From: George Selinsky
Sent: Saturday, June 13, 2009 12:57 AM
To: TradingAndMarkets
Subject: Concerning FINRA's proposal on Forex leverage

To: The Securities and Exchange Commission
Division of Trading and Markets
From: George Selinsky

Dear Sir or Madam:

I am a new retail trader who is trading the over the counter Forex market. It has come to my attention that FINRA is proposing that the SEC adopt a regulation forcing brokerages to reduce their leverage to a maximum of 1.5 to 1 ("Rule 2380").

I find this proposal, while well intentioned, entirely counter-productive for the purposes of investor protection.

Throughout its history, the SEC has provided vital protection to investors while at the same time providing them the opportunity to profit from the trading of financial instruments. It is unrealistic to profitably trade the currency market at such low levels of leverage as proposed by Rule 2380 unless extremely large sums of cash were used. Such sums are out of the reach of many retail traders, especially those who are starting their careers. The large amounts of capital as would be required by Rule 2380 could grow in other equally or even less risky investments at a competitive pace, making the retail trading Forex a very low profit proposition in comparison to other investment opportunities.

If the SEC so severely reduced the legal use of leverage in the Forex market, it would be akin to banning participation in the Forex market for traders that do not meet a capital requirement that is beyond the ability of most average retail traders. This would effectively put many professional retail traders, who follow proper risk management rules, out of business. Such disenfranchisement of trading professionals is not in the spirit of the SEC's purpose.

A beginning trader like myself can use the current levels of leverage offered by Forex brokerages to trade very small amounts of cash via micro contracts, and thus slowly build up account equity with a small account size. Many traders like myself use a stop loss in size anywhere from 15 to 30 pips on average. Using leverage as high as 400:1, it is entirely reasonable that any trader with an account size of at least a few hundred dollars who uses micro contracts can fit their risk well within the 2% of their account size that is prescribed by proper risk management guidelines.

Another concern is that if the SEC adopts Rule 2380, it will in fact encourage a flight from regulatory protection, thus making investors fall prey to unregulated brokerages and exposing them to higher risk. Many investors will also seek refuge in other leveraged markets such as the futures market, where the risk of loss is just as comparable as with

Forex trading. Passing this rule, in essence, would not have any practical positive effect on investor protection and may even have the opposite effect.

If the FINRA would wish to help beginning Forex traders become more profitable, a wiser solution would be to take more steps in regulating those brokerages who regularly trade against their clients and practice "stop running". This, in my view, is a greater barrier to profitability than the improper use of leverage.

I ask that you do reject FINRA's proposed Rule 2380 and not consider any such further attempts at limiting leverage in the Forex market, which is a tool that is essential to being profitable for retail traders.

Thank you for your consideration.

- George Selinsky