RE: Request for public commentary on proposed FINRA Rule 2380 (Leverage Limitation for Retail Forex)

A crisis in the capital markets too often results in more harm than good being done when politicians and bureaucrats feel the need to "do something" in order to prove that they are on the job. For example, The Securities Act of 1933. The "accredited investor" status was created in order to "protect the little guy". All it did was prevent "the little guy" from having access to the best deals. The standards, as defined in the rule, are meaningless when it comes to actual financial sophistication. Madoff ring a bell?

Sarbanes-Oxley pushing capital to foreign markets, forced mark-to-market accounting killing off Bear Stearns et al., OFHEO being castigated by Congress in 2004 for trying to rein in Fannie/Freddie, the SEC asleep at the switch regarding Madoff and don't get me started on the bogus "Stimulus" bill. The biggest issues in the US capital markets are caused by either do-gooder regulations which run head first into the Law of Unintended Consequences or by incompetence on the part of the regulators/legislators who are supposed to be minding the store.

Retail Forex traders are well aware of what high leverage means and it is one of the main reasons we seek out this market place. Actual leverage is reduced by simply taking an appropriate position size relative to available capital based on the calculated risk/reward ratio for a trade. This is accomplished by the use of an appropriate stop or hedge. This reduces the effective leverage on a trade by trade basis. I would hope that anyone seeking to regulate a market would understand this, although the wording of the proposal casts doubt on this.

We don't need to be protected from ourselves by regulators who are under the microscope for failing at their previously assigned duties. An effort to reduce the leverage available in the retail forex market will simply cause a mass closing of US based brokers and the flow of capital to non-US based brokers.

This "idea" is just as poorly thought out and presented as the NFA's recent request to the CFTC to stop hedging in the forex markets. All this attention to the forex markets makes me wonder what's really going on. I'm sure it will all come to light eventually. It always does.

Please reconsider this proposed rule. It is unnecessary and ill-conceived.

Sincerely,
Paul R. Otlo
Elk Grove, CA
Retail Forex Trader and future ex-pat if things don't improve.

P.S. While the below suggestions are outside your purview, they may provide an outlet for FINRA's regulatory energies:

Go help the SEC find more Madoffs. Or, even better, push for a tax free window via which US corporations can repatriate profits held offshore in foreign banks, reduce the US corporate tax rate to zero, freeze the tax rate on dividends at 5% or less and capital gains at zero, allow same year write-offs for all capital purchases, eliminate the death tax, eliminate the AMT, then increase the limits on legal immigration to 10 million a year with the minimum requirements to include a college degree in medicine or science and a fluency in English (fyi, we need the workers to deal with the Baby Boomer retirements and to put the influx of capital to use without causing excessive inflation). Use the massive inflow of cash into the Treasury to pay down the deficit. Reduce taxes and increase revenue? Yes. Worked for Kennedy, worked for Reagan. Do what works.