From: Peter Panholzer <peter@dynexcorp.com>
Sent: Tuesday, January 19, 2010 11:06 PM
To: secretary <secretary@CFTC.gov>
Subject: Regulation of Retail Forex - - - RIN3038-AC61

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Sir / Madam

As an observer (we do not trade retail forex for U.S. clients) but also as a veteran in the business (trading currencies since 1974, interbank since 1985) we feel compelled to comment on the proposed 1:10 margin rule for forex.

While we welcome measures to reduce fraud in retail forex, including regulating the margining of retail forex positions, the proposed *fixed* limit on leverage of 1:10 is statistically and operationally unsound.

Certain currency pairs, by their mutual geographical and economical relationship, do not fluctuate as much as others e.g. are not subject to the same volatility and risk. To illustrate, a (dollar-free) EURCHF rate fluctuates less than a EURUSD rate.

In order not to hurt market participation and thus market liquidity, the underlying instrument should be covered by margin deposits governed by volatility not size. In other words it would be unfair (and unwise) to impose the same margin (proposed 1:10) on 100,000 EURCHF as on 100,000 EURUSD.

This has been recognized long time ago in the futures markets where the exchanges can set (and vary) the minimum margin requirements according to the volatility of the futures contract.

We suggest the CFTC follows the same proven path. Let the same people who set individual currency futures margins at the IMM based on market volatility, set the margins for individual forex currency pairs.

Sincerely

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