



Over the past decade the domestic retail foreign exchange industry has enjoyed a tremendous growth spurt and its prospects going forward are more promising than perhaps in any other sector of financial services. However, the CFTC's recent rule proposal, which would limit customer trading leverage to 10 to 1, would be a crippling blow to the industry and drive it offshore into the hands of foreign competitors. Even worse, it would encourage fraud both at home and abroad as customers seeking to trade retail forex would have no other legitimate domestic alternative.

- Today the U.S. retail forex industry can boast hundreds of thousands of live accounts. Should the 10 to 1 leverage rule be adopted 90% of those accounts can be expected to go offshore. And the first place they'll go is to the United Kingdom where customers can trade with leverage as high as 200 to 1.
- The U.S. retail forex industry (forex dealers and introducing brokers) employs thousands of people. The vast majority of these jobs are high paying, white collar jobs that require advanced education and range from software developers to accountants to foreign exchange dealers. The industry is just as much a high tech industry as it is a financial services industry.
- The domestic industry's revenue is well over \$1 billion. This revenue is money generated from a product that is in many ways an export. Furthermore, as capital markets open in the BRIC countries the number of new accounts that will flow out of places like China and India will lead to huge job and revenue gains in the United States. Trillions of dollars of trade volume are at stake. This is money that could (and should) be booked in the United States as taxable revenue. But if this rule passes the United States could well be costing itself billions of dollars in taxes down the road.
- The problem of Forex fraud will get worse absent legitimate dealers offering retail forex. Retail forex fraud is not something that is caused by the actions of retail forex dealers; rather it is caused by unlicensed con-men who masquerade as forex experts promising silly and unjustifiable returns before disappearing with customer funds. That is why the FXDC fully supports the CFTC's rule requiring all introducing brokers be licensed. That rule will solve forex fraud, not 10 to 1 leverage.
- The 10 to 1 leverage rule will be highly unpopular with traders. The fact is 100 to leverage is very popular with the retail forex trading public. They simply will not accept 10 to 1 leverage.
- Unregulated dealers from around the world will also be the beneficiaries of the 10 to 1 leverage rule. These unregulated forex dealers don't have to worry about capital requirements, risk management models, marketing ethics, dealing practices or even returning a customer's funds. These dealers will be out of the reach of the CFTC and they will thrive.

The case against the 10 to 1 leverage rule is clear. The rule will be a boon to foreign forex dealers (both regulated and unregulated) who will grow entirely at the expense of retail forex dealers in the United States. Thousands of high paying jobs will be lost and the potential for tens of thousands of more jobs will forever vanish as well. Consumers will be hurt and more vulnerable to fraud. And the United States will toss away one of the most promising export industries that it has, all in the midst of 10% unemployment. There is no good reason that this should be so.