

From: Michael De Carlo <decarlomike@msn.com>
Sent: Tuesday, March 9, 2010 11:38 PM
To: secretary <secretary@CFTC.gov>
Subject: Regulation of Retail Forex

Dear Mr. Secretary Stawick and Chairman Gensler,

I agree with the "Farm Bill" amendments to the Commodity Exchange Act to strengthen our nations RFEDs, their minimum capital standards, financial reporting, risk disclosure statements to retail account holders, reduce fraudulent activity among retail forex dealers, and help to improve counterparty and intermediary disclosures. However, I adamantly disagree with the change to limit retail forex customer accounts to a 10-to-1 limitation. Many dealers currently allow retail customers to set the amount of leverage they are willing to risk. And more importantly, many currencies move in a 1000th of a currency's rate point (PIP), and therefore the leverage of 100-to-1 is adequate for the minimum change in a currency's nominal rate.

I believe that the proposed regulation of limiting the leverage factor to 10-to-1 will effectively eliminate the forex trading opportunity for individual traders. It will regulate them out of the market and could prevent access to the retail forex market entirely. In fact, this proposed regulation will, in effect, most likely raise the level of risk for the individual trader because you will effectively require 10 times the amount of a retail trader's risk capital to participate. (i.e. 100-to-1 leverage ratio requires \$1,000 per contract margin verses, 10-to-1 leverage ratio requiring \$10,000 per contract margin.) This has the effect of requiring a higher percentage of an individual's net worth to hedge against their international investment exposure or to speculate on currency movements related to international economic events and trends.

Another, negative externality of this regulation is that it could motivate retail forex customers to deal with alternative dealers outside the US with lower financial and operational standards, thus negating the intent of most of the proposed regulation-- which I do agree with. The 10-to-1 limitation is poor regulation. Let the markets decide the leverage allowed-- don't regulate/mandate it.

Respectfully,

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