

From: Andrew Gray <graya@usc.edu>
Sent: Wednesday, January 20, 2010 2:20 PM
To: secretary <secretary@CFTC.gov>
Subject: Regulation of Retail Forex

Dear Mr. Stawick,

I am writing to you regarding the CFTC's proposed changes to the regulation of retail Forex.

I am in wholehearted agreement with the need for better regulation of Forex brokers. Requiring them to be registered and to have a minimum net capital are both very good ideas that I would like to see implemented. However, I cannot agree with the proposed limitation of leverage to a maximum of 10:1. While I see the reasoning behind this proposed change - to help prevent new Forex traders overleveraging and wiping out their capital with a few ill-advised trades - I feel that individual traders should have the freedom to choose higher leverages so long as they are made aware of the potential risks involved. Personally, I do not believe that limiting the maximum leverage will save undereducated Forex traders from taking foolish risks in an effort to maximise their profits. Such traders will simply open larger positions at lower leverage. On the contrary, experienced traders who can use leverage wisely should have the freedom to do so. The proposed 10:1 limit would only inconvenience them without being much help to new traders who cannot or will not take the time to educate themselves prior to trading.

I would propose the following alternative to the proposed mandatory 10:1 leverage limit: All new retail Forex accounts should be opened at a default leverage of 10:1. Account holders should then be given paperwork or taken to a webpage (depending on how the account is opened) that clearly states the potential risks and rewards of using higher (and lower) leverages and then given the choice to select the leverage that they wish to use. This way the default status of new accounts is relatively low risk and new users are educated before they make their own choice about how much risk to take.

Thank you very much indeed for your time,

Andrew Gray, MRes

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