From: Lee Wilkins <lee.wilkins1@gmail.com>
Sent: Saturday, January 23, 2010 1:18 PM
To: secretary <secretary@CFTC.gov>
Subject: Regulation of Retail Forex

Esteemed Gentlemen:

I would like to start by applauding your work as it relates to regulating the retail foreign exchange market. It is a work that has been long needed. As you know many people have lost much money due to unscrupulous foreign exchange dealers. So thank you for your work. I look forward to being able to trade in a safer environment in the future.

I have been conservatively trading foreign currency for about five years, and while I am not a wealthy person for doing it, my methods work for me.

This letter relates to the proposed rule changes published Jan 13, 2010. I fully support the new rules especially the ones related to entity registration, risks disclosure, recordkeeping and financial reporting, RFED minimum capital, and the other related standards you have defined.

There is one area, however, that I do not agree with and that is the area of reducing the leverage requirements to 10 to 1. I would like for it to remain 100 to 1. I know some RFEDs advertise leverages as high as 400 to 1 and I agree with you, that much leverage is not good for the investor. People who use these high leverages are generally investors who do not understand the foreign currency market and generally lose what money they have quickly. I think what would be more effective in protecting these investors would be a mandatory education program provided by the RFED that the new investor would have to undergo before being allowed to invest in the currency market.

Unlike the stock and commodities markets, the currency market has relatively high swings that need to be comprehended in ones trading plan. Setting the leverage limit at 10 to 1 is in effect putting normal expected market fluctuations within a range that is going to cause unnecessary margin calls for many investors.

In my case, I have a rule that says I will trade one lot ($100,000 US) per $10,000 I have to invest. The brokerage house I trade with currently has a 100 to 1 leverage limit. This makes my trading plan a self imposed 10 to 1 leverage. By allowing the RFED to remain at 100:1 and me at 10:1 I can manage my trade and allow a measured amount of unfavorable movement before I either exit the trade with a loss, or the market turns and makes my trade profitable. The key to this is that a small amount of negative movement is expected and allowed.

What the new 10 to 1 leverage rule means is if I enter into an investment and the market makes a normal expected market fluctuation against me (and the RFED is required to enforce a 10 to 1 leverage) the RFED will be forced to place a margin call on my investment and close my position when the trade would otherwise have been profitable. This in effect keeps me from being able to trade in the way that has been successful for me. And it causes (for me) more losses because of the forced margin calls on trades that would have been profitable. This rule is forcing investment loss.

Regulating the leverage limit uniformally at 100 to 1 will prevent this and allow normally expected market swings to happen without unduly affecting a person's trading.

I therefore implore you to set the leverage limit for RFEDs at 100 to 1.

At any leverage uneducated people are going to be harmed in the currency trading world. That is just a fact. My vote would be to set the leverage at 100:1 and require new investors to undergo a certain amount of training before they can trade, as the FDA requires restaurant operators to undergo a certain level of food safety training before they can operate a restaurant. My vote would also be to require the RFED to provide this training as part of the process of opening a first-time account.

Thank you for your hard work and for considering my comments.

Sincerely,

Lee Wilkins
Corinth, Texas