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COMMENT
CL-01800

From: Mike O'Fallon <mikeofallon@gmail.com>
Sent: Thursday, January 21, 2010 12:14 PM
To: secretary <secretary@CFTC.gov>; mikeofallon@gmail.com
Subject: Regulation of Retail Forex

Re: RIN 3038-AC61

I am opposed to government-specified margin limits for forex trading. The brokerages should be allowed specify account trading requirements - brokerages are the ones assuming the risk of lost business or negative-balance accounts that could result if margin policies allow excessive risk-taking. The role of government should be to ensure that brokerages themselves are solvent (can meet obligations) and that accounting is proper (the broker is honest with both clients and government).

100:1 leverage in forex is much different than comparable leverage in any other business endeavor. Prices move very slowly compared with other investments; prices are measured in 10,000ths of a cent (and may move to 100,000ths). Markets are open 24 hours, eliminating the sizeable daily price gaps that exist in other markets. (Forex traders can close positions from Friday afternoon to Sunday evening to totally eliminate this price gap risk.) In terms of dollar volume, the forex market is 20 times larger than all U.S. stock markets combined - making the forex market much more difficult to manipulate and extremely liquid - an important factor in lowering risk to retail traders/investors. Brokers provide additional liquidity during slower trading periods - trades always execute instantly.

In forex, 100:1 leverage equates to a small fraction of the risk assumed by hedge funds and banks that use 30+:1 - and forex is transparent and does not affect others. Forex risk does not contribute to systemic risk.

Because of the very high liquidity and 24-hour trading, protective stops work consistently well in forex. With stocks, price can blow right past protective stops due to daily price gaps and the lack of liquidity that often exists in fast-moving markets. Additionally, forex brokers employ automatic liquidation of a position if sufficient margin no longer exists. So a small account size (or multiple small accounts) offers an extra level of protection to limit losses. I sleep well at night!

On a personal note, I'll be 65 next month, have been trading for over 10 years and have spent many thousands of hours studying markets, including forex. For me, FX is the most fair market to trade - the one with the most level of playing fields. The job market is extremely tight for my age group. I have invested so much time in forex because I enjoy it, I have an aptitude for it and I do not want to depend on someone else for a job. Like many others, I do not like being treated like a child by our own government and I do not understand why I may now be required to put up 10 times the money for the same small trades that I make now. Higher margin requirements would not lower my risk! Also, I do not believe that government should be motivating brokerages to open overseas offices and employing more foreign workers at the expense of some U.S. workers. And of course our tax base would be eroded that much more.

Forex needs oversight, but morally and practically, I'm opposed to government-specified margin requirements.

Respectfully,

Mike O'Fallon
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