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Received CFTC
Records Section

secretary

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COMMENT

We, the self-directed forex investors at large, have at our disposal only three legitimate strategies:

- 1) Gambling on which direction the market will take by opening positions supported by (or foolishly not supported by) stop losses and by taking profit at fixed points.
- 2) Scalping – which is WIDELY considered deviant practice wherein positions are opened and closed rapidly, generally within 5-30 pips, generating unnecessary volume. This behavior has been proven to increase market volatility and is widely considered by most broker/dealers as poor practice – to the point that this strategy is shunned and only moderately tolerated.
- 3) Hedging – wherein, a swing or long term trader will offset loss positions with profitable positions, or protect profitable positions by locking in profit with short-term offsetting positions giving ample opportunity for the loss positions to mature.

I have personally developed statistical models at tremendous cost that prove that scalping models are the least profitable, whereas the hedging strategy proves most profitable by orders of magnitude. Since when does the NFA or the CFTC have the right to define how we, the independent investors, trade by limiting our methods? I understand that regulation may be necessary for broker/dealers offering managed account products – but why the interference on self-directed accounts? I understand the risks and the costs, why punish us by forcing us to limit our strategy to gambling or scalping?

The forced implementation of this ruling is going to turn most legitimate long term currency position holders into short term scalpers. This is NOT good for the industry and NOT good for FX trading in general. How does this ruling protect the client?! Customer beware - volatility will most likely increase as once long term position holders are forced to liquidate and market scalping becomes the modus of operandi.

How are we now expected to weather short term volatility? By closing profitable positions!? The hedging mechanism in place that currently offers us protection against short term market swings is being eliminated by this ruling. In order to withstand soft dips or short rallies, we're now forced to close legitimate, viable long-term holdings only to reengage and forced to pay additional broker dealer spreads for the reengagement. How does this ruling protect me, the individual, self-directed investor?!

This ruling is absurd and, in my opinion, constitutes a gross misuse of power and investor tampering. This ruling will not only break a substantial number of automated trading systems that rely on this technique, but the net effect will ultimately serve to damage clients by increasing costs and diminishing equity resulting from forced liquidation. This ruling appears to have been established to generate greater profit for broker/dealers by forcing scalping and account churning techniques on experienced, long-term Forex traders. Forex trading is risky enough and in no way does this ruling protect the investor.

I am extremely disappointed and will close this complaint as follows: if any damages are incurred with my existing holdings as a result of this ruling, this matter will be brought before a legitimate court of law. I may require at least six months to square up my hedged positions. Further, I will pass on to my broker/dealer any losses incurred based on the sudden, unexplained, unsupported, unnecessary implementation of this ruling or from any tampering with currently open positions with my broker/dealer by taking legal action, if necessary.

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