10-001
COMMENT
CL-03655

From: a t <nomad388@yahoo.com>
Sent: Sunday, January 24, 2010 11:46 PM
To: secretary <secretary@CFTC.gov>
Subject: Regulation of Retail Forex

Problem 1:
Actually, a person with $1000 account could easily trade minis. Minis are $1/pip, so a person trading a tight TF with a 20 pip SL could easily maintain a 2% risk.

Problem 2:
The assumption that someone with a $1000 account only has $1000 to trade with. With the lack of broker deposit insurance, it's a wise idea to keep what money you can in an insured account.

A person with a $100,000 in trading capital might only wish to risk $10,000 on any one broker, but might want to make trades based on their overall trading capital. This rule would force them to increase their risk.

Not everyone that trades with high leverage has a lotto mentality.

Problem 3:
The CFTC's ruling will not eliminate high leverage trading, it will only shift it overseas. A broker can establish a foreign branch or "partner company" (depending on specific legal details) and simply register as an introducing broker with the NFA to keep compliance. It's quite trivial, given how artificial national boundaries are on the web, to walk around this ruling.

All such a rule does is force people to increase their risks in order to maintain their current trading style. Ironic, given the CFTC's stated purpose.

Problem 4:
We should be focused on educating people, not playing to stereotypes. The idea that high leverage equals risk is only true when people don't know how to manage their risk. By playing into this, we reinforce a false premise and only serve to confuse people further.

This rule does not reduce risk, nor does it teach people the importance of risk management, nor does it do anything to dissuade the lottery mindset. All it does is slightly increase risk and play into a bad stereotype.