From: Timothy Ryan <tradert@atraydes.com>
Sent: Sunday, March 7, 2010 10:51 AM
To: secretary <secretary@CFTC.gov>
Subject: Regulation of Retail Forex

In regard to the CFTC's proposed regulation of retail forex, I strongly disagree with the Commission's proposal to limit retail margin to 10-to-1. In general, the proposal is 1) arbitrary, 2) overly restrictive, and, ultimately, 3) dangerous to the successful regulation of the retail forex market.

Specifically:

1) I question the methods used to propose a 10:1 leverage ratio. The Chicago Mercantile Exchange, which trades forex futures, sets margins on those contracts at about 40:1 (e.g. as of March 7, 2010, the margin for a 125,000 Euro position is $4,050). The CME has been successful with this product and I believe most would agree that their market is fair and orderly. Given the long-term success and lack of recurring catastrophe in forex futures, I would suggest that the CFTC - if it must regulate forex margins - consider a limit more in-line with the CME's -- e.g. somewhere around 40:1. This leverage ratio seems to have worked for all participants to forex futures -- both retail and institutional. I do not understand why a brand-new, arbitrary limit has been proposed.

2) I can understand the Commission's unease with extreme situations where retail clients are granted 500:1 leverage, however, again, 10:1 is too restrictive. As a successful investor in the retail forex markets for over five years, I can state that my general leverage has been in the are of 30:1 to 40:1 and I would be able to continue my investing operations with little change under a 40:1 limit. Although risk must be calculated per strategy as well as per situation, I believe a leverage ratio that I am suggesting would be most fair in protecting consumers and, importantly, not impeding the ability for investors to allocate capital most efficiently.

3) If the Commission's restrictions on leverage is adopted at the overly-restrictive rate of 10:1 all that will be accomplished is to drive high-leverage retail business offshore and, thus, totally out of the CFTC's oversight altogether. This would, I believe, result in more harm to consumers by funneling business into firms who have no regulatory oversight. In a globally connected world such as the one we live in, there will simply always be internet banners advertising extreme leverage rates. If the CFTC would adopt more reasonable leverage proposals, it would allow U.S. based firms to remain competitive and, additionally, funnel more capital to firms that at least have some regulatory oversight.

In summary, I acknowledge the Commission's desire to limit leverage, but this limit must be balanced to allow the most efficient use of capital. Given that the CME has created a model of leverage that all market participants can live with, I think it would make sense to adopt a limit (around 40:1) that is similar. Finally, the CFTC risks harming the business U.S. forex firms and funneling risk-capital off-shore into unregulated markets.

Finally, let me make the point that it is odd to me that the CFTC continually seeks to over-regulate the retail trader while still allowing institutional traders access to leverage levels that can, at times, threaten the very safety of the financial system itself. It is partly the taxes of the retail traders, after all, that are then employed to "bail-out" these institutional mistakes. As a forex market participant, tax-payer, and voter, I would much rather see the CFTC create a sensible, market-based leverage limit and move on to focusing its regulation efforts to more exotic instruments such as off-market swaps, CDS, et al.

- Timothy Ryan
tradert@atraydes.com