Talk about throwing the baby out with the bathwater, this draconian proposal to drastically reduce the leverage on forex contracts makes me wonder just how much thought went into this proposal.

I have no doubt you have received complaints from individuals who have lost money trading forex contracts, but was the loss due to their inexperience trading forex, probably based on what they have heard or read about how easy it is to get rich trading forex, without taking the necessary steps to protect their capital so they can trade another day?

Or is the problem with brokers who trade against their client's positions, which guarantees the newcomer doesn't stand a chance?

Rather than going to the extremes you are proposing, I suggest the following:

1. Ban forex brokers from trading against their client's positions - no dealing desk.

2. Require brokers to limit the amount of trading new customers can do until they prove that they know what they are doing.

How?

First, limit them to trading mini-lots - $1 per pip - and only one mini-contract per $1000 account balance.

Second, require daytraders to set, and maintain, a firm stop loss, say 10-20 pips, which is eay to do when trading off of short-term charts, say 50 tick to 5 minutes. They would only be allowed (or required) to move the stop loss if their position is in profit. Longer-term traders should be allowed wider stops.

Third, limit them to trading no more than 2-5% of their account balance at any one time.

Fourth, smart traders know not to trade during news events, but newcomers should be banned from trading at those times.

Fifth, brokers should be required to emphasize that small, consistant gains, over a period of time, say one year, can indeed lead to a nice income, but only if you protect your capital. An honest broker knows that this will benefit them over the long run.

Sixth, brokers should provide training on what experienced traders look for when entering or exiting trades, such as daily, weekly, or monthly pivot levels, previous highs and lows, or support/resistance levels, etc.

3. When a new trader can demonstrate that they are learning how to trade, using these conservative techniques, they could request a review by the broker to increase their trading limits. They will only "learn" how to trade successfully by trading their own money, and not using an emotionless demo account.

Too many newcomers are sucked in by wild claims they see online, or hear secondhand from a "friend." I have heard of one ad claiming no losses over a three year period. How can they do that? Easy when you set a 500 pip stop loss.

It is amazing what only 20 pips per day, starting with a $1000 account and one mini-lot, can grow to after 12 months. If more new traders were made aware of that fact I believe there would be a lot fewer traders complaining about their losses and expecting to get rich overnight.

I would like to believe that it is not the position of FINRA to destroy the retail forex market for US traders, but based on what you plan to submit to the SEC I don't think it is possible to come to any other conclusion.

Ken Lebold