

January 17, 2010

Subject: Regulation of Retail Forex

Public Comment on Proposed Regulations Regarding Retail FOREX Transactions

To Whom It May Concern:

I'm opposed to a new proposed rule that will lower leverage requirement for retail FOREX transactions. This type of restriction will not protect customers in any way and will do the opposite - will endanger them and in some cases incriminate them. This type of restriction will increase significantly cost of doing business and make US less competitive comparing to other countries.

Here is why:

1. Drastic differences in the leverage requirement for retail FOREX transactions in different national markets will attract broker companies and their customers to look for best "solution".

This "solution" will be migration to different jurisdictions based on the most favorable leverage requirements. This in turn will create many situations where companies and customers will not have appropriate knowledge of chosen niche market and it's regulations (if any).

Massive exodus of customers from US market to many different niche markets will endanger them personally and financially. There will be many unscrupulous entities that will try to capitalize on this situation and they will use any tool available to exploit retail customers just because the niche market they operate in will not offer adequate protections for customers and US regulators will not have any jurisdiction.

The goal of US regulators should be not to extensively and unreasonably restrict participation in the US market, but rather make sure that retail customers are protected from unfair practices, have easy access to financial markets, that services and products are competitively priced and investors are well educated.
Education not restriction.

2. Lowering the leverage of retail FOREX in the U.S. would do nothing but limit drastically ability and conditions in which participants conduct business in US market.

Lower number of customers will limit number of companies that will do business in US and even those companies that will survive will not be able to offer the kind of level of services they are offer today.

This in turn will increase the cost of doing business for retail customers and lower it's quality. Many well-paid jobs will be exported overseas and tax revenue lost.

Making it more expensive to participate in the US market will only encourage exodus to "cheaper" jurisdictions.

3. Argument that lower leverage will increase staying power (decrease ability to lose money) is not exactly correct - investors lose money for many reasons; because they are not disciplined, sometimes they act like compulsive gamblers or they are simply uneducated about market they are participate in.

Market participants are always driven by powerful emotions of greed and fear.

The only thing that will allow them to control emotions and increase investor chances to make money in any market is education.

Fair broker practices and transparency in doing business, enforced by sensible oversight by regulators will ensure that customers are protected from the opposite side.

In conclusion

When we look at history, we see that restrictions are not the best tools in hands of sensible and reasonable regulators. If we want to develop and grow financial markets in US we have to encourage participation not only from large companies, but also from small and medium investors and from foreign investors too. We have to make our financial markets easy accessible and affordable for all participants.

Education, sensible and reasonable regulation, competitiveness - not prohibitive restrictions, protectionism and recklessness should motivate our regulators.

It's easy to close the door and pretend that problem doesn't exist. Problem will still be there, will grow in time and will assume different forms.

Best Regards

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