

From: Tom Kroo <tomkroo@sbcglobal.net>
Sent: Tuesday, January 19, 2010 3:06 PM
To: secretary <secretary@CFTC.gov>
Subject: Re: Regulation of Retail Forex

ID #: RIN 3038-AC61

Sir:

I am of the strong opinion that the proposed reform of retail forex margin requirements to a limit of 10:1 is unnecessary and potentially harmful for the U.S. forex market.

The motivations of such a change are specious. It will neither reduce market volatility nor the risk taken by the retail market. Position liquidations are what prevent traders from extending losses beyond what they can afford, and reducing the potential volatility brought on by excessive movement in the markets, not the level of margin in their accounts. With higher margin requirements, the only difference from a retail trader's perspective would be to increase their exposure to their open positions (i.e. use more of their private capital to compensate, maintain open positions for longer periods of time, and be more willing to engage in strategies such as the carry trade).

The harmful element comes from the business that would be lost to overseas institutions providing the same services (usually over the internet), but without the proposed U.S. regulations. I can speak for many fellow investors who engage in retail forex trading, that should a change be implemented, we would simply close our U.S. accounts, and transfer funds to other accounts overseas. Whilst it cannot be said for everyone to have multiple residences around the world, surely those with the resources to be market movers are the most significant to global forex trading.

This would then be indeed a zero-sum decision by the CFTC, with the U.S. losing business to overseas institutions, and potentially even threatening the locomotive currency status the U.S. still dollar enjoys.

I sincerely hope a decision like this is not influenced by politics or the current regulatory environment and that the needs of American investors such as myself are more diligently considered.

Respectfully,

Anonymous investor