

MEMO# 22182

February 4, 2008

SEC Approves Delay of Principal Review Requirements of FINRA Rule Governing Sales Practices of Deferred Variable Annuities

[22182]

February 4, 2008

TO: VARIABLE INSURANCE PRODUCTS ADVISORY COMMITTEE No. 8-08
SEC RULES MEMBERS No. 10-08 RE: SEC APPROVES DELAY OF PRINCIPAL REVIEW REQUIREMENTS OF FINRA RULE GOVERNING SALES PRACTICES OF DEFERRED VARIABLE ANNUITIES

The Securities and Exchange Commission has approved a proposed rule change filed by FINRA to delay the effective date of the principal review requirements of new Rule 2821 for deferred variable annuities. [\[1\]](#)

On December 28, we informed members that FINRA had filed a proposed rule change to delay the effective date of the principal review requirements of new Rule 2821 to provide time for firms to make necessary systems changes to comply with the rule. [\[2\]](#) In the same proposal, FINRA sought comment on various components of the principal review requirements, including the timing of the principal review and the treatment of all transactions as recommended. The Institute filed a comment letter supporting the proposed delay and urging FINRA to resolve the outstanding principal review issues prior to implementing this provision of new Rule 2821. [\[3\]](#) Specifically, the Institute recommended that: (1) the principal review process be required to be completed seven business days after the broker-dealer has received an application “in good order;” and (2) the principal review requirements not apply where a transaction has not been recommended by an associated person of the broker-dealer.

The Order grants the requested delay of the effective date for the principal review requirements until August 4, 2008. In so doing, the Order finds that the proposed rule change does not change any of the substantive portions of new Rule 2821. Instead, “it allows broker-dealers additional time to comply with one portion of the rule and provides FINRA with additional time to further consider its members’ concerns.”

Heather L. Traeger
Assistant Counsel

endnotes

[1] See SEC Exchange Act Release No. 57228 (January 29, 2008) (“Order”). The Order can be found at <http://www.sec.gov/rules/sro/finra/2008/34-57228.pdf>.

[2] See Memorandum to Variable Insurance Products Advisory Committee No. 25-07 and SEC Rules Members No. 160-07, dated December 28, 2007 [22085].

[3] See Memorandum to Variable Insurance Products Advisory Committee No. 6-08 and SEC Rules Members No. 7-08, dated January 24, 2007 [22150].