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United States Senate

WASHINGTON, DC 20510-4402

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COMMITTEES:

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ON TAXATION

Chairman Gary Gensler
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

COMMENT

Dear Mr. Chairman:

I am concerned about a recent proposal by the Commodity Futures Trading Commission (CFTC) that may have a severe impact on foreign exchange trading (Forex) in the United States.

On January 20, 2010, the Commission released a proposed rule to increase regulation of off-exchange transactions in foreign currency with members of the retail public.

While I understand the importance of the proposed regulations, such as capital requirements for retail Forex dealers, reporting and disclosure requirements, and other provisions to combat fraudulent practices in this sector of the Forex market, I believe one provision may do more harm than good if promulgated -- the leverage rule.

The proposed rule would impose a 10:1 limit on leverage that may be offered to retail Forex customers. I am told this provision may result in many retail Forex trading jobs moving offshore to jurisdictions where regulators do not limit retail Forex leverage, and 200:1 leverage is more common.

Requiring a higher margin on leverages for Forex would make the U.S. retail Forex market uncompetitive. If all developed-country regulators adopted common leverage requirements, the U.S. industry might be able to remain competitive under such a rule, but absent such standardization, the United States is at risk of losing jobs from this proposed regulation. Some 170 in Utah alone may be at risk.

Perhaps more significant, the CFTC cannot adequately regulate retail Forex trading if it moves offshore. U.S. investors will likely still participate in these markets, but in venues where the CFTC has no power to police trading practices. Thus, the proposed rule could make the CFTC less, not more, able to protect individual investors.

I encourage the Commodity Futures Trading Commission to adopt rules that would strengthen the standing of the Forex market without encouraging retailers to move abroad. I thank you for your consideration.

Sincerely,

Orrin G. Hatch
United States Senator

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