

To: FINRA Senior Management

Subject:

**FINRA Requests Comment on Proposed Rule to Establish a Leverage Limitation for Retail Forex**

Dear Sirs,

Let me first state that I have been trading in the currency markets on a professional level for the past 12 years. I currently am the moderator of a Forex Trading room with daily attendance of 60 to 80 people eager to learn as much as they can about the largest global market in the world – the Forex market.

Thoughts and comments:

### **A Stupefying and Embarrassing display of ignorance by FINRA**

My first thought on reading the proposal to limit retail Forex leverage to 1.5 to 1 reveals a stunning lack of knowledge on how currency markets actually work. Your comparisons to leverage in the equities market is so revealing of your limited knowledge of Forex it will only be an embarrassment for FINRA in days ahead.

Reasons:

1. The mechanics of Forex trading differ entirely. Currency pairs trade in increments of 1/1000's of a dollar, or 1/100<sup>th</sup> of 1 cent.
2. No other market on earth trades in increments this small. High leverage ratios are need to trade Forex because incremental moves are so small.
3. Reducing leverage by 100 fold or more would require retail investors to post 100 times as much margin to achieve the same results.
4. Requiring investors to post 100 times as much margin would increase their monetary exposure 100 fold, an extremely unattractive proposition.
5. Requiring investors to tie up so much capital to produce such miniscule results will, without question, completely destroy the US retail Forex market.

### **Thousands of American Jobs Lost + Capital Flight to Other Global Investment Centers**

**Reasons:**

1. With the imposition of such a radical and unrealistic change the US retail Forex business would collapse taking with it many 1000's of American jobs.
2. These jobs would migrate to other key global investment centers such as London, Singapore, and Tokyo who would be the beneficiaries of the collapse of the US retail Forex industry.
3. American investors wishing to have access and participate in the largest market in the world with the needed leverage to trade Forex would simply open accounts with dealers outside US jurisdiction thus causing an unnecessary capital flight to other countries.
4. Foreign investors wishing to do business here in the US would take their precious capital somewhere else. They wouldn't give doing Forex business here in the US a second thought.

## **Conclusion:**

Taking away virtually all leverage in the US retail Forex market would be immensely destructive and against the best interests of many American citizens and the US economy as a whole. Additionally, the proposal seemingly has not one positive benefit that would result from doing so. This is simply one of the most poorly thought out and ridiculous proposals ever.

**It would result in FINRA finding itself regulating an industry it had just put out of business.**

**These thoughts and comments will be copied to each congressional representative in Washington, DC so they are fully aware of this awful proposal.**