10-001
COMMENT
CL-03016

From: Manfred Bartz <manfred.bartz@gmail.com>
Sent: Friday, January 22, 2010 8:48 PM
To: secretary <secretary@CFTC.gov>
Subject: Regulation of Retail Forex

Dear Mr. Stawick,

I am concerned about the CFTC's proposal to limit Forex leverage to 10:1.
While this may be well intentioned, aiming to limit risk to a trader, it may have some unintended consequences.

1. For example, brokerages limit damage to the size of the account, so if a trader for some reason looses the ability to close his position, at worst it can wipe out the account. At high leverage, only a relatively small account is needed to control a reasonable amount of currency. Limiting leverage as proposed may lead some traders to increase their account significantly, possibly with money borrowed elsewhere, and thus exposing themselves to greater risk than before.
2. Another, obvious consequence of reduced leverage would of course be that traders will move their accounts off-shore, e.g. to the UK.
3. There may also be other unintended consequences, e.g. an erosion of the US's standing as the world's 2nd biggest Forex market.

Please consider not only the concerns raised by traders but also the possible cascade of unintended consequences the proposed leverage limit may have.

Sincerely
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Manfred Bartz