

From: rlemberger@aol.com
Sent: Friday, March 12, 2010 3:51 PM
To: secretary <secretary@CFTC.gov>
Subject: Regulation of Retail Forex

To the CFTC,

Today, the CFTC assures the economic utility of the futures markets by encouraging their competitiveness and efficiency, protecting market participants against fraud, manipulation, and abusive trading practices, and by ensuring the financial integrity of the clearing process. Through effective oversight, the CFTC enables the futures markets to serve the important function of providing a means for price discovery and offsetting price risk.

The CFTC's mission is to protect market users and the public from fraud, manipulation, and abusive practices related to the sale of commodity and financial futures and options, and to foster open, competitive, and financially sound futures and option markets.

The above is right from your web site. Your proposed and more than likely impending regulations(re RIN3038-AC61) while good in part, on the whole it takes away from the small traders ability to partake in a manner similar to the large guy. Some of the proposed regulations are definitely needed, such as keeping records of complaints, requiring the implementation of customer protection policies, and requiring employees be at least somewhat responsible (and hopefully knowledgeable on the subject). The requirement of a 10:1 margin is neither needed nor necessary. Regulate the brokers require certification, require they offer training that is certified, but don't kill the market for the small trader.

Leverage in itself is not dangerous. It is the misuse of leverage that is. By changing the requirements on margin you will be eliminating the individual from participating leaving only the big players. Yet you call this protecting the retail customer. I believe the proposed margin change will cause the smaller trader, on a whole, to lose even more money. The small trader will have to put more money into their account in order to have enough in the account to make reasonable trades. More than likely this will be money that person cannot afford to lose. Most traders are not actually traders they have no knowledge of what they are attempting to do and they have no idea what good money management is.

In order to be an engineer, a nurse, a teacher or a doctor one has to get educated. If someone gets into a market without first getting educated they are foolish. Why not require traders who open an account to take 20, 30, 80, 200 hours of training before being able to open a live account. Training should include not only knowledge of the market, but also money management.

I know of a trader who trained and educated herself in order to make money for college (she is a high school student). She succeeded because she studied. She got educated. Put in your new leverage regulation and that type of success story will no longer be possible.

Good money managers say no more that 10% of an account should be in any one trade and to not risk more than 2-3% on any one trade. The new margin regulation would, for example require a person to have a \$15,000 account to make a 1 mini-lot trade in the GBP/USD currency pair now trading at 1.4969. A 1 mini-lot trade would require roughly \$1500. Right now it only takes \$1,500 in an account because it would only cost roughly \$150. A \$15,000 account for many is a large account. After all, good money managers stress to trade only with money you can afford to lose. You also would increase the amount at risk.

Your proposed 10:1 margin requirement will cause the bulk of us small traders to leave the U.S. based brokers and go to the overseas broker. This could lead to even more losses for the retail customer due to new scams. There are several honest and good overseas brokers. Last year there was a large exodus from U.S. based Forex brokers to the British brokers. Many Forex brokers closed their doors because with fewer customers they could not compete. There will be an even larger exodus if you make this leverage change. What will this do to the brokers that are still here? Do not forget the money is now removed from the U.S. economy as well.

You are trying to protect the retail trader from excessive losses in the market. Yet many will lose more because they will over leverage their accounts even more.

Please think about what you are supposed to do for the retail customer and whether this proposed margin change is accomplishing that.

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