From: Steven J. Morales <stevenj.morales@yahoo.es>
Sent: Monday, March 22, 2010 9:02 PM
To: secretary <secretary@CFTC.gov>
Cc: nytnews@nytimes.com
Subject: concerned citizen

Dear Secretary Stawick,

I would have no interest in writing you except I find the public (" PR generated") outcry opposing your proposed FOREX regulations to be
repugnant considering what our country has had to bear in the last 18 months.

I was surprised to read your Chairman was considering capitulating on the CFTC proposal when he testified before congress. The capitulation is not what is disturbing. It is the reasoning why the Chairman decided to "revisit" his proposed changes. Changing ones thoughts based on factual data is acceptable. Bowing to pure political pressure and a well-planned battle, waged via professional PR firms is unacceptable.

The large industry leaders have exerted political pressure via Congressmen and Senators Collin C. Peterson (Dem., Minnesota) and Rep. Jim Marshall (Dem., Ga.). , Senator Orin Hatch. The representatives cite the potential lost jobs and US clients trading in rouge regulatory environments as reason to not implement your proposed changes.

What these Representatives are unaware of is each member of the PAC opposing your measures has already moved their clients and JOBS! to these same regulatory regimes you/we are told to fear! How hypocritical. It is a scary thought Senators and Congressmen would issue blind statements without fully exploring the reality of what they are saying.

I receive advertisements daily informing me I have a choice of where to open my accounts. I am offered an immediate option of transferring my account to these companies “offshore affiliate”. Rather than express concern over these same regulatory umbrellas you and the public are told to fear from the PR campaigns, the advertisements EXTOLL the benefits of their new offshore entities.

I myself have been made aware of the impending changes in FOREX via mass mailings from FX brokerages urging me to oppose the new regulations as well via FX STREET.com. and other "FOREX" sites. I can actually "write " a pre formatted letter to you simply by hitting an accept button

and inserting my mail. I am not sure this qualifies as a legitimate letter.
I did not take the communications from the brokers or postings seriously until I read HEADLINES (March 18th, 2010) Wall Street Journal. The article sites FINRA intervention of SEC regulations. I could not believe the evidence presented in the article. I would have found it unthinkable as well as unconscionable a regulatory agencies would directly undermine, via back room deals, what they publicly purport to support.

However, the evidence in that article demonstrates the underlying basis for my communication.

The FX Chat boards are now mentioning the impending fears over the proposed CFTC reduction in leverage is ill founded.

The large FOREX brokerage houses are now communicating to their best clients and introductory channels the extensive PAC activity and Public Relations campaign opposing the change has worked very well.

According to communications posted on Chat boards and representations made to colleagues of mine directly, The NFA, held a secret non - public meeting with the largest FOREX brokers and committed to supporting the FOREX Brokers opposition to the CFTC changes or some watered down version of the bill. This in exchange for an easing of the all out war the Brokerages are waging against the regulators. Thus the NFA position paper.

The Brokers have already communicated to their best clients the pressure they have brought via political pressure and a letter writing campaign has worked well.

Regardless of the final disposition of your decision, the SECRET NFA meeting in a NON PUBLIC FORUM is unethical, illegal, and reason the public in general should not have any reason to believe your agency is above sacrificing its political well being for what you purports your mission is.

Congress should investigate why you offer a public comment window, during which time you are secretly meeting with the same groups you purportedly are looking t regulate. The minutes and attendees of the secret NFA meeting should be published and disclosed.

Those responsible for undermining the transparent communication required by law should be held accountable.

In a time when your administration promises full transparency and an end to the Wall Street back alley shenanigans; the actions of the CFTC/ NFA become more disturbing. Any public servant or agency willing to thumb their noses to the American taxpayer under the current environment is an agency that should be held accountable.

The public should have no expectations that your agency has any recall of the true nature of why financial system melted down. A. Professional Institutions utilizing leverage at a rate of 30-1 times. B. Lack of oversight. C.Regulations watered down via political pressures. Sadly the public is asked to accept the average trader is more sophisticated than the professionals.

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The argument inexperienced non-professional clients are suitable to handle the leverage at any level is folly. The true genius of the entire argument presented by the PR firms on behalf of the FOREX industry is that to reduce leverage from 100-1 is somehow bad for business. The real question is how you allowed 100-1 to begin with. If you are going to allow 100-1 you might as well allow 1000-1 it has no statistical difference.

If you are looking for a true point of reference ask Mr. Gensler to phone his prior firm and inquire if Goldnam would allow 100-1 leverage in the FOREX market.

Shame on the CFTC, the NFA for not having the courage to stand above politics and demand real data. Shame on Senator Hatch for communicating his concern for worrying about potential job loss when his constituent sends out PR messages announcing loud and clear they have already moved.

The most recent financial meltdown was a result of no responsible oversight, and allowing financial firms to implement rules in their own best interest. This lack of oversight was supported by the threat of lost jobs and markets moving elsewhere, if the foxes were not allowed to run the hen house. These are re cycled objections utilized when no plausible evidence or case can be made to refute responsible oversight

What ever your decisions please do not cite lost jobs or the impact upon the industry as your reasoning. These are arguments are presented without data and without any factual basis.

The notion clients would have to deposit more funds that they could actually lose is designated risk capital or supposed risk capital. The argument is non-seneschal.

The comparison made by the brokers to other markets simply does not hold water. The other markets are traded on an exchange basis with transparent clearing. These firms opposing your proposal can take on unlimited risk. The reduction in leverage insulates clients from having their de facto clearing agent absorb risk at 100-1. Has anyone given thought the real beneficiaries of leverage are the brokers?

The leverage cuts both ways. Have the regulators forgotten multi billion dollar institutions vaporized over night due to what has been determined excessive leverage at 30-1 times. The public is asked to swallow 100-1 as appropriate for non professionals. The NFA continually discusses the public interest and traditional measures by which the appropriate leverage is determined. The NFA would like to support the old guard. This argument is not only client centric. This is not about ensuring only client does not lose more than they have in their account. This is about ensuring the FDM does not absorb excessive leverage.

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The tax payer and public have learned the traditional old fashioned ways of measuring risk and leverage were inadequate and exposed the public to the ultimate risk. For any regulatory agency not to err on the side of extreme caution only demonstrates short memory and arrogance at having their old traditional club questioned and evaluated. If the ultimate protection of clients is anticompetitive so be it. There is no evidence of anti competitive backlash.

The reality is the tough CFTC position will reinforce in clients minds the largest free market on the globe is watching. Are the PR machines so arrogant to assume the proposal was

put forth by the CFTC without a detailed analysis? If so we are in a worse position than could be imagined.

The public demands decisions are not the result of a few market participants, and their PR machines.