

From: Daniel S <danielmsilver@yahoo.com>
Sent: Sunday, March 14, 2010 2:34 PM
To: secretary <secretary@CFTC.gov>
Subject: Regulation of Retail Forex

Re: RIN 3038-AC61

Dear Mr. Stavick:

I'd like to voice my very strong SUPPORT for your proposal to reduce leverage on retail forex transactions. If enacted, this rule will prevent thousands of Americans from losing vast sums of money in the highly volatile, inequitable, and wealth-destroying retail for exchange market.

I'd like to clear something up: I'm not asking you to reduce leverage because I was burned trading forex. In fact, I work in the retail brokerage industry and I've personally seen the sudden, massive losses that individual investors suffer by trading these highly leveraged assets. As I result, I feel that, ethically, I have no choice but to speak out in favor of this rule -- even at personal risk to my job and my career.

First, let's be clear: retail forex trading is a loser's game. More than 90% of forex traders lose money after their first year of trading. The reasons for this are manifold -- extreme volatility, very limited market information, and high trading costs -- but this is a well-known fact in the business. If you don't believe it, just use your power to ask the top forex brokers to tally up gains and losses, including trading commissions, for all their retail traders, past and present, and you will see that it's true. Now, I'm certainly not saying that every single person who trades forex loses. It's a gamble, and as with any individual gamble, it's possible to win, and win big. But in the long run -- and usually in just a few weeks -- the vast majority of traders lose. That isn't investing -- it's gambling.

While forex trading is bad thing for retail investors, what makes forex trading worse is leverage. As you know, with the high leverage currently available, traders can now play with as much as \$100 for every dollar they put at risk. While this gives traders the opportunity to make a few bucks in just a few minutes of trading, it's just as easy -- and in fact, more likely, due to both the high volatility and obscured trading costs -- that they will lose everything they gamble.

Leverage not only magnifies gains and losses, it's what makes forex trading addictive. Leverage increases volatility and amplifies market moves, creating a minute-by-minute adrenaline rush. There are lots of pretty buttons, fast-moving charts, and analysis tools to help traders imagine they see patterns and can catch the wave. Sadly, however, most traders still lose, and the longer they play, the more they lose. In summary, if forex trading is tobacco, leverage is the nicotine -- the chemical that causes addiction to a toxic product. And by reducing leverage, you can kill the buzz, and reduce the deleterious impact retail forex trading has on US investors.

Now, the brokers are going to complain that 10:1 is an arbitrary number. And they're right -- it is arbitrarily high. Frankly, forex leverage is unsafe at any speed. It makes people who think they are trading rationally simply lose money faster. But there is no reason why forex is a magical asset that deserves looser leverage than, say, stocks, for which you can get no more than 4:1 leverage. Nevertheless, if 10:1 leverage is politically palatable, and it prevents a few deluded investors from losing more of their savings, then I'm for it.

In summary, I feel that allowing people to so easily gamble away their life savings is socially and financially destructive for the US. And reducing leverage is the easiest way to prevent this in forex trading. With highly reduced leverage, individual investors will still lose money -- this is inherent to the forex market. But reduced leverage removes the rush that addicts individuals to forex trading and convinces them that a big win is just around the corner.

I admit that this would be a radical change for some forex brokers. Many would have to shift away from retail traders, where profits are very, very high, to commercial customers. Some might even have to exit the industry. But retail forex trading destroys the wealth and savings of thousands of Americans, and hurts the overall health of our economy. The profits of a handful of companies should not outweigh the long-term needs of US citizens and investors.

So please consider my plea. As I said, I'm telling you this at risk to my job and career, but I think it's too important not to say. We now have a historic opportunity to eliminate the incentives that allowed financial institutions to undertake dangerous risks and offload those to individual investors. Tighter forex regulation should be a part of this as well.

Sincerely,

Daniel Silver
1725 Shattuck Ave #308
Berkeley, CA 94709