10-001
COMMENT
CL-07330

From: Lisa Reissmann <lisareissmann@gmail.com>
Sent: Saturday, March 13, 2010 1:14 PM
To: secretary <secretary@CFTC.gov>; cftcfeedback@fxdd.com
Subject: Regulation of Retail Forex

To: secretary@cftc.gov
RE: RIN 3038-AC61
'Regulation of Retail Forex'
Mr. Stawick (Secretary of a CFTC)

I oppose the proposed CFTC change in leverage from 100:1 to 10:1 in forex markets as it severely limits the potential of a trader who is responsible at exercising good risk management principals.

For example, If someone is trading with $10,000, at 100:1 leverage, they can place a 2% risk trade with a 20 pip stop
at a lot size of 1 (100,000) requiring $1000 in margin. However at 10:1 leverage, a lot size of 1 would require $10,000
in margin or the entire account balance. There is no liquity to even place this trade. So while this trade is effectively
managed for risk, the reduced leverage of 10:1 makes it impossible to execute. To take this trade with proper risk management
and lower leverage would mean taking a lot size of .98.(98,000) 9,800 in margin, with $200 liquidity. The decrease in lot size will result
in lower fees to the broker, and a decrease in upside potential (50 pip gain would yield only $490 at .98 lot size, instead of $500 with a 1 lot size). In this example both trades have the same risk management of 2%, however the same pip gain would yield a lower return for the 10:1 leveraged account.
The biggest disadvange to the retail trader is that their capital is now tied up in one trade. This severely limits their ability to diversify
in many different currencies.

In this example, I have just proven that reduced leverage at 10:1 does not protect a traders capital versus 100:1. Only a disciplined trader
can protect his capital by exercising money management and trading methods. The inherent risk in the market is the same no matter what leverage is used.

Regulatory bodies cannot protect consumers from losing money from their own trading decisions. They should not make regulatory changes that falsely present protection to consumers (decrease in leverage) when in fact they would be limiting the available options of an independent trader that currently exist in the market place here in the US. Regulatory bodies should create financial equality among big players and small individuals, inside of the US that are equal to opportunities worldwide.
Regulations should protect the consumer by only mandating proper capitalization and reporting of brokers to protect the consumer from unfair business practices and potential bankruptcy. IB's should be able to represent a multitude of brokers as not all brokers provide the same services, trading platforms, account types, etc. An IB's place in the market is to provide education and a multitude of resources for the investor so that they have the best chance at success in their trading.

If the regulations changed the leverage to 10:1 this would greatly impact the forex market by investors moving assets off-shore to other brokers who continue to provide the same trading opportunity that exists now. It is unfair for the American citizen to have an unequal stake in the world's largest financial market. I don't see the leverage change as protecting consumers, but taking away liberties. If the true concern to change leverage is based on decreasing speculation and the high volatility that exists in these markets, regulatory bodies need to take a step back and look at how small of an impact the retail market has on the forex markets. There are larger economic issues that have been driving the price volatility. If countries like the UK can have a stable market with 200:1 maximum leverage, why can't the US and its citizens have the same opportunity or even half the opportunity by leaving the leverage at 100:1?

Sincerely,
Lisa Reissmann