

March 10, 2004

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

Re: NASD Notice to Members 04-07: Policy on Trail Commissions in Publicly Offered Commodity Pools

To the NASD Corporate Financing Department:

We would like to comment on the proposals detailed in NASD Notice to Members 04-07, specifically action that would limit the total underwriting compensation associated with publicly offered Commodity Pools ('Managed Futures') at 10%.

Cambridge Investment Research ('CIR') is an NASD Member Broker Dealer and an NFA Member Introducing Broker. Managed Futures are the only commodities related securities approved for use by our Affiliated Persons and, while constituting a small portion of our overall business, represent an important part of their offering to high net worth clients. As such, we feel that we are in a position to provide useful comment regarding the impact of proposed changes to the Trail Compensation received by Brokers who sell and service Managed Futures products.

Our comment is divided into three sections as follows:

- 1) **Value of Trail Compensation:** It is our opinion that the use of trail compensation as associated with Managed Futures is of value to both Investors and the Financial Industry as a whole. As detailed below, we feel that Managed Futures Investors require considerable ongoing service to make beneficial decisions regarding their investment. As such, trails provide incentive for Brokers to remain available to service Managed Futures clients and fairly compensate them for this task, which can be intensive and complex. Regardless of any other changes that may be wrought in the regulation of Managed Futures, we suggest that it is of utmost importance to ensure that Trail commissions remain an option for compensation provided to Brokers selling and servicing Managed Future products.
- 2) **Value of NFA Examinations (Series 3, 30, 31):** In our opinion, Managed Futures differ from any other security to the point that they require product specific education to be fully understood. The greatest point of distinction between Managed Futures and other securities is their volatility. Given the commodities based nature of these products they experience much greater price variance than many other securities and

given their internal diversification this variance is markedly different than with REITs and many other DPPs.

As commodity and futures products are not significantly covered outside the Series 3, 30 and 31 there is little impetus or opportunity for Brokers to gain knowledge about Managed Futures. A Broker holding one of these licenses has much greater knowledge with which to assist Investors in making decisions regarding these products. Having undergone these examinations, the Broker is better able to apply their knowledge of market conditions, the customer's objectives and the place Managed Futures hold in an Investor's overall portfolio. This is of great benefit to potential Managed Futures Investors as well as current Investors seeking assistance in making decisions about their Managed Futures holdings.

We feel that regulations which encourage Brokers to obtain these licenses, such as the policy of permitting NFA Affiliates to exceed 10% in maximum compensation, is of great benefit to the investor.

- 3) Suggestion Regarding Cap on Yearly Trail Compensation:** Although we believe, as described above, that the presence of Trails in the compensation provided by Managed Futures is an important facet in their value to investors, we agree that the currently allowable level of trail commissions may be excessive. We believe that the difficulty and frequency of service provided to Managed Futures Investors justifies the payment of trails in excess of that allowed for Mutual Funds (under NASD Rule 2830), however it does not justify trails as high as 4%.

In this area we would like to join our primary partner in the Managed Futures business, Steben & Company, by suggesting that a 2%/year limit on trail compensation paid by Commodity DPPs. We feel that the comments provided to you by Steben & Company regarding this suggestion are insightful and would serve well as a basis for improved regulation.

It is our hope that these comments will be useful in regards to the proposal outlines in Notice to Members 04-07. Thank you for the opportunity to provide input regarding this issue.

Sincerely,

Gabriel Cooper
Cambridge Investment Research
NFA/CFTC Compliance Officer