10-001
COMMENT
CL-08508

From: Rick Thachuk <rthac@worldlinkfutures.com>
Sent: Thursday, March 18, 2010 3:15 PM
To: secretary <secretary@CFTC.gov>
Subject: Regulation of Retail Forex

To:

David Stawick,
Secretary, Commodity Futures Trading Commission,
1155 21st Street, NW,
Washington, DC 20581

Re: Proposed 10 to 1 Leverage Rule for Forex Margin RIN 3038-AC61

Dear Sir;

Such an increase in margin to 10% for the customers of U.S.-regulated FDMs would be well beyond and therefore unfairly excessive in comparison to the 2% to 4% margin that is available for customers who trade the corresponding foreign currency futures contracts on U.S.-regulated futures exchanges. This would have the immediate effect of transferring client business from the forex market to the futures market or, more likely, of transferring client business from U.S.-regulated FDMs to non-U.S.-regulated foreign firms, with all of the attendant employment, tax and financial displacements.

Margin in the futures market serves as a good-faith deposit to show the financial ability of the client to handle the market risk associated with the contract being traded. In practice, margin is a determined quantity of cash that is thought to be safely above whatever market value movement the contract can be reasonably expected to experience within the trading day or upcoming day. When a forex contract and currency futures contract are both the same size, then any difference in margin between the two should reflect a difference in price risk or volatility between the two contracts. It is difficult to defend the notion that the forex market has greater price risk than the futures. Indeed, one can demonstrate that since the futures contracts do not have the liquidity of the forex market, price movements of a foreign currency futures contract can at times be more volatile than price movements of the corresponding cash or forex counterpart and this would suggest that, whatever is the margin for trading forex, the margin for trading currency futures should be *higher* and not lower.

I can appreciate that high leverage and over-trading have been a cause of financial distress to many forex traders and I presume that the contemplated Leverage Rule is designed to reduce both. However, it may not be necessary. I have noticed that the forex industry is maturing and naturally gravitating toward a more responsible approach to trading. For example, many brokers are establishing higher minimum account funding requirements while at the same time encouraging more risk management and prudence in trading among their clients by maintaining excess margin. Brokers realize that if clients lose money because of excessive trading, then they pack up and go home and the broker earns no further revenue. Consequently, it is in everyone's best interest to have a knowledgeable and responsible client and both broker and client are working to that end.

Regards,
Rick Thachuk
President, World Link Futures, Inc.

Registered CTA, NFA registration number: 271581
Owner of the WLF Futures, Options and Forex Education Network

Mr. Thachuk is a former Economist at the Bank of Canada and New York Board of Trade.
Complete bio at: http://www.worldlinkfutures.com/PresBio.pdf