From: Chenoa Johnston <chenoadj@gmail.com>
Sent: Monday, March 15, 2010 11:52 PM
To: secretary <secretary@CFTC.gov>
Cc: cftcfeedback@fxdd.com
Subject: CFTC Rules for Retail Forex

Dear Regulators on the Retail Forex Market,

You are making the biggest mistake of your careers. By limiting the leverage available to retail forex traders like myself you are planning to affect the lives of every single forex trader in the US, and many in Canada and other countries who trade with US brokers. Not forex trader will trade in the US again. You will secure the loss of retail forex market in the US, you will cause jobs to be lost, money to leave the US and possibly the bankruptcy of an entire industry. Many brokers have already left the US. haha on you. For those remaining there will be a run on trader's accounts as traders close their accounts and move their funds outside the US creating chaos, and potentially forcing bankruptcy on brokers, which in turn will cause any remaining trading accounts to be locked and that money to be confiscated by trustees. hmm big karma on you.

It is wrong, immoral and unethical because you are playing favoritism to a parallel industry, the Futures market, where traders are allowed to lose any amount of money that is not allocated in their futures trading account. The futures broker can force the trader to provide funds from outside their trading account to cover losing positions. In the forex, the broker does not do that. There are 3 stages of capital preservation in retail forex:

1. Deposits to trading accounts are the only funds that can be applied to any losses. Traders know this and take advantage of this rule.
2. The leverage is used as collateral for a trade only and this collateral is never lost, and all the trader can lose is the remaining balance in the account.
3. Traders set stop losses and these are honored by brokers. If anything this honoring of stops should be regulated.

Forex traders like me who have been trading for 6 years need the leverage to be able to earn any income. The Fifo and non hedging rule has already caused enough problems for traders to maintain trading systems that at times take months or years to learn and perfect. Already we have had to adjust to trading new ways to earn the same income.

By allowing this to happen traders will trade with brokers in countries outside the US. You won't be able to regulate or bring to justice unscrupulous brokers in other countries.

The Congressional record never meant for the CFTC to regulate leverage. The NFA has already set regulation for leverage and reduced it to maximum 100:1, which is standard worldwide, and sufficient for managing trades. You need to realize that your job is not simply regulation but also to create a fair and judicial as well as competitive working environment for brokers. Brokers today compete on a world wide stage, not in our backyards.

Last year when I read details on the proposed regulations I noticed extreme errors in the explanation of leverage and how it's use can cause loss of funds. I wrote to you at that time to point out those errors and I seriously wonder if anyone in your offices has ever traded Forex, knows anything about the life of a trader or understands the level of skill and intelligence to trade this market. We are dedicated, determined, patient and honest people who request that the government step back for a minute and consult with actual professional retail forex traders to get a grip on what is good for the market and what will completely destroy it. There is absolutely no use in regulating this market with 10:1 leverage because after this goes into effect, there will simply be no retail forex market in the US.

Please put your thinking caps on the right way round.

Regards,

Chenoa Johnston
forex trader