From: xstek@nc.rr.com
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To: secretary <secretary@CFTC.gov>
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To whom it may concern:

I have been very interested in the CFTC's efforts to provide a more equitable and regulated retail Spot Currency (FOREX) Market to the U.S. investor/trader. Having personally seen egregious issues regarding Stop Running, Platform disconnects, and also trading platforms that have the ability to be set by the Market Maker/Broker to certain levels of price slippage, lagging quotes and partial fills, it is my observation that the Market Makers/Brokers in the retail Spot Currency Market need much stronger regulation as far as their operations are concerned.

Since there cannot be a centralized market in Sport Currency due to the international nature of this product, there needs to be some standard to which a trader can compare quotes and time signatures with their Market Maker/Broker and a reliable, regulated quote in the U.S. market. This is a far more important issue than how much leverage a retail client is afforded. Also the issues of predatory back door and back office programs MUST be investigated and stopped, this is another URGENT need for the retail Spot Currency market. While there are Market Maker/Brokers who rigorously adhere to NFA regulations as far as spot currency is concerned, there are those who flout any and all regulations. A few of the Brokers I have dealt with that have very tight compliance and actually apply Futures regulations to their Spot Currency products are PFG Best, MB Trading, Aaron Trade. Unfortunately not all Market Makers/Brokers are as responsible.

I would also like to make an observation regarding the proposal of limiting leverage in retail Spot Currency to 10:1. While this may seem like a reasonable proposition to "save" the average consumer from himself, in reality it does nothing to keep those with a get "rich quick" mentality from loosing their funds. In the past the legislative entities that have oversight of our financial markets have attempted to keep a "fool and his money" from being separated, and while this is a lofty goal, in most cases these regulations do not work.

The most notorious case of regulation not working is the Madoff scandal. All of his clients were "Accredited", high net worth, "Sophisticated" investors and yet they were not smart enough, or have enough common sense to "Smell the Smoke" and know that there was a fire. So the fact that a person has a high net worth does not mean they have any understanding of financial markets. I am sure Paris Hilton would qualify as an accredited investor but I am also sure she couldn't pass the series three exam even if was open book, but I digress.

If it is the aim of the CFTC to make Spot Currency trading/investing less tempting to a gambling mentality perhaps a 50:1 ratio would be more reasonable. The reason I hold this view is the following. If a person wishes to learn how to trade/invest, this leverage, if used correctly can allow them to make trades, take small losses and still be able to continue until, hopefully they figure "it" out.

Example 1. A client opens an account with $1,000.00 and at a leverage of 10:1, we will assume a EUR/USD price of 1.4130, and trading 5000 units. If the client looses Approx $350.00 he will no longer be able to trade this size because the minimum margin would be 706.54, which is more than his account worth at this point. To extrapolate this further, if the client takes losses that are limited to 22 Pips, at 5000 units he would be able to withstand only 32 losses in a row.

Example 2. Using the same numbers from example 1, except for a leverage of 50:1 the clients ability to withstand losses is far greater, giving them a chance to try different strategies until they find one that not only works but also fits their personality.

The only "Fly in the ointment" are people who take the $1,000.00 account and max out the leverage to 35000 units, it is clear that in one trade this person could lose their whole account. This type of "gambling" mentality is, in my opinion, impossible to control. For example what would stop a homeowner from taking out a loan on their home, that they know they cannot repay and then using the money to play Roulette in Las Vegas? And yet this is what some of the largest Banks did with their Roulette style derivative trading, and now U.S. Citizens are having to bail them out.

It is my belief that Regulatory agencies have a sacred trust to protect the American Citizen from becoming the prey of sophisticated schemes and practices that are neither ethical or moral, BUT not to protect them from themselves. Thus it is my opinion that limiting leverage in the retail Spot Currency market, while well intentioned, truly overreaches the CFTC's mandate. Please do not misconstrue my comments to mean there should be no over site, it is obvious that the CFTC, in general does an excellent job in fulfilling its regulatory role, however I strongly disagree with the opinion that 10:1 leverage will protect anyone from anything.

Respectfully

Douglas A. Boehm