

MEMO# 22655

July 1, 2008

ICI Comment Letter on FINRA Proposal to Amend Rule Governing Variable Annuities

[22655]

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TO: VARIABLE INSURANCE PRODUCTS ADVISORY COMMITTEE No. 20-08
SEC RULES MEMBERS No. 56-08 RE: ICI COMMENT LETTER ON FINRA PROPOSAL TO
AMEND RULE GOVERNING VARIABLE ANNUITIES

The Institute has prepared the attached comment letter on a FINRA proposed rule change to amend the principal review requirements of Rule 2821 regarding deferred variable annuities. [\[1\]](#) Specifically, the letter supports the proposal to modify (1) the scope of the rule to exclude non-recommended transactions and (2) the timing of the principal review requirement to begin after a firm has received a complete and correct copy of the application for a deferred variable annuity.

The letter states that the proposed change to the scope of the principal review requirement, limiting its application to recommended transactions, will properly account for the fact that many firms offer platforms that permit investors to make informed investment decisions absent a recommendation and to conduct transactions in a manner that does not involve interaction between the investor and a registered representative. The letter explains that the Institute also believes the proposed change rightfully honors investment decisions made by investors without requiring a broker-dealer to second-guess those decisions. The letter states that the proposed change to the timing of the principal review requirement will allow for a more thorough and meaningful principal review as well as provide for adequate timing to account for circumstances when principals cannot complete their review in the required timeframe due to circumstances outside their control.

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[Attachment](#)

[\[1\]](#) See Memorandum to Variable Insurance Products Advisory Committee 18-08 and SEC Rules Committee 39-08, dated June 17, 2008 [22611].

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