

From: John Jensen <john.a.jensen@gmail.com>
Sent: Friday, March 5, 2010 9:22 PM
To: secretary <secretary@CFTC.gov>
Subject: Regulation of Retail Forex

Dear Mr. Stawick,

I applaud the CFTC's vigilance in regulating retail Forex to protect investors against fraud, and many of the proposed rules are beneficial in this regard. Risk management is -- and should continue to be -- a rewarding experience in self discovery, challenging and rewarding for reasons beyond the expectation of profit, and the retail customer should expect to undertake these risks in a well defined container of security.

However, there are two items in the proposal I object to:

1). I am deeply disturbed by the proposal to limit the maximum leverage at 10:1.

a). Imposing this limitation will unreasonably neuter domestic trading accounts, notably mine, and a lot of people will take their Forex trading offshore. This immediately results in loss of jobs (domestic forex brokers closing), fosters a decline in US Financial Services, and nullifies the rest of the provisions of your regulation, because foreign forex brokers won't be regulated any more than domestic ones are now.

b). 100:1 leverage is an industry standard, changing this does nothing to protect people against fraud. While it may protect some new(?) investors from making serious mistakes, it also protects all investors from making serious profits. Winning and losing are part of the game; there are already risk disclosure requirements, demo accounts, and plenty of other "warning signs" that potential danger lies ahead. It's a bit like imposing speed limits of 60mph on the freeway: just because that protects people entering the freeway doesn't make it an effective use of the roadway. While one could credibly argue that the difference is moot during rush hour, rush hour itself is defined by congestion, not fraud. A 10:1 leverage limit would create congestion in the domestic forex landscape as nearly everyone involved takes a mass exodus for the nearest offshore broker.

c). Leverage doesn't change the risk, it just changes how many times you have to take similar risks to get similar results. An unskilled trader is going to lose 1/2 or 2/3 or all of his account regardless of whether it happens in one trade or 100. While you can hope that forcing the many trades option causes him to take stock and learn sooner, it's not applicable in enough cases to justify the burden it puts on those of us who have already learned a successful trading style which takes advantage of 100:1 leverage. Most skilled traders rarely use the full amount of leverage available to them, and this is due to good trading discipline and good risk management, both

fundamental qualities of a good investor before the market even opens.

d). If deleting this clause altogether is not feasible, I propose some alternatives: mandate that an account be ****opened**** with a max of 10:1, and then changed after the fact either by user request or after a waiting period (which could be waived if the waiting period is longer than 6 trading days and the trader can show previous experience) with no regulation on what leverages are offered (or certainly allowing at least 100:1). Kind of like a waiting period before owning a gun, but really, do we need this for forex? I mean, waiting periods make sense for guns, as short-term gun related crimes of passion can be averted by forcing someone to cool off. What about cars? what about stocks? commodities? do these have waiting periods? how much regulatory responsibility is too much and therefore inappropriate? I contend that max 10:1 leverage is too restrictive and inappropriate.

e). I feel the CFTC's role should be focused on preventing fraud from predators, not protecting people from themselves. Leverage is a power tool, and power tools should be used with appropriate respect. I've made technical mistakes with both table saws and forex, and I still have all my fingers and a successful trading account. Life is full of adventure, and 100:1 forex is a valuable adventure in its own right.

2). capital requirements: the stipulation to require \$20 million flat in reserve capital, irrespective of the size of the firm.

Opening a brokerage and managing accounts for people is on my 5-year plan, so this is important to me. The people I would most enjoy making profits for are my family and friends, and all of them combined aren't even close to having a net worth (let alone a responsibly diversified portfolio) to generate a substantial stake in a \$20m operation.

a). This is very steep for a new small brokerage, especially in the current financial environment. This helps the big companies by discouraging or removing competition from small start ups, which in turn stifles job creation, competitiveness, and punishes entrepreneurship. I expect to become competitive, and a \$20m reserve requirement means I'd probably have to win that kind of money trading. At 10:1, my grand-kids will already be paying off school loans before I get that kind of money together!

b). existing small brokerages that otherwise meet regulatory requirements would likely relocate offshore, again reducing competition, dissolving jobs, and sending good companies out of the country. Not an ideal solution.

c). I would agree to scaling the capital requirements to the size of the business AND increasing regulatory scrutiny for those companies with reserves under a certain limit. I don't have a problem with jumping through hoops as long as I can still get to where I'm going in a reasonable amount of time. And if it hinders the Bernie Madoff wannabees, so much the better.

Thank you, Mr. Stawick, for your time and hearing my concerns. I welcome the creation of sound retail forex regulations that serve to eliminate fraud without unnecessarily hindering the small investor, honest entrepreneur, or messing with my rate of return.

thanks again,
John Jensen.
Seattle, WA