10-001
COMMENT
CL-00887

From: Tim Rea <tim@autotradingsystems.com>
Sent: Wednesday, January 20, 2010 12:13 AM
To: secretary <secretary@CFTC.gov>
Subject: Regulation of Retail Forex

Dear Sir/Madam,

I am a trader of my own funds for Forex as well as being a futures trader and registered CTA via my company. I understand the CFTC is considering imposing a maximum leverage of 10:1 for Foreign exchange dealers.

While I am of the opinion in the past some firms have offered excessive leverage I think that imposing maximum leverage of 10:1 is too restrictive in regards to the way traders such as myself trade. I personally trade very short term with small stop losses in place and so that higher leverage is useful for short term intraday trades or even overnight ones as we can effectively use notional capital and keep fund in our own account which would not be the case if the Margin was changed as proposed. Note with futures contracts although they typically have margins of around 10:1 that is for overnight carry and in most cases these can be traded within the day with higher leverage in some cases around 100:1 for example with $500 day trading margins for the E-mini S&P 500 futures are typically available

I met today with the New Zealand Securities Commission on another matter for local business and we did happen to talk about forex and I was suggesting more regulation in the US was likely and probably appropriate I would suggest you do not restrict leverage to 10:1 but something more in the range of 50:1 to 100:1 to be in line with day trading for the futures may be more palatable for short term intraday traders.

As a point of reference for my own personal account I use around 20:1 often but could easily trade with twice that leverage with less provision for draw down before I needed to add some funds to continue trading without reducing my volume.

One issue you may be aware of is by making regulations too restrictive it may cause many to use off shore forex firms rather than US based ones that is then outside of the US jurisdiction therefore counterproductive in protecting customers. I myself shifted from trading my own personal account at a US firm to one offshore when the non hedging rule came for example in as this did not fit with the way I trade my own account.

Best Regards,

Tim Rea NFA # 0411566
Transworld Capital Management Limited NFA # 0411471