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COMMENT
CL-05488

From: Jon M <jem87654321@yahoo.com>
Sent: Sunday, February 21, 2010 12:49 PM
To: secretary <secretary@CFTC.gov>
Subject: Public Comment of Regulation of Retail Forex RIN 3038-AC61

To Whom It Concerns:

I start by saying I have not read the proposed regulation; I know of it by hearsay from my currency trading broker / market maker. I am a US citizen and resident.

I would like to comment on leverage, volume reporting, brokerages which do not allow delivery of a spot contract, and a potential exchange for the spot forex market.

1. Leverage.

I personally do not object to the 100:1 and 25:1 leverage which is currently industry standard. I say this as a trader who has thus far lost money in spot currencies. I do not and have not allocated funds I cannot afford to lose, I use stops which in normal market conditions negate the potential for a margin call, I calculate risk / reward, I understand what the risk of 100:1 leverage means, etc. I believe that anyone that does not understand how leverage and risk management work should be free to loose their shirt in a democratically and capitalist based republic, and probably deserves to loose their shirt.

2. Volume Reporting.

I asked my broker if the software reports real time trading volume, which I believe is critical to making sound trading decisions. The answer was, "No. This is proprietary to our company." They went on to say that they have a volume indicator on their software, but it was not very good, and they were working on improving it.

They were right, the volume indicator is not very good. I often wonder if it is real, or if someone in the broker's office is making the volume line up in order to manipulate trading for the broker's own trading account's advantage. I also saw a news report yesterday that worldwide trading volume, at the present time, goes up when the Eurodollar declines versus the US dollar. This 'hokey' volume indicator from my broker goes significantly DOWN when the Eurodollar declines against the US dollar. Is this specific to my broker's transactions, are they making this up for manipulation reasons, do I incorrectly remember the news report, or what?

I think that currency spot trading should be illegal without accurate, specific (actual numbers) and auditable real time volume information for both the proprietary brokerage house, the US based volume figures, and if do-able, the world volume figures.

3. Delivery Upon the Contract

In commodities futures, all trades are deliverable; the trader must take positive action to avoid product delivery. This feature creates a balance between speculators and commodity producers / end users, and helps create an efficient marketplace.

When I set up my spot trading account, I asked the broker what I needed to do to ensure that I was not required to take delivery of currency. The reply was that it was not possible to take delivery of a contract from this broker / market maker.

I believe that the lack of deliverability for these spot contracts unduly skews the marketplace at my broker to speculation, is probably repeated by other brokerage houses, and is unhealthy for the entire world financial system. I believe that trading in undeliverable spot forex contracts should be banned; it should work similarly to, say, a Chicago winter wheat futures contract. It should still be possible to roll a spot contract over rather than take delivery, because the speculator also has an important role to play for market efficiency and stability.

4. Exchange Based Trading.

While this is possibly difficult to implement, trading spot forex on an exchange, say the NY or Chicago futures exchanges, might be the most efficient and transparent mechanism to implement the above changes.

Sincerely,
Jon Mericle