Dear Sir /Madam

Re: Regulatory Notice 09-06

The proposed solution of reducing leverage in the forex retail market does not address the underlying issues and as a result it will not be a viable near-term, mid-term or long-term solution. These issues and solutions are:

1. These dealers are attracting people with the high leverage - It is a marketing tool
2. It can be resolved by having people with a certain small capital who also want high leverage to use stop-losses. However the regulators have to make sure that the deal desk brokers do not go stop loss hunting and take the opposite side of the trade which can now be done by enforcing that these deal desk brokers put these orders onto an ECN network. The technology exists for these brokers to buy a bridge to the ECN network for a couple of thousand dollars. This will improve their liquidity pools and allow them to offer more competitive spreads to customers and stop them having to take the other side of the trade because they have access to larger liquidity.
3. One size fits all philosophy does not work well in this relationship. What is really required is that the aptitude and experience of the trader is quantified and the amount of risk (leverage) that they take can then be adjusted to suit - as occurs when one opens a stock or equity options account.

This is all part of the natural growing pains in the young Retail Forex market that still need to be addressed.

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