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THE Committee OF Annuity Insurers
www.annuity-insurers.org

April 11, 2022

Via E-Mail
Vanessa A. Countryman
Secretary
Securities and Exchange Commission
100 F Street NE
Washington, D.C. 20549-1090

Re: File No. S7-05-22
Shortening the Securities Transaction Settlement Cycle

Dear Secretary:

We are submitting this letter on behalf of the Committee of Annuity Insurers (the "Committee"),[1] in response to the U.S. Securities and Exchange Commission's ("SEC") proposed amendments (the "Proposed Rule") to Rule 15c6-1 under the Securities Exchange Act of 1934, as amended (the "1934 Act").[2] The Committee wishes to respond to the SEC's request for comment on whether the conditions set forth in the SEC's 1995 order granting an exemption from Rule 15c6-1 for registered insurance securities products[3] (the "Insurance Products Exemption") are still appropriate.[4] As described more fully below, the Committee believes the conditions for the Insurance Products Exemption are still appropriate and that the exemption should be preserved. The Committee appreciates your attention to its comments.

BACKGROUND

The Proposed Rule would shorten the standard securities settlement cycle in Rule 15c6-1 under the 1934 Act for most broker-dealer transactions from two business days after trade date ("T+2") to one business day after trade date ("T+1").[5] The Proposed Rule follows the SEC's 2017

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[1] The Committee is a coalition of many of the largest and most prominent issuers of annuity contracts. The Committee's 30 member companies represent approximately 80% of the annuity business in the United States. The Committee was formed in 1981 to address legislative and regulatory issues relevant to the annuity industry and to participate in the development of insurance, securities, banking, and tax policies regarding annuities. For over three decades, the Committee has played a prominent role in shaping government and regulatory policies with respect to annuities at both the federal and state levels, working with and advocating before the SEC, CFTC, FINRA, IRS, Treasury Department, and Department of Labor, as well as the NAIC and relevant and Congressional committees. A list of the Committee's member companies is available on the Committee's website at www.annuity-insurers.org/about-the-committee/.

[2] Shortening the Securities Transaction Settlement Cycle, Release No. 34-94196, IA-5957 (Feb. 9, 2022), 87 Fed. Reg. 10501 (Feb. 24, 2022). The SEC's release on the proposed rulemaking is posted at https://www.sec.gov/rules/proposed/2022/34-94196.pdf ("Proposing Release").

[3] Grant of Exemption, Release Nos. 33-7177; 34-35815; IC-21117, 59 SEC Docket 1045 (June 6, 1995); 60 Fed. Reg. 30906 (June 12, 1995). The Insurance Products Exemption is posted at https://www.govinfo.gov/content/pkg/FR-1995-06-12/pdf/95-14323.pdf.

[4] Proposing Release, 87 Fed. Reg. at 10451.

[5] *See* Proposed Rule 15c6-1(a).

amendment (the "2017 Amendment") to Rule 15c6-1, which reduced the settlement cycle from three business days after trade date ("T+3") to T+2.[6]

In 1995, the SEC adopted Rule 15c6-1 to reduce the settlement cycle to T+3.[7] One day prior to T+3's effective date, June 6, 1995, the SEC granted the Insurance Products Exemption, which exempted registered insurance securities products from the T+3 requirement.[8] The Insurance Products Exemption provides,

> It is hereby ordered that a contract for the purchase or sale of any security issued by an insurance company as defined in Section 2(a)(17) of the Investment Company Act of 1940 ("Investment Company Act") that is funded or participates in a "separate account" as defined in Section 2(a)(37) of the Investment Company Act, including a "variable annuity contract" as defined in Rule 0-1(e)(1) under the Investment Company Act or a "variable life insurance contract" as defined in Rule 6e-2(c)(1) or Rule 6e-3(T)(c)(1) under the Investment Company Act, or any other insurance contract registered as a security under the Securities Act of 1933, shall be exempt from the requirements of Rule 15c6-1.[9]

When the SEC granted the Insurance Products Exemption, it recognized that "the mechanics of purchases and redemptions of insurance securities products are distinct from those of other securities and that, because of the time required to complete necessary preparations, such transactions typically require more protracted settlements."[10] The SEC further explained that "compliance with the unique requirements of state and federal law, as well as of the particular administrative procedures, applicable to insurance securities products demands additional time beyond the standard settlement process."[11]

In proposing the 2017 Amendment to Rule 15c6-1, the SEC asked for comment on the appropriateness of the Insurance Products Exemption.[12] The Committee submitted a comment letter encouraging the SEC to preserve the Insurance Products Exemption, arguing, in part, that the rationale for the exemption was only strengthened in the context of a T+2 settlement period (the "T+2 Comment Letter").[13] In adopting the 2017 Amendment, the SEC noted that, after

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[6] *See* Securities Transaction Settlement Cycle, Exchange Act Release No. 80295 (Mar. 22, 2017), 82 Fed. Reg. 15564, 15601 (Mar. 29, 2017). The adopting release for the 2017 Amendment is posted at https://www.sec.gov/rules/final/2017/34-80295.pdf (the "2017 Adopting Release").

[7] The T+3 standard's effective date was June 7, 1995. *See* Securities Transactions Settlement, Release Nos. 33-7110; 34-34962; IC-20691 (Nov. 9, 1994); 59 Fed. Reg. 59137 (Nov. 16, 1994).

[8] *See* Insurance Products Exemption, 60 Fed. Reg. 30906.

[9] *Id.*

[10] *Id.*

[11] *Id.*

[12] *See* Amendment to Securities Transaction Settlement Cycle, Release No. 34-78962 (Sept. 28, 2016); 81 Fed. Reg. 69240 (Oct. 5, 2016). The proposing release is posted at https://www.sec.gov/rules/proposed/2016/34-78962.pdf.

[13] The Committee's T+2 Comment Letter is posted at https://www.sec.gov/comments/s7-22-16/s72216-7.pdf.

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careful consideration of comments (including the Committee's T+2 Comment Letter), it was "not rescinding or modifying the exemptive order for registered insurance securities products."[14]

In the current Proposing Release to shorten the settlement cycle further, the SEC again asks for comment, using identical language as the proposing release for the 2017 Amendment, on whether the Insurance Products Exemption should be preserved:

> Are the conditions set forth in the Commission's exemptive order for insurance contracts still appropriate? If not, why not? If the exemption should be modified, how should it be modified and why?[15]

Notably, the Proposing Release does not identify any problems or concerns with the current exemption for registered insurance securities products that has been in place since 1995.

Committee Comments

The Committee does not oppose the SEC's proposal to shorten the settlement cycle to T+1 in Rule 15c6-1(a). The Committee only wishes to comment on the continued applicability and scope of the Insurance Products Exemption.

The conditions and considerations set forth in the Insurance Products Exemption apply as much, if not with greater force, today as they did in 1995 and in 2017 (when the settlement cycle was shortened to T+2). In connection with the 2017 Amendment, the Committee provided its detailed rationale (through its T+2 Comment Letter) for the continued applicability of the Insurance Products Exemption.[16] That same rationale applies equally to the SEC's proposed shortening of the settlement cycle to T+1 as it did to the shortening of the settlement cycle to T+2 in 2017. For the reasons set forth in the Committee's T+2 Comment Letter, the Committee believes the conditions for the Insurance Product Exemption are still appropriate and the exemption should be preserved.

CONCLUSION

The Committee appreciates the opportunity to provide these comments on the Proposed Rule. Please do not hesitate to contact [redacted]) with any questions or to discuss this comment letter.

Respectfully submitted,

Eversheds Sutherland (US) LLP

FOR THE COMMITTEE OF ANNUITY INSURERS

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[14] *See* SEC's 2017 Adopting Release, 82 Fed. Reg. at 15581.

[15] Proposing Release, 87 Fed. Reg. at 10451.

[16] *See* the Committee's T+2 Comment Letter, which is cited in footnote 13 and posted at https://www.sec.gov/comments/s7-22-16/s72216-7.pdf.