10-001
COMMENT
CL-03011

From: David Cater <caterdavid@gmail.com>
Sent: Friday, January 22, 2010 8:35 PM
To: secretary <secretary@CFTC.gov>
Subject: RIN 3038-AC61 Regulation of Retail Forex

Sir -

I understand that a proposal has been made to make a maximum of 10:1 leverage on currency trades.

While such a margin might be possible with a Goldman Sachs employee account, this will be devastating to the average retail customer.

You will be aware that setting stops too tightly is a major cause of whipsaw and loss - and yet this is what is being proposed.

I can only think that the legislators either are so rich that they see no need for leverage or that they have no concept of trading, certainly as is carried out by small traders.

I trust you will look to resist any such proposal.

In summary, there are two immediate reasons that I can see for this resistance:-
1. Traders cannot afford poorly leveraged transactions
2. The US has the cheapest transaction costs. This means that business naturally gravitates to US companies, which (as a UK citizen) I expect you would find desirable. You will be aware that the EU is keen to drive FX business away from London by introducing the Tobin tax, so implementing the proposal would drive business to poorly regulated areas, inevitably leading to losses through fraud.

Regards

David Cater