is counterproductive to all the parties involved. This seriously hinders the working of the Forex market in general.

3. For the Retail Forex brokers in US, they will simply disappear. This happened to Retail short-term stock trading industries after the raising of the minimum account size and it will happen again to the Retail Forex Industry after this capping of leverage rate.

4. With the the Retail Forex industry simply disappearing or moved to elsewhere in the world, a sizable portion of the US economy disappears with it. The average trading volume of the Retail Forex is Six Trillion dollars. On average, the spread on each transaction is about 4 basis points that is 0.0004. $0.0004 \times 6,000,000,000,000 \times 0.02 = \$48,000,000,000$ each day. That is the approx. total raw revenue of Retail Forex brokers assuming that they only have 2% of the market share in the US. That is \$48,000,000 EACH DAY that you are kissing goodbye assuming that the entire industry disappear. $\$48,000,000 \times 220$ business days = \$ 10,560,000,000. This is how much will be leaving US in one year. And this is not including the potential revenues from the ripple effects of this figure. US economy needs all the money it can get out of this recession.

Think before you act. Please

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