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Sent: Tuesday, March 16, 2010 5:29 PM
To: secretary <secretary@CFTC.gov>
Cc: Ian McAfee <ian@shiftforex.com>; Justin Gilmore <justin@shiftforex.com>
Subject: Regulation of Retail Forex

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Mr. Secretary,

A lot has been made of the proposed new regulations by the CFTC/NFA and I wanted to take some time and write my thoughts to you personally. It's my belief that regulation is necessary to protect consumers and when done correctly it's something that I believe will help legitimize the FX industry even further allowing for continued growth. However, I firmly believe several of the new proposed rules will have the opposite effect and will destroy a lot of good businesses out there trying improve the industry as a whole. And as a result most if not all US business will be forced offshore which will endanger current/new US traders rather than protect them.

I'm sure you've received loads of emails regarding the reduced leverage, displaying a percentage of profitable traders, etc but I'd like to focus on requiring an IB to be guaranteed by a broker. One of the greatest assets of an IB is the fact that they can operate independent of a broker on behalf of their clients. If an IB doesn't like the terms of a broker it can switch or depending on the particular need of a client it can direct that client to an appropriate place to conduct his or her trading. If an IB must be guaranteed the ability to protect their clients is completely lost. They're just another arm of the broker and any edge or specialty they may have offered will effectively be lost. It's the loss of that edge that concerns me the most. IB's are the creative force in the FX industry. They have the new ideas that revolutionize trading and are often adopted by brokers down the road (ie. Advanced charting solutions and automated trading were first developed by IBs and now almost all brokers have adopted these in some format). Without these entrepreneurs the industry will lose new technologies, ideas, and services which would help move FX into the mainstream with other asset classes here in the US.

I realize the alternative is to require all IB's to be registered with the NFA and it's my feeling that this would actually be a great thing (we've almost completed the process ourselves). It achieves the same objectives as a guaranteed IB but still allows them to act independently of a specific broker like I wrote about previously. While initially this might cause a large increase in work for the NFA (but would also cause an increase in revenue), after the dust settled you would be left with a very solid group of IB's that could supplement brokers while protecting their specific customers in whatever niche they may have found. Some creativity may still be lost due to the cost of entry but anyone with a good idea could develop it independently this way, which would not be the case if they needed to be guaranteed.

With that I'll get off my soap box but I hope that you have the time to read my statement thoroughly. Should you have any questions about this or anything feel free to contact me via email or at either of my phone numbers below. My two business partners and I have extensive experience in the FX market working at FXCM and dbFX for a number of years and running our successful and soon to be registered IB as well. In a way we would be a great resource for you should you need any further information or insight when it comes to how these proposed new rules could affect the FX industry. Thanks for your time.

Regards,

Matt

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