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WACHOVIA SECURITIES

March 11, 2004

Ms. Barbara Z. Sweeney
NASD
Office of the Corporate Secretary
1735 K Street N.W.
Washington, D.C. 20006-1500

Re: NASD Notice to Members 04-07, Proposed Amendments to Rules 2710 and 2810

Dear Ms. Sweeney:

Wachovia Securities, LLC ("Wachovia") is grateful for the opportunity to comment briefly on one key portion of the above rule proposals, specifically, the rescission of an NASD interpretive policy regarding trail commissions charged by commodity direct participation programs ("DPPs"), or commodity pools. We write to explain that trail commissions for commodity pools are appropriate and provide a useful service. We urge the NASD to codify in Rule 2810 the NASD's current interpretive policy exempting commodity DPPs from the 10% limitation on underwriting compensation.

Commodity Pools Have Different Servicing Needs Than Other DPPs

While there may certainly be room for discussion concerning the level of annual trailing commissions charged in commodity DPPs, the different servicing needs of these investment products justify trailing commissions that might exceed the 10% cumulative cap. It is first important to note that *all* commodity DPPs receive considerable review and scrutiny in advance of any offering from a variety of regulators to ensure that investors receive sufficient disclosure. In addition, as noted in the MFA letter, commodity pool investors benefit from a number of ongoing services not routinely found in most DPPs. In real estate and oil and gas partnerships, after the initial purchase of the underlying assets, the partnership holds the assets until termination. Additionally, DPPs that invest in such hard assets are designed to be illiquid investment vehicles, with investors having little opportunity to evaluate redemption options during the life of the investment. The commodity DPPs, however, engage in daily trading of futures contracts as a means of obtaining the potentially higher returns the investors seek. The costs of pursuing that greater return differs even from the investment company model where mutual funds typically try to adopt a lower cost approach of less frequent turnover. In addition to daily trading, commodity pools also are required to provide daily net asset values, and they offer at least monthly redemption opportunities.

In most cases commodity pools also have continuous offerings of shares. Viewed together, these services, and more, create a need for the commodity pools to furnish frequent information as well as education to investors. That some level of consistent and continuous funding to compensate for the additional services, education and information provided for commodity pools is in keeping with the investment fund products it closely resembles.

Trailing Commissions Are Proper For A Higher Risk/Reward

As noted earlier, commodity pools are highly regulated and the expenses are clearly disclosed. These highly speculative investments have clear limits on the liquid net worth of the potential investor and there are caps on the amount of one's net worth that can be invested in any one fund. Accordingly, commodity pool investors are well aware that the commodity pools have high expenses and must generate considerable trading profits to offset those expenses. That those expenses include an annual trading commission is not only disclosed fully, but for the investor, such an expense is reasonable in the "risk/reward" analysis engaged in by investors in this speculative product. That one could look closer at the *level* of the annual trailing commissions should in no way detract from the conclusion that trailing commissions are appropriate for the services investors receive.

CONCLUSION

We believe that the NASD should codify in Rule 2810 its current interpretive policy exempting commodity DPPs from the 10% limitation on underwriting compensation. In so doing, the NASD will recognize that the commodity pools offer valuable additional services that investors can properly and knowingly pay for at a level of trailing commissions appropriate to the products.

Thank you for your consideration, and we hope that these comments assist you in reviewing this issue. We are available to answer questions, either by phone or in person, at your convenience. Should you desire additional information, please contact Bob Vorlop, Financial Products Manager at (804) 782-3560, or me.

Sincerely,

Ronald C. Long
Regulatory Counsel
Wachovia Securities, LLC