

Dear Sir / Madam

I read with considerable dismay your Regulatory Notice regarding Forex Leverage Limitation.

Firstly, if this is coming in reaction to the cry for more regulation from the public suffering from the effects of the credit crunch, then what does Forex have to do with the sub-prime mortgage market? Why are retail Forex traders being targeted for so-called protection, when it really is restriction, when it is the greed and over-liberal use of derivative products and leverage by bug-eyed Wall Street bankers that have caused the predicament that we all find ourselves in now? Were the regulators implementing EXISTING regulation when the Wall Street banks were getting over-leveraged? Who was regulating the Madoffs and the Stanfords, and will this type of person / organisation be effectively regulated in the future? Why does the US administration announce boldly that bank executive bonuses are going to be capped, and then rather meekly announce that certain financial houses will be exempt from this capping?

I agree that certain bucket shop, non-ECN brokers who permit wild leverage and trade against their customers need to be addressed. However, I am a small retail Forex trader and my broker is a conservative, ECN broker that a couple months ago lowered its permissible Forex margin from 1:50 to 1:40. Even so, I do not use anywhere near this permissible leverage. I put no more than 1% of my equity at risk in any one trade and no more than 6% total of my equity at risk at any one time. I do not think I am in isolation in adopting such prudent money management rules. I think the vast majority of serious retail Forex traders have similar rules: that is why they are serious and that is why they are able to trade another day and another and... The serious retail Forex traders think and act professionally. Can you say that for those Wall Street bankers who have helped engineer the collapse of credit markets around the WORLD and caused the diminishment of all confidence in the banking system? A confidence that, seemingly, is having trouble being restored in spite of the trillions of dollars being thrown at the system.

In summary, I do not think that you should be punishing serious retail Forex traders because of the actions of avaricious bankers, or even because of the actions those new, ill-educated retail Forex traders with under-sized accounts who are intent on gambling away their money. Don't patronise the serious traders who are more than able to manage their risk themselves. You could possibly encourage brokers to get their new customers to educate themselves about risk and money management before opening accounts and trading live. The demo accounts many of the brokers offer partly addresses this. You could even stipulate that brokers examine or certify new customers before they are able to trade live accounts. However, a leverage restriction that restricts the activities of all traders, including the prudent, professional traders, is grossly unfair and unnecessary. Increased, unhelpful regulation will only act to further restrict markets already desperately in need of renewed investor interest. And such regulation will drive money like mine to other jurisdictions.

I hope you will take my comments on board.

Yours faithfully

Ravi Ramlakhan