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Mr David Stawick
Secretary
Commodity Futures Trading Commission
1155 21st Street N.W.
Washington DC 20581
United States of America

January 20, 2010

Dear Mr Stawick,

Between 1968 and 1997 I was responsible for foreign exchange and derivatives for our trio of sister companies engaged in wholesale international trade in agriculture-based products. My job was to protect the long-term 'real' balance sheet which of course translated into discovering, foreseeing and controlling liabilities of many kinds.

The CFTC today contemplates ways and means to better regulation of forex trading. Sound regulation is a worthy goal; every sane businessman supports it.

However I draw attention to certain proposals that, in my experience, will give counter-productive results. Our government, like others, has a long history of regulatory errors. A feature common to many of these is fixing global absolute amounts –sums, percentages, ceilings- in response to specific *past* abuses somewhere in the industrial/commercial universe, specific 'numbers' that later constrain all activities, everywhere. We can remember, for example, the bygone salary cap of one million USD, which unleashed a scandalous deployment of stock options as executive pay. Today the CFTC contemplates fixing at 10:1 the leverage forex brokers may offer customers. With all respect, per my experience this is a bad idea.

All small-scale actors –business or individual- will be stifled in legitimate measures to offset direct, or indirect currency risk. Sir, currency risks often, let me assure you, come in waves and with unfolding surprises. Having 'used up' its leverage to cope with danger A, when dangers B and C appear, the controller or treasurer will be hog-tied. Furthermore, having 'used up' its leverage in a position that events prove correct, the business will be unable to increase positions appropriately when the forex trend continues.

I respectfully urge the Commission to focus, in its regulatory considerations, on the fiduciary quality, governance, and accountability of brokerage houses offering forex dealing but to leave selection of leverage to decisions of those who demand and supply forex facilities. Undoubtedly a number of starry-eyed gamblers will go lose money fast elsewhere than in forex if leverage is capped at a low ratio, however all the rest will pay harsh price and wrongly.

As to capital requirements, a fixed sum such as 20-30 million USD in my appraisal suffers major defects. My lifetime has seen an extraordinary improvement of dealing terms in all instruments offered by institutions; the landscape, compared to say 1965, is unrecognisable. My point here, Mr Stawick, is that these vast, even incalculable, benefits came through competition from newer perforce smaller and hungrier firms. We all refused to learn from the Barings failure two decades ago, but should learn from 2007-2009, that governance, diligence and fiduciary conduct, not size, are the big issues calling for regulation.

With thanks for your consideration to my points, and good wishes to the commission's work, I am,

Yours truly,

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