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**Sent:** Monday, March 22, 2010 9:02 AM  
**To:** secretary <secretary@CFTC.gov>  
**Cc:** cftcfeedback@fxdd.com  
**Subject:** Regulation of Retail Forex

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Good morning

I sent this email to say my opinion about the new regulation of FOREX, first I am agree that CFTC will have the authority on Forex firms and the first point of the new regulation:

**-Clarified the scope of the CFTC's anti-fraud authority with respect to retail off-exchange foreign currency transactions".**

I am agreeing with these powers of the CFTC and I am agreeing to the second point of regulation:

**-provided the CFTC with the authority to register entities wishing to serve as counterparties to retail FOREX transactions as well as those who solicit orders, exercise discretionary trading authority and operate pools with respect to retail off-exchange foreign currency transactions.**

And I am agreeing with third point of the new regulation that is:

**-mandated minimum capital requirements for entities serving as counterparties to such transactions.**

But I disagree that the CFTC will imposes a limit on financial leverage on these foreign currency assets and I will expose why CFTC should not impose financial limits of leverage on currency:

1 - It is true that the market requires certain regulations for their proper functioning, But cause the suffocation of the market with excessive regulations could coming to remove companies of FOREX in the United State, I am agree on the all points of the new regulations serve to generate the proper functioning of the market. But it is wrong to limit the leverage that the Forex broker, they have with the technology so that no trader can generate more losses than deposits from their accounts, this means that market have the tools to prevent the trader will lost more than it has in cash in your account.

2- Forex is the world's largest market with capital movement of \$ 2 Trillion dollars per day, with the highest degree of liquidity, profundity and 100% liquid assets, this means that any position can be closed at any time without produce systemic risk in the financial system, I do not see what the problem with financial leverage for private traders because any trade position can be closed at any time.

3-This limiting about financial leverage in the USA, it will produce years of work creating lost in a foreign exchange market international and the USA will give everything won to London, this will cause that brokers who are domiciled in the USA change their place work to London, thank to this regulation that the USA wants to impose. The USA will lose competitiveness in the Forex market where it already dominates USA will lose approximately \$ 1,000 billion dollar in taxes, brokers will look new places to work as London, Tokyo, Dubai, Etc. The USA will lose work places in the foreign exchange market around 10,000 direct and indirect jobs. And these losses are due only that brokers will be forced to leave U.S. to please their customers what demand greater financial leverage and less regulations.

4-All market participants know they are playing, I mean that the trader should know about the risk of FOREX and their level of financial leverage, if the trader loses money or all of their capital, traders must take responsibility, it is true that the greatest leverage produces higher profits and greater losses, but this does not mean that the debt on capital is bad, only be must manage risk.

5- The CFTC proposes a maximum leverage of 10:1 in the currency market, I do not understand the CFTC, Why you wants to get limit the financial leverage?, the futures market have a leverage of 30:1 and can reach a 70:1 in future the German debt bonds to 10 years, another example are stock options, indices,

commodities, etc. Where debt on capital also comes at a 70:1 or 80:1 if the CFTC want protect the traders, the CFTC would have to apply this limit of financial leverage to all USA markets and you do not to discriminate against a market that is more liquid than any futures market, stocks, etc. like is the foreign exchange market, or FOREX.

6- Regarding item 5, the financial instruments and derivatives that are obtained from these, are necessary for the proper functioning of international financial market for the simple reason that these tools accelerate business cycles, it is generating bullish and bearish market faster, it is causing greater market stability. The traders need financial leverage in the foreign exchange market because they take the risk that insurers will not take. Each financial instrument has its advantages and its degree of risk, but this is necessary to stability the financial system and thanks to the different degrees of leverage is obtained the system financial stability.

As I stated I disagree with the limited financial leverage to 10:1, I hope you (CFTC) will reconsider the regulation on financial leverage and leave it to what the free market provides, because I know that at this point about financial leverage works very well to market .

I hope you reconsider the new regulation and especially in the financial leverage, because if new regulation becomes effective as suggested by you (CFTC), the currency market in the USA will become less competitive and the consequences that would bring to market.

Best regards,

Gabriel Fernandez Montero