

From: Brian James <spdster2003@yahoo.com>
Sent: Saturday, March 6, 2010 5:01 PM
To: secretary <secretary@CFTC.gov>
Subject: Regulation of Retail Forex

RIN 3038-AC61

Dear Mr. Secretary:

In regards to the proposed leverage change, I believe it's probably for the better. You can't get that kind of leverage anywhere else, not even in the futures market. Stocks are 2:1, and at most 4:1 on an intraday basis. Futures vary but usually don't exceed about 5:1 maybe 10:1 depending on the contract. Forex is the only financial instrument (at least on a retail basis) that can be leveraged up to 500:1, which is a recipe for disaster given how fast those markets move. Excessive leverage only serves to enrich the brokers who bet against their traders (brokers need to be impartial) knowing full well that excessive leverage increases the probability that traders will lose (and the brokers win). Now you don't NEED to use that kind of leverage, but having it available is too tempting for some.

One could argue that not everyone who trades excessive leverage loses money, and that by putting on such a severe restriction, they will not be able to make as much money as they could have with the limited capital they started with. People who are likely to use excessive leverage have small account balances anyway. So why should experienced traders with limited capital be restricted, because of the mistakes of "newbies"? That'll be the argument from the other side.

Either way, I feel it's for the better... even if I was still trading forex, which I'm not. At the very least, you should "tax" brokers who offer excessive leverage as a way of keeping them honest (ie. there's no financial incentive now to offer it), rather than outright banning it altogether. I think that would be a better course of action because it'll dissuade fly-by-night brokers from setting up shop and offering excessive leverage, and the money can be used to help grow the CFTC (Commodity Futures Trading Commission) so they can better enforce other, more important, rules and regulations, and stop things like fraud and embezzlement.

Thanks for caring!!! It's good to know you're looking out for us traders.

Brian James