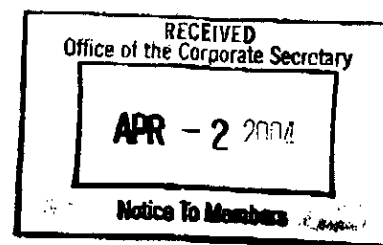




QUADRIGA
THE FUTURE OF INVESTING



April 1, 2004

Barbara Z. Sweeney
National Association of Securities Dealers
Office of the Corporate Secretary
1735 K Street, NW
Washington, DC 20006-1500

Re: NASD Notice to Members 04-07; Policy on Trailing Commissions for Publicly Offered Commodity Pools (Managed Futures Funds)

Dear Ms. Sweeney:

We recognize that the time has expired to submit comments on the proposals detailed in the 04-07 NASD Notice to Members. We are, however, concerned about two issues regarding the proposed cap on trailing commissions with respect to publicly traded managed futures funds that have not been specifically addressed in any of the previously filed comments. As such, we respectfully request that the NASD consider this comment

Quadriga Asset Management, Inc. ("Quadriga") is an NASD Member Broker Dealer and an NFA Member Introducing Broker. Quadriga serves both as a selling agent and as an additional selling agent group manager with respect to sales of investments in certain publicly traded managed futures funds, namely the Superfund series of funds. In other words, Quadriga sells directly to retail and institutional investors (referred to as "Direct Sales"), and Quadriga also identifies additional selling agents, recruits them, prepares and negotiates additional selling agent agreements, structures the selling syndicate for the Superfund funds, educates the additional selling agents on the Superfund funds, and provides on-going support services for the additional selling agents and their investors (collectively referred to as "Selling Syndicate Services"). Due to the nature of the Superfund products, Quadriga prefers to engage only broker dealers carrying Series 3 and/or 31 licenses to act as its additional selling agents so that such agents are able to provide continuing services to their commodity fund clients.

The Superfund funds are offered to small investors with a minimum investment of \$5,000. There are thousands of investors currently invested in the Superfund funds, and Quadriga expects there to be thousands of additional investors in these funds before they are closed. Many of the current investors also make repeated investments in the Superfund funds over time, as part of an ongoing investment strategy (investing, for example, \$5,000 every quarter).

QUADRIGA ASSET MANAGEMENT, INC.

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1. A cap on trailing commissions will result in an administrative crisis.

Quadriga is highly concerned about the administrative crisis that will ensue if it is required to track each separate investment made by each separate investor for each separate additional selling agent (referred to as "Tracking Services"), for the purpose of determining when each additional selling agent reaches its cap on trailing commissions with respect to each such investment. Quadriga is not currently capable of performing Tracking Services and Quadriga is not aware of any software program that would allow Quadriga to do so. Even if Quadriga were able to implement the systems and procedures necessary to perform the Tracking Services, it would only be able to do so at significant additional expense. Such expense becomes a cost that commodity pool operators will pass on to their funds and, ultimately, to fund investors.

Moreover, it is highly unlikely that all publicly traded managed futures funds, or their affiliates, would be able to perform such Tracking Services. Those not able to perform the Tracking Services, such as smaller firms, would be required to outsource them. The additional costs associated with performing the Tracking Services (whether accomplished in house or outsourced), may preclude many firms from offering or continuing to offer publicly traded managed futures.

It is also unlikely that most public administrators will be able to provide Tracking Services. Rather, it is more likely that only certain larger and more efficient public administrators would offer Tracking Services. As such, it is likely that firms that continue to offer investments in publicly traded managed futures would use the same public administrators to perform their Tracking Services. This would have the unfavorable result of concentrating fund administration in one or a small handful of administrators.

2. The proposed regulation does not distinguish between sales and trailing commissions, on the one hand, and fees generated for services such as Selling Syndicate Services and Tracking Services, on the other hand.

Currently, Quadriga charges one continuing fee / commission for Direct Sales and Selling Syndicate Services. In the event that Quadriga provides Direct Sales to particular investors, then Quadriga retains the entire annual fee / commission with respect to that investment. If, however, investors invest through an additional selling agent, Quadriga pays a portion of the annual fee / commission to the additional selling agent and retains a portion of the annual fee / commission in exchange for performing the Selling Syndicate Services.

In the event that the NASD chooses to implement a cap on trailing commissions, then it should clarify how firms providing both Direct Sales and Selling Syndicate Services (including Tracking Services) could be compensated. For example, will firms be able to continue to collect fees and pay commissions in the manner that Quadriga has

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been operating, or will such firms be required to separate commissions paid for Direct Sales from fees retained in exchange for performing Selling Syndicate Services (including Tracking Services) as manager of a selling group? Moreover, will fees for the latter category be required to be identified as a separate line item on a break-even table of a fund's prospectus? Finally in this regard, Quadriga respectfully submits that the NASD should clarify that only continuing compensation for Direct Sales, and not for Selling Syndicate Services, would be subject to any cap NASD imposes.

3. Summary of previously submitted comments.

Quadriga agrees with the arguments presented in previously submitted comments against a cap on trailing commissions, namely:

- Trailing commissions are paid in exchange for ongoing services and are not selling commissions;
- The services that agents provide to investors in managed futures are far more extensive, and require substantially greater expertise, than the services provided to investors in more traditional or commonly held equity investment vehicles: for these reasons agents should be encouraged to obtain, and be rewarded for obtaining, appropriate licenses;
- If agents decline to provide these valuable and necessary services because they no longer will receive trailing commissions, then either (a) funds or their affiliates will incur significant, if not prohibitive, costs to develop an alternative mechanism for providing such ongoing services to investors, or (b) investors will receive less services after the investment is made and lower quality service and portfolio management;
- For small investors who generally are not able to invest in private funds, a cap would provide an incentive for agents to recommend changing investments to different public funds once the cap has been reached and without regard to the financial objectives of investors;
- For investors who are able to invest in private funds but are not generally knowledgeable with respect to trailing commissions, a cap would encourage advising agents to promote investments in private funds (not subject to the cap) over investments in public funds;
- For investors who are able to invest in private funds and are knowledgeable with respect to trailing commissions, a cap would promote investments in public funds over private funds based upon the substantially lower commissions able to be charged by the public funds over time;
- Application of a cap retroactively would place funds or their affiliates in breach of their contractual obligations to pay trailing commissions to their agents who are already committed to provide investor services; conversely, application of a cap prospectively (grandfathering out existing funds) would result in an unfair competitive advantage to those previously existing funds over new funds, thus creating barriers for entry into the market place;

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- Trailing commissions are disclosed in each fund's prospectus and offering materials, and the appropriate level of any commission is best left to the investor and the marketplace to determine;
- Changing the long-standing policy of allowing trailing commissions, and thereby exposing the publicly traded managed futures industry to the above-referenced risks, is not advisable when there has been no history of abuse concerning either publicly traded managed futures or the payment of trailing commissions; and
- Since managed futures are not closely correlated with traditional equity, debt or real estate markets, if the imposition of a cap results in a reduced availability of investment opportunities in managed futures, then investors (and particularly small investors) will lose an important method by which they are currently able to seek diversification of their portfolios and mitigation of the investment risks associated with a lack of diversification.

For the above-referenced reasons, Quadriga respectfully urges the NASD not to implement a cap on trailing commissions for appropriately licensed selling agents. In the event that the NASD does implement such a cap, then Quadriga requests that the NASD clarify how fees charged for managing selling groups (and performing related services) should be separated from fees charged to pay selling and trailing commissions.

Sincerely,



George Fountas,
President