

MEMO# 22445

April 21, 2008

FINRA Files Proposal to Further Delay Principal Approval Requirements of Rule Governing Deferred Variable Annuities

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TO: VARIABLE INSURANCE PRODUCTS ADVISORY COMMITTEE No. 13-08 RE: FINRA FILES PROPOSAL TO FURTHER DELAY PRINCIPAL APPROVAL REQUIREMENTS OF RULE GOVERNING DEFERRED VARIABLE ANNUITIES

FINRA filed a proposed rule change with the SEC that seeks to delay the effective date of the principal review requirements of new Rule 2821, for deferred variable annuities, until after the SEC approves or rejects a proposed substantive change to the rule. [\[1\]](#)

On February 4, we informed members that the SEC had granted approval to a proposed rule change filed by FINRA to delay the effective date of the principal review requirements of new Rule 2821 until August 4, 2008. [\[2\]](#) In that proposal, FINRA announced that it was requesting the delay to: (1) provide broker-dealers with additional time to make necessary systems changes and (2) consider further concerns raised by members regarding the principal review requirements. [\[3\]](#) After additional consideration, FINRA has determined that further rulemaking is warranted. [\[4\]](#) Accordingly, FINRA is seeking to delay the effective date of paragraphs (c) and (d) of new Rule 2821 until the SEC has approved or rejected its upcoming proposed rule changes.

The current proposal – seeking the indefinite delay in the effective date of the principal review requirements – does not include the soon to be proposed substantive amendments to Rule 2821. In a footnote, however, the proposal states that, “FINRA plans to propose

changing the event that triggers the beginning of the period within which the principal must review and determine whether to approve or reject the application. FINRA also intends to propose limiting application of the rule to recommended transactions. Finally, FINRA plans to clarify various other issues, including whether (and, if so, under what circumstances) a broker-dealer can forward funds to an affiliated insurance company prior to the principal's approval of the transactions."

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endnotes

[1] The SEC has not yet published notice of the proposed rule change, but the text of it is available on FINRA's website at

http://www.finra.org/web/groups/rules_regs/documents/rule_filing/p038353.pdf.

[2] See Memorandum to Variable Insurance Products Advisory Committee No. 8-08 and SEC Rules Members No. 10-08, dated February 4, 2008 [22182].

[3] See SEC Exchange Act Release No. 57228 (January 29, 2008). The order can be found at

<http://www.sec.gov/rules/sro/finra/2008/34-57228.pdf>.

[4] See Letter to Nancy M. Morris, Secretary, SEC, from Heather Traeger, Assistant Counsel, ICI, January 24, 2008 (recommending changes to the principal review requirements).