

From: Charlie Delano <cdelano@fxcm.com>
Sent: Monday, March 22, 2010 3:43 PM
To: secretary <secretary@CFTC.gov>
Subject: Re: Regulation of Retail Forex - RIN 3038-AC61
Attach: FXDC Comment Letter.pdf

Dear Mr. Secretary,

Attached is a comment letter from the Forex Dealers Coalition. If you have any questions please feel free to contact me at your convenience.

Best Regards,

Charlie Delano
Director of Government Affairs
Forex Capital Markets
2701 Dallas Parkway, Suite 600
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March 19, 2010

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

Re: Regulation of Retail Forex – RIN3038-AC61

Dear Mr. Stawick:

The Foreign Exchange Dealers Coalition (“FXDC”) is a trade association comprised of 9 of the largest U.S.-registered Forex Dealer Members which collectively account for the overwhelming majority of off-exchange retail forex transactions (“Forex“) executed by Commodity Futures Trading Commission (“CFTC”) - registered counterparties. The FXDC appreciates this opportunity to submit its comment on the Commission’s proposed rules, RIN3038-AC61 (“the January 20th Proposal”). The FXDC has been and remains a staunch advocate in support of the CFTC’s goal of creating a well-regulated domestic retail forex market that is transparent and provides robust customer protection. The FXDC believes the January 20th Proposal will go a long way towards achieving these goals.

FXDC, however, believes that the January 20th Proposal contains one provision that if adopted will have a devastating impact on the retail Forex industry, drive it largely overseas, and on balance, offset many positive provisions included in the January 20th Proposal. This provision, “Proposed Regulation 5.9 – Security Deposits for Retail Forex Transactions,” would restrict leverage on retail forex transactions to a level of 10:1, which is a 90% reduction from the present maximum leverage level of 100:1 permitted under Section 12 of the National Futures Association’s (“NFA”) Financial Requirements, which was recently enacted by NFA on November 30, 2009.

The FXDC appreciates the CFTC’s concern regarding the possibility of a customer losing more money than they have on deposit in their account due to currency fluctuations in the market. However, the FXDC would like to point out that Forex dealers utilize radically different risk management protocols than do Futures Commission Merchants, which strictly trade on-exchange futures. Retail Forex dealers rely on electronic systems which automatically liquidate customer trades and prevent negative debit balances when an account is subject to a margin call. In regards to a related CFTC concern about the absence of bankruptcy protections available to retail Forex traders – (specifically, customer funds segregation), the FXDC is aware of this issue and has been working diligently with Congress to ensure this issue is addressed in the U.S. Bankruptcy Code. In the interim, requiring traders to post a larger margin deposit would only serve to put more customer capital at risk in the event of bankruptcy.

Should the 10:1 leverage provision be adopted, the FXDC would like to reiterate its concern about the inability of U.S.-based Forex dealers to compete with competitors from overseas (primarily in the United Kingdom where the Financial Services Authority imposes no comparable leverage limits on Forex dealers). As demonstrated by the over 8,000 comment letters to the CFTC to date, many despondent Forex traders will choose to take their business outside the United States if 10:1 leverage is imposed. Many of these traders may also choose to trade with foreign, unregulated dealers thus leaving them susceptible to fraud.

The FXDC respectfully submits that the CFTC withdraw proposed regulation 5.9 and maintain the NFA's current leverage regime (100:1 major currencies, 25:1 on exotic currencies) that went into effect last year. We sincerely thank you for your time and consideration.

Signed:



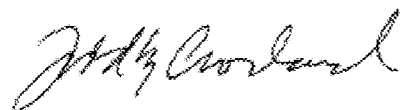
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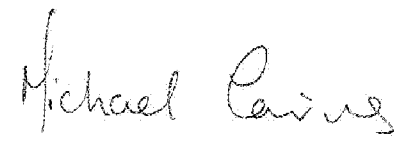
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