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COMMENT
CL-08419

From: Gary Hamon <garyhamon@email.com>
Sent: Thursday, March 18, 2010 4:29 AM
To: secretary <secretary@CFTC.gov>
Subject: New forex margin limits

Sirs,

I have to ask if anyone considering this proposed margin restriction has EVER traded the retail Forex market or traded a personal retail account in anything.

The proposed 10-to-1 margin limit is not rational, you can NOT compare the Forex market and forex trading to stock, commodity, bond and other markets. It isn't even apples and oranges, it's oil tanker loads of oil compared to small truck loads of (maybe) tomatoes.

Stocks move in $.01 increments, and may trend dollars per share in a day. You can invest $1000.00 of risk capital and make hundreds of, or even thousands, of dollars in a single well-caught trend. Commodities likewise and certainly the same is true for most other markets. These are the oil tankers.

Forex moves in little itty-bitty fractional-penny increments called pips. For example, each pip is worth, at the current price for the tade pair USDJPY a total of $0.000110889 per 0.01 lot, the minimum trade size.

A full lot, risking $1000, would return only $1.10880 (yes, only just over A DOLLAR PER ONE THOUSAND DOLLAR RISK PER LOT) without margin. With your proposed limits, a 1 lot, 15 pip profit trade would bring in $11.088 -- with the NFA's current limit of 100-to-1 it would profit $110.88 -- a day's wages plus if you're currently working at a pizza palace for 5:35 an hour. Oh, sorry, that's over 2 and a half day's wages. That's what my son is doing. I taught him to trade, he targets 10-15 pips per day and he's doing well--another month and he can quit the pizza job. But NOT if you cut him off at the knees and drop his daily profitability by 1000 percent to that $11.088 per day. Oh, yeah, he just has to up his POTENTIAL LOSS by 10 times. That's the ticket. Increase his actual dollar risk.

High margin is NOT a risk if you know how to trade: it's a reward. A reasonable limit is 50 to 100 to one. Preferably 100 to 1--after all, no HAS TO USE IT ALL. And they shouldn't. But it allows someone starting out with say, $250.00, to actuall make a living trading within a week's time. Or, $500.00 as I did.

If you want to "protect" the public then insist that brokers train their customers like InterbankFX does right now with their training "webinars". I trained my son, he's making money. The method I taught him was 1-to-3 bar price reversals, though mostly single bar "pin" reversals. Spot the reversal, invest one lot, make $200.00 or more. A+B =$. ANYONE CAN DO IT. The problem is most people want to play poker. It's exciting. Investing in Forex isn't exciting. It's boring. But it pays well. Or at least it used to.

BTW: (I only mention InterbankFX because I have only recently established a small account with them. My intent was to see if they were any better than my current broker. Because of your proposed margin restriction I haven't started trading with them yet. I wanted to try them out on a small scale before switching to them fully but I guess I'm going to wait for a while longer--but I can say I wish my current broker's support was as helpful and I wish they would make training available as does InterbankFX.)

Winning, sirs, is a process. Five or six percent of traders know this. The rest are unwilling to put a year's effort into learning their trade -- not that it's just in trading for a living -- if the same percentage of business owners failed to prepare for their new business as refuse to prepare for trading, the SAME PERCENTAGE WOULD FAIL IN THEIR MAINSTREAM ENTERPRISES. If the US Department of Commerce is correct, they pretty much do.

Predicting the future:
What's going to happen (I'll put 50 lots on it if you'll be the counterbary to the "trade") is that billions, if not hundreds of billions, of USD are going to go to overseas brokers who don't have to report to the CFTC whichwill INCREASE their danger. My money included. And my son's, though it's only a few thousand so far. In fact he and I already have overseas accounts--we're just waiting for you to provide the push before we fund them. And so are dozens of traders I've talked to on the forums, and 5 other traders I personally know. Most people are quiet types that keep their heads down. For every comment you receive I think you know there are 100-to-1000 other people who feel exactly the same way. Sooner or later the overly-protectionistic attitude of the US Government is going to stimulate a political backlash. And I, for one, will help fund it. So will about a billion dollars worth of other traders.

If you really want to truly protect the public, and I truly believe you do, then consider doing some of the following:

1. Do away with "pip bucket" dealer/brokers.

These crooks take your money and it NEVER LEAVES THEIR COMPUTER UNLESS YOU WIN". Every broker should be a broker, period. Where would the stock market be if EVERY broker was a market maker.

2. Brokers should shoulder a reasonable amount of risk in that NO ONE should ever lose more than is in their account. What we "pay" in spread is a PROMISE, collateral on a leveraged transaction. We do NOT own the currency pair we are trading, we're not even renting it. We are promising our payment for the right to control the currency pair for a limited amount of time. As it is now, brokers typically close a trade in the case of a 40% loss of margin, to insure the retail customer doesn't suffer a liquidation of their entire account. BUT THIS DOESN'T PREVENT LIQUIDATION AT GREATER THAN ACCOUNT BALANCE. In stock, you own the stock; in Forex you're paying for limited-time control.

3. Reduce the cost of trading by instituting per trade commissions. ScottTrade charges $7.00, for unlimited shares of stocks. $5.00 per lot per trade plus the the broker's actual bank spread would probably be fair for straight-through-processing by computer. Instead we pay 2 pips (pretty much minimum) plus bank spreads in active trading periods. I've seen spreads go to 7 and 9 pips during news events. Even standard 2 pip pricing can be $20 or more per trade per lot. 50 lots = $1,000.00. $1000 to "broker" a strade? It's time the retail trader caught a break and was charged similar to stocks, bonds, and commodities.

4. Do away with the whole "Introducing broker" scam. Can you imagine buying $5000.00 worth of stock and you have
to hand half you fee to the guy who introduced you to Interactive Brokers? Time for the entire industry to grow up, kiddies.

5. Stop the "swap" fees and interest paid/charged per day on trade volume kept past a certain time, altogether. If you're
Muslim, no one makes you pay it. Christians, Jews, Hindus, Buddists, athiests -- whatever, should be treated the same.
So just stop it--these swaps aren't even really done anymore anyway, they're just computer notations that allow the brokers to charge fees and interest payments. If you don't have to charge Mohamed, then don't charge Jerry and Chris
either. Just stop it.

6. Stop telling people that Forex is random. It isn't. Forex does 3 things and ONLY three things: It trends higher, it trends lower, or it moves sideways (consolidation). During "news events" prices jump around a little crazy but IF YOU ARE A SERIOUS TRADER YOU KNOW THIS AND YOU AVOID TRADING AT THE TIMES OF NEWS EVENTS. I do, and so does my son.

7. Don't ever do away with the stoploss. OMG. I can't even believe the news story I read about doing away with stop loss
and take profits. Ignorant/insane. Yes,the dirtyrotten marketmakers will hunt your stop loss if you have enoughmoney

in the pot to be worthwhile. Keepyourtrades small and you don't have toworryaboutit. Do largetrades andyou'll soon learn tohave a backup Internet connection,a phone handy, and yourbroker onspeed-dial,because if you trade 50lots, yes, they willHUNT YOUDOWN AND TAKE YOUR MONEY. Bankers! You shouldhunt themlikeOsama.

8. Don't EVER copy the SEC and require retail Forex traders to maintain a minimum balance to "pattern day trade".
Intraday Forex trading is the safest and most reliable form of trading. Sometimes trades do go against even the best trained trader and he/she has to get out of a losing position. Let themdoso without reprisal.

9. Have every broker require every inexperienced trader to read an ebook online about how to trade. I would suggest pin bar reversals as a minimum. They work, but they cause you to abandon the "set and forget" strategies so many lazy traders want to rely on (can you say 30% winners?) Markets may trend (and they do) but NO ONE CAN PREDICT A CURRENCY'S FUTURE PRICE. That doesn't make it random, just stochastic. Take a position based on a reversal, and get out when it reverses again. Repeat. Repeat. Retire.

Itseems this little missive sort of grew while writting it. I hope it will be helpful.

Sincerely,

Gary Hamon