From: Stephen Leahy <Stephen.Leahy@BackBayFX.com>
Sent: Friday, January 15, 2010 10:42 AM
To: secretary <secretary@CFTC.gov>
Subject: Regulation of Retail Forex

Dear Sir/Madam:

As a small business owner who has been a CFTC-regulated entity in one capacity or another since 2002, I strongly urge you to consider not invoking the 10:1 leverage proposal included in the CRA proposal.

My reasoning will probably be different from others'. And there are two key points for me to make.

1) I run a small company that generates a few million dollars per year in revenues (not all from retail Forex). We directly employ 7 people here in Boston, and there are a few service providers for whom we do not provide a full-time job, but who rely on my company as a key source of their income. I have been able to realize one of my goals in that my employees have been able to increase their standard of living by joining my company and performing their jobs well. That is a part of the covenant that I feel I have with them. They rely on me to give them an opportunity. I rely on them to fulfill the day-to-day roles that keep the company running. And the opportunity that I have found and built a company around is the increasing demand for an asset class that is a tradable market, rather than an asset class that is dependent on positive economic data such as stocks, bonds and mutual funds. A reduction in leverage as is proposed would essentially close down retail Forex in the USA. I will close my company and I will move on to do something else. My employees will lose their source of income and stability and join the ranks of unemployed.

   I am a small player in this industry. I can conservatively estimate that there are 5,000 jobs directly related to retail Forex here in the USA. Additionally, there are numerous individuals who rely on income earned by providing services to the retail Forex client base. The proposed change in leverage will add to the nation's unemployment lines and not do much of anything to benefit US residents who wish to trade Forex (see my next point)

2) The CFTC and has the authority to regulate the US firms that choose to be regulated and become members of the National Futures Association. But the CFTC can not regulate where a retail Forex trader can open an account and execute trades. So far we have seen approx 70% of our client base migrate to clearing firms not in the USA. Outside the US, clients can still use leverage that is greater than what you propose, and have some of the trading functionality that you have already eliminated here in the US. So what benefit are you providing retail Forex traders? The retail Forex trader now has to open an account with an offshore broker (exposing the client to risk). The retail Forex trader is still using whatever leverage they so choose. And the retail Forex client is trading away from any NFA-regulated firms so that the CFTC and NFA now have no control over the clients trading.

   What you have done with the recent regulation changes, and what a reduction in leverage would do is actually hurt retail Forex clients. If your goal is to benefit those US residents that choose to trade Forex, you should be taking steps to increase their demand to trade under an NFA-regulated entity. The challenge is that the NFA would then have to police the unregulated scammers and con artists that prey on potential retail Forex traders. And that act of policing unregistered firms is something the NFA and CFTC has done poorly in the last 8 years. But it can be done.

   The regulated firms such as my firm and the firms that we deal with all act in accordance with CFTC and NFA rules. So take steps to keep US retail Forex clients here in the US. And then spend the effort to curb and stop the unregistered influences on the clients. THAT is the way that you can benefit retail Forex clients.

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