From: JIrwin <jifx.59@primus.ca>
Sent: Monday, March 22, 2010 10:59 AM
To: secretary <secretary@CFTC.gov>
Cc: Stawick, David <dstawick@CFTC.gov>
Subject: Regulation of Retail Forex - 75 FR 3281

VIA E-MAIL

Mr. David Stawick
Secretary
Commodity Futures Trading Commission
1155 21st Street, N.W.
Washington, DC 20581

Dear Mr. Stawick

Re: Objection to 10:1 Margin Requirement in Regulation of Retail Forex Proposal under 75 FR 3281

I'm a retail forex trader based in Canada but maintaining a small (under 30 thousand dollars) forex account with a US broker as part of my carefully balanced investment portfolio.

I very much appreciate and value the proposed increased minimum capital requirements for retail forex brokers as well as the proposed requirements for registration, disclosure, record keeping, financial reporting and operational standards. These all work to ensure a safe market place for small traders and investors such as myself.

I do however strenuously object to the increase in margin requirement to 10% of the notional value of individual transactions. My reasons are as follows:

INCREASED RISK FROM HAVING ADDITIONAL FUNDS ON MARGIN DEPOSIT
With the advanced computer system maintained by my broker and its automatic liquidation features, if I make a bad trade I can only lose the risk capital on deposit or an amount close to it.
In order to maintain the trading level that I'm comfortable with, the increased margin requirement will force me to deposit a much larger amount with my broker in order to trade safely with proper money management.
The proposed rule 5.9 puts me at risk of losing a larger sum of money at my current trading level. It will also necessitate a move of investment funds from other asset classes to forex and cause a risk imbalance in my investment portfolio.

INCREASED RISK IN TAKING LONG TERM POSITIONS
Longer term positions require larger amounts of risk capital in order to allow for account draw down from normally fluctuating markets.
As a small trader the positions that I take are generally intra-day but my objective and that of many other small traders, is an improvement of skills and knowledge in order to move up to lower cost, longer term trades.
The proposed margin increase may effectively shut me out of the long term markets from lack of risk capital.

DANGER THAT TRADERS WILL SEEK OUT OVERSEAS BROKERS
There is much talk of traders seeking out offshore currency brokers in order to retain 100:1 margins. I'm already in discussion with two such brokers. If I move my account to a European jurisdiction and thousands of others do so as well this will likely increase the transaction costs of US brokers and cause unemployment within the industry. The resulting reduction in revenue will also likely reduce the ability of US brokers to support market education. (noted below)

MARKET EDUCATION & ECONOMIC IMPACT OF MY CHANGING TO A EUROPEAN BROKER
As a new currency trader I have already expended in the United States the following amounts over the last 2.5 years: (a) US authored books related to price charts and technical trading - $600 and (b) Software and education - $4000

If I decide to move my account the approximate impact on US service providers will be as follows:
Current monthly cost of charting services and exchange fees - $250

Proposed additional monthly costs and exchange fees from ESignal - $440
Proposed additional training fees and software instruction - $4,600

Many of the US forex brokers are taking strong steps to provide and support market education. I make frequent use of (a) ForexTV (b) Daily Reports from BrewerFX (c) Market Training from MBTrading , LearningMarkets, FX360 and ForexFactory. If the US brokers lose forex customers on account of increased margin they will not likely be able to continue support of these strong educational and market reporting enterprises.

The US publishers and printers I have supported through my forex trading activities are Wiley, Prentice Hall, McGraw Hill, Bloomberg and Regnery.

EXPORT MARKET
I would like to remind the Commission that since I'm resident in Canada, forex services supplied to me are export services such as those set out above and they give support to the US balance of trade. I'm aware that there are a large number of Canadians using forex services from the United States.

FUTURES MARKET
In my own case I find that in trading forex I'm paying more attention to the futures markets and have been making paper trades in the futures as part of my development. The forex market with its current strong educational support makes it easier to look at the other markets. By forcing new forex traders out with onerous margin requirements the Commission might be chasing away a large potential for growth in the other markets.

CONCLUSIONS
For the reasons set out above I urge the Commission to review the proposed leverage restriction with a view to retaining the current 100:1 requirement.

I believe that since the margin was only recently adjusted in November 2008 that more time should be given to assess any protection offered by that change.

The CFTC provides large comfort and I'm not anxious to move my account to a European jurisdiction but may be forced to do so in order to continue trading in the spot currency market at levels that make it worth the large expenditure of time.

Respectfully
J.Irwin,
Forex Trader
Toronto, Canada