CAMPBELL & COMPANY SINCE 1972

October 7, 2004

By E-Mail: rule-comments@sec.gov

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, DC 20549-0609
Attention: Mr. Jonathan G. Katz, Secretary

Re: Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the National Association of Securities Dealers, Inc. Relating to the Implementation Date of Notice to Members 04-50 (Treatment of Commodity Pool Trail Commissions Under Rule 2810); Release No. 34-50335; File No. SR-NASD-2004-136.

Ladies and Gentlemen:

Campbell & Company, Inc. ("Campbell & Company") appreciates the opportunity to comment upon the above-referenced Release and the proposals set forth therein.[1] Since 1982, the NASD has had a policy of excluding ongoing compensation ("trail commissions") from the 10 percent limitation as it applies to commodity direct participation programs ("commodity pools") if: (i) the member is registered with the Commodity Futures Trading Commission ("CFTC") as a Futures Commission Merchant ("FCM"); (ii) the associated person receiving the trail commissions has passed the Series 3 or the Series 31 examination; and (iii) the associated person receiving the trail commissions provides ongoing investor relations services to investors.

NASD now proposes to rescind this long-standing policy effective October 12, 2004; however, for the reasons set forth in our letter to the Commission dated August 20, 2004 (the "Initial Letter"), Campbell & Company respectfully disagrees with the proposed rescission and favors either: (i) the codification of NASD's policy of excluding trail commissions from the 10 percent limitation as it applies to commodity pools; or, in the alternative, (ii) the establishment of a perpetual ***annual*** maximum commodity pool trail commission that is not to exceed 2.5% per annum, to be paid in lieu of the aforementioned aggregate 10 percent limitation.

As set forth in our Initial Letter, Campbell & Company continues to believe that the continued exclusion of commodity pools from the 10 percent limitation will benefit the investing public by: (i) contributing to the orderly operation of public commodity pools and the futures, forwards, and options markets in general; (ii) justly compensating associated persons for providing important commodity-related brokerage services to public commodity pool investors throughout the life of the investment; and (iii) ensuring the continuing availability of non-correlated managed futures investment products to the investing public.

[1] Campbell & Company is a member of the National Futures Association ("NFA"), and has been registered as a commodity pool operator ("CPO") since September of 1982 and as a commodity trading advisor ("CTA") since May of 1978. Since its inception in 1972, Campbell & Company has been a pioneer in the field of managed futures investment management. The firm applies systematic trading strategies to diverse portfolios of global futures, forwards, and options markets with the primary objective of achieving attractive risk-adjusted rates of return. In our capacity as a CPO and/or CTA, the firm currently manages assets in excess of $8 billion and maintains a client base in excess of 60,000 retail and institutional investors.

The NASD' s Letter to the Commission dated August 30, 2004.

In light of the arguments posed by the NASD in its letter to the Commission dated August 30, 2004 (the "NASD Letter"), Campbell & Company appreciates the opportunity to directly refute certain assertions contained therein, specifically those contained within Section IV.B. of the NASD Letter.

A. NASD fails to recognize that the structure and operation of commodity pool DPP investments is fundamentally different from the structure and operation of other types of DPP investments.

Public commodity pools may be distinguished from other direct participation programs and closed-end investment companies in significant structural and operational ways. Among the distinguishing features of commodity pools are the breadth of futures-related interests traded simultaneously (*e.g.*, futures, forwards and options contracts on foreign currencies, financial instruments, precious and industrial metals, energy products, agricultural commodities, stock indices, and soft commodities), the rapid turnover of a managed futures portfolio's holdings (it is utterly conceivable that the entire holdings of a managed futures portfolio, or large portions thereof, could change within the confines of a single trading day), the frequency of daily net asset valuations and monthly investment liquidity, and the continuous nature of the offering. Thus, investors in commodity pools require different and more varied information and more specialized professional advice relative to investors in other direct participation programs and closed-end investment companies.

B. NASD fails to recognize that the services provided by associated persons to securities accounts holding commodity pool DPP investments are fundamentally different from the services provided by associated persons to accounts holding other types of DPP investments.

Investors in commodity pools require significantly more services than investors in other types of investments, including other direct participation programs, and such services must be provided to the investor throughout the life of the investment. Associated persons must possess specialized knowledge of a product specific nature (*e.g.*, product structure, trading strategy, investor suitability, offering restrictions, use of leverage, tax implications, legal concerns, etc.) and general knowledge of the futures, forwards, and options markets (*i.e.*, as evidenced by having passed either the Series 3 or the Series 31 examination). Specifically, the commodity-related brokerage services provided by associated persons include: (a) inquiring of the CPO, at the request of an investor, as to the net asset value of a unit; (b) inquiring of the CPO, at the request of an investor, regarding the futures, forwards, and options markets, generally, and the varied trading activities of the individual commodity pool, specifically; (c) responding to investors' questions with respect to monthly account statements, annual reports, financial statements, and annual tax information furnished periodically to investors; (d) providing advice to investors as to when to make additional investments or to redeem units; (e) assisting investors in the redemption of units; and (f) providing such other services as investors may reasonably request from time to time.

Furthermore, public commodity pools are subject to considerably more regulatory oversight than other direct participation programs, which is a testament to the more complex nature of the product and the additional burdens experienced by associated persons in providing ongoing commodity-related brokerage services to investors; services for which associated persons should be justly compensated.

C. NASD fails to recognize that the complete termination of ongoing trail commissions unfairly deprives associated persons of reasonable compensation and financial incentive to offer commodity pools and provide commodity-related brokerage services to investors throughout the life of the investment, and may result in a decrease in the number or distribution of public commodity pools available to investors.

The complete termination of ongoing trail commissions would unfairly deprive associated persons of reasonable compensation and financial incentive to provide commodity-related brokerage services to investors throughout the life of the investment, and may result in a decrease in the number or distribution of public commodity pools available to investors, a more rigid cost structure, and potentially deprive investors of an associated person's expert advice necessary to make investment decisions on a continuing basis. In the event associated persons choose not to provide such commodity-related brokerage services to investors, the commodity pool's CPO would incur, and possibly charge its investors, the significant, if not prohibitive, costs necessary to develop an alternative mechanism for providing such services to investors.

Commodity pools generally provide investors with the potential to enhance portfolio returns and reduce overall portfolio volatility by diversifying beyond traditional investments, such as stocks and bonds, into historically non-correlated managed futures. Consequently, the diversification benefits of managed futures have made commodity pools an important element of an individual investor's overall portfolio diversification strategy. Commodity pools also perform a critical role with regard to the efficient operation of the futures, forwards, and options markets. The economic rationale for such markets is to provide a forum for efficient price discovery and the transfer of risk from hedgers who seek to avoid risk to speculators who seek to acquire it. Commodity pools represent a significant source of speculative capital, provide liquidity to the futures markets, and facilitate transparent price discovery and efficient risk transference.

Public commodity pools have become increasingly popular in recent years, as interest in the benefits provided by managed futures and other alternative investments has grown among the retail investing public. In response to this increased interest and the resulting competitive pressures, the number of public commodity pools in the United States has increased and the fees paid by such pools have decreased; two trends of obvious benefit to investors. ***A decline in total assets invested in public commodity pools could not only disrupt the orderly operation of such pools, as existing investors suffer the consequences of a reduction in assets under management, but of the futures, forwards, and options markets in general, as certain markets experience a material decrease in participation, and thereby a decrease in the efficiency of the price discovery and risk transfer process.***

Public commodity pools are often the safest, most inexpensive, and most attractive alternative investment (if not the only alternative investment) available to retail investors. ***Any decrease in the number or distribution of public commodity pools would only impede, or perhaps even foreclose, investor access to this important alternative investment, thereby effectively depriving investors of a number of significant benefits.*** The principal benefits provided by such pools include limited liability for investors, access to professional management at a greatly reduced minimum investment amount, transparency of investment activities (*e.g.,* independent daily settlement prices), monthly investment liquidity, and an environment of strong, multi-agency regulatory oversight through disclosure requirements, suitability standards, solicitation restrictions, etc. Alternative means of accessing the futures and forwards markets, such as individual managed accounts and private placement offerings, often fail to provide similar benefits to investors, and may result in unlimited liability for investors, restricted access to professional management, less liquidity, less regulatory oversight and higher fees.

D. *NASD fails to recognize the incongruous and unnecessarily discriminatory result of investing in an individual customer futures account (where trail commissions would be unlimited) versus investing in a public commodity pool (where trail commissions would be limited).*

The limitations to be imposed upon public commodity pools by Rule 2810 are not applicable to individual customer futures accounts, despite the substantively identical nature of the transactions and the parties involved (*e.g.*, the payment of ongoing trail commissions generated by an account as compensation to an associated person for providing certain commodity-related brokerage services to an investor). It is therefore incorrect to equate trail commissions with selling commissions and, as such, trail commissions are not charged as an upfront sales charge nor deducted from an investor's initial subscription amount. Furthermore, it is important to note that, regardless of whether an individual client accesses the futures markets through an individual customer futures account or through an investment in a commodity pool, the commodity-related brokerage services to be provided by the associated person are essentially identical (and therefore one would conclude that the nature and type of compensation should be essentially the same). This point is underscored by the fact that the requisite registration and proficiency examination necessary to receive compensation in either instance is substantively similar; both must register as an associated person under the Commodity Exchange Act, both must demonstrate competency in commodity-related matters (as evidenced by having passed either the Series 3 or the Series 31 examination), and both remain subject to the sanctions and ethics requirements of the United States Commodity Futures Trading Commission and the National Futures Association.

Conclusion.

For the reasons outlined above, as well as those set forth in our Initial Letter, rescission of the NASD's present policy regarding the payment of trail commissions would drastically alter the managed futures industry landscape to the significant detriment of both the investing public and the industry's legitimate participants, including Campbell & Company. For this reason, Campbell & Company respectfully urges the Commission to abrogate the proposed "rule" change in favor of either: (i) the codification of NASD's policy of excluding trail commissions from the 10 percent limitation as it applies to commodity pools; or, in the alternative, (ii) the establishment of a perpetual ***annual*** maximum commodity pool trail commission that is not to exceed 2.5% per annum, to be paid in lieu of the aforementioned aggregate 10 percent limitation.

In this manner, the Commission will benefit the investing public by: (i) contributing to the orderly operation of public commodity pools and the futures, forwards, and options markets in general; (ii) justly compensating associated persons for providing important commodity-related brokerage services to public commodity pool investors throughout the life of the investment; and (iii) ensuring the continuing availability of non-correlated managed futures investment products to the investing public.

Please do not hesitate to contact me should you wish to further discuss the comments set forth above.

Sincerely,

Bruce Cleland

Bruce L. Cleland
President & Chief Executive Officer