

**DIRECT PARTICIPATION BROKER DEALER ASSOCIATION
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March 5, 2004

Barbara Z. Sweeney
NASD
Office of the Corporate Secretary
1735 K Street, NW
Washington, DC 20006-1500

By email to pubcom@nasd.com and first class mail

Dear Ms. Sweeney,

The Direct Participation Broker Dealer Association (“DPPBDA”) is shocked and dismayed by both the form and content of NASD Notice to Members number 04-07 posted to the NASD website on February 2, 2004 (the “Notice”). For reasons stated in this comment letter, DPPBDA requests a 90-day extension of the comment period to June 10, 2004 to allow the DPP industry to comment on the proposed rule change.

Period to Submit Comments Too Short.

Most, if not all, of the brokers that sell direct placements are highly specialized with limited staff to respond to extra-ordinary compliance issues such as those presented by the Notice. For them to become aware of the issues and respond requires more than a mere 34 business days. Should the NASD not grant a 90-day extension of time to comment, the segment of the industry most affected will be denied the opportunity to respond. Although all brokers are required keep abreast of changes to the NASD web site, many were born long before the Internet and, therefore, delegate the task of monitoring the NASD website to non-brokers with computer skills. Analysis of the Notice requires sensitivity to how the brokers are compensated to understand the issues. Many brokers must have their lawyers explain the impact upon their segment of the industry. Accordingly, to the date of this comment, many brokers that will be adversely affected have no understanding of the impact of the Notice upon them. To aggravate the situation, the Notice appears to concern only one segment of the securities industry, when in fact the sales skills required to sell each of the investment products are totally different from the others and require separate analysis to justify the commissions paid to each of them. To allow the NASD to have the benefit of informed comment to the changes from each industry segment covered by the Notice requires a 90-day extension of the comment period to June 10, 2004.

It is the Quality of the Product that Counts

A creative genius once determined that if the broker commissions were high enough, a low priced installment investment product could be sold to the public. The generic name for these products is Systematic Investment Plans. At the time they were first introduced, those responsible for approval prior to public sale believed the 17% plus front-end loads were obscene. The barriers to issue the product were so severe that most elected to not proceed. But an intestinal fortitude genius at Fidelity pushed to get Fidelity Systematic Investment Plans: Destiny Plans I and II (Central Index Key: 0000035333) approved for sale. Those investors, mostly unsophisticated, limited income, low net worth persons, who purchased and completed their plan, have been rewarded with financial security. Regulation of securities best serves the public when the focus is on the quality of the disclosure and the honesty of the issuer. The amount of the commission is best left to the market place to determine.

Sale of Direct Placements Requires Additional Attention

Brokers who sell real estate investment trusts, commodity pools, oil and gas drilling or other similar products (collectively "DPP Product") must have knowledge of the industry and the facts in the prospectus or disclosure document. The broker must also know which of its clients have the financial and emotional resources to invest in the product. After the sale is made, the broker monitors the performance to provide advice to its clients to hold or liquidate the holding, if liquidation is available. If liquidation is not available, the broker must determine what can be done to minimize the impact of any loss. The issuers of DPP Product recognize that to sell their products, they must offer brokers incentives to compensate for the extra time and effort they must expend. No issuer will burden its offering with an unnecessary or non-competitive commission structure. The commissions must be earned from profits or the track record will suffer. It is the track record that creates the opportunity for the issuer to continue to sponsor and sell product. And, with the improved communication by Internet and other resources available to investors, bad product is soon eliminated from a broker's inventory. The existence of DPP Product requires the determination of the commissions by market conditions rather than by maximum limits, such as those contemplated by the Notice.

A 90-day extension to June 10, 2004, will permit us to comment upon the impact of the changes proposed upon the specific DPP Products covered by the Notice.

Very truly yours,



William S. Scott
Executive Director

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