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COMMENT
CL-08225

From: Tom Konie <tommyk2005@yahoo.com>
Sent: Wednesday, March 17, 2010 4:19 PM
To: secretary <secretary@CFTC.gov>
Subject: Regulation of Retail Forex

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I am a small account trader and have found that the safest way for me to trade is with a □Basket□ trading strategy. Trading a □Basket□ means I have multiple trades open at the same time on 6 to 7 currency pairs. I then close all of my trades at the same time when the account as a whole has reached my target profit.

The benefits of □Basket□ trading are clear to me. I typically experience low account drawdown as currencies fluctuate □ unprofitable trades are often canceled out by the profitable ones. I only need to be mostly right in order for my strategy to work.

Obviously, all successful trading strategies work on the principle that you win more than you lose. However, by trading 6 to 7 pairs a night, I can profit that night instead of trading 1 pair a day for 7-8 days only hoping my strategy comes out on top. Psychologically, that trading style would drive people to bad trades as they are desperate for a winner.

My point is□ a basket trading strategy works for me.

The problem is□ if you lower the leverage to 10:1, I will be forced out of the market.

Leverage & Margin Calculations (Examples why 10:1 is dangerous to traders)

Here□s why. I have an (example) account of $5,000. If I open 7 currency positions at 0.1 lot each at 100:1 leverage I□m going to have to put up $862 in margin □ or 17% of my account. If I placed the same trades at 10:1 leverage I would have to put up $8,620 in margin □ and so I□m forced out. (Margin calculations were taken directly from a forex MT4 trading platform.)

The second part of the equation is market volatility. As any trade goes against you, your margin level decreases. By reducing the leverage from 100:1 to 10:1 you are in effect making traders subject to margin calls 10 times (1,000%) faster!

For example, let□s say I have 1,000 pips of movement before I would be subject to a margin call at 100:1. This kind of move typically takes 2-3 weeks for a currency pair to achieve. At 10:1 a margin call would occur at 100 pips of movement □ most major pairs can fluctuate this amount every day - easily!

Extra free margin gives me both safety and options. If a trade does manage to go *really* bad, then I have more time to get out of it before the Forex Dealer margin calls me and closes my trades/account. This reason alone is good enough to keep the margin where it is at.

Free Market

The United States free market system works and leads to forward progression. I have no problem with the CFTC ensuring all parties involved in the trading relationship provide plain-English disclosure of all facts, terms, etc., and that they meet their responsibilities in an ethical manner.

However, I do not think it□s the place of the government to dictate specific terms of contracts. Retail Forex positions are currency contracts and the terms of those contracts should be between the trader and the dealer. If a Forex Dealer wishes to offer me 100:1 leverage and I, understanding what that means, choose to accept that leverage, then shouldn□t it be my right to accept it?

Summary

Please leave the leverage at 100:1. Any reduction in leverage only quickens the speed of impending margin calls. The lower the leverage, the more traders have to guess exact market movement at exact times of day, and the riskier the market becomes!

Sincerely,
Tom Konie