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Sent: Friday, March 12, 2010 8:48 PM
To: secretary <secretary@CFTC.gov>
Cc: cftcfeedback@fxdd.com
Subject: Regulation of Retail Forex

RIN 3038-AC61

Sirs,

I am writing you in reference to the recent proposed regulations concerning retail Forex trading.

You have requested public comment on these proposed regulations and I would like to express my opinion.

I have been trading futures and forex as a retail trader for nearly four years. Therefore, I am not unfamiliar with the markets themselves and the risk involved. I am also exposed to the deceptive advertising, unfair tactics, and outright lies some unscrupulous brokers and other promoters of retail currency trading methods and systems. Like most traders I read the news and being involved with trading my own account on a daily basis I see the bogus emails and scams. I also understand, through research on the Internet, that there are a certain number of beginning traders who have been taken advantage of by these scam artists. While I am quite skeptical and have done due diligence as much as possible in selection of a broker, I am sure there are many others who do not, and will not, and therefore will be quickly relieved of their hard-earned funds. In an effort to protect the unsophisticated traders, I can see that something must be done about those problems. Unfortunately, there is a "get rich quick" mentality prevalent among the forex crowd, and for that I blame the above mentioned brokers and others who promote this attitude. And there is never any end to new entrants to the market who approach the markets with a lottery mentality. This is no different than it has been for decades in the futures markets, which have always been tightly regulated. There has always been a certain element of any trading activities who will prey on the unsophisticated traders.

While keeping the above in mind, I would like to address the more immediate issue of the proposal to limit leverage of the retail forex customer accounts to 10 to 1. I am opposed to that regulation because, unlike the futures markets which have great volatility on a regular basis, the OTC spot currency markets are normally not so volatile percentage-wise that it would be reasonable to expect the daily price movement to be large enough to make it worthwhile to trade them with only 10 to 1 leverage unless you have a very large account. Yes, sometimes, as during the major news events, the liquidity dries up and relatively large moves occur in the markets and this can be destructive to a trader's account when they are highly leveraged. However, I have never found this to be a problem when trading a reasonable sized account and the 100 to 1 leverage that my broker offers. And for the most part these events are known ahead of time and can be avoided by not having a position in the market during these events if necessary.

I feel that regulation of the retail forex market must be a priority simply to protect the innocent, however to lower the leverage that much would likely remove the trading opportunity entirely from anyone who cannot afford to deposit less than \$100,000 in a trading account. Again, due to the pip value and the normal daily percentage movement in the prices in the market the return would not be worth it and virtually all small traders would be unable to be involved. This effectively eliminates the opportunity, however slight, for the small trader to get a start in trading the markets. The other alternative which comes to mind, and which is more likely, is that most small traders will switch to trading through unregulated offshore brokers who will be happy to accept them.

My viewpoint is that the answer to this problem is education and good common sense on the part of the retail trader, not restriction on leverage.

Thank you for your consideration,
David Ferguson