



Lisa Tate

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August 2, 2007

VIA E-MAIL

Ms. Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

Ms. Nancy M. Morris
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

SUBJECT: File Number S7-22-06; Docket No. R-1274—Supplemental Comments: Definition of Terms and Exemptions Relating to the “Broker” Exceptions for Banks

Dear Ms. Johnson and Ms. Morris:

On behalf of our member companies, the American Council of Life Insurers supplements its comment letter dated March 26, 2007, on proposed rules, File Number S7-22-06—Definition of Terms and Exemptions Relating to the “Broker” Exceptions for Banks, that were published in the Federal Register on December 26, 2006. These supplemental comments are in response to a recent discussion with staff of the Board of Governors that pertained, in part, to the intended scope of ACLI’s recommended changes to the proposed rules that were set forth in its prior letter. As noted below, consideration of an exemption for “the variable contracts issued by insurance companies” would be advisable to clarify that both variable annuity and life insurance contracts are to be encompassed by the exemption.

ACLI represents 373 member companies operating in the United States. In the United States, ACLI members currently account for 93 percent of the industry’s total assets, 91 percent of life insurance premiums, and 95 percent of annuity considerations in the United States. Many of our member companies offer individual variable life insurance and variable annuities that must be distributed through broker-dealers. As a matter of scope, over 50 percent of NASD’s 675,000 registered representatives work for broker-dealers affiliated with life insurers.

Issued jointly by the Board of Governors of the Federal Reserve System and the Securities and Exchange Commission, the proposed rules would implement certain of the exceptions for banks from

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the definition of “broker” under Section 3(a)(4) of the Securities Exchange Act of 1934, as amended by the Gramm-Leach-Bliley Act. Each of the eleven statutory exceptions permits a bank to act as an agent with respect to specified securities products or in transactions that meet specific statutory conditions. Accordingly, the proposed rules would implement the broker exceptions for banks relating to third-party networking arrangements, trust and fiduciary activities, sweep activities, and safekeeping and custody activities. Among the exemptions is proposed Exchange Act Rule 775 that would, under certain conditions, allow a bank to effect transactions in investment company securities through the National Securities Clearing Corporation’s Mutual Fund Services or directly with a transfer agent acting for an open-ended company.

In our prior letter, ACLI strongly recommended that the exemption provided in proposed Rule 775 should be extended to variable annuities. Doing so would ensure that current arrangements between banks, insurance companies, and employee benefit plans are not disrupted, that plan participants are not subject to additional fees attributable to redundant processes, and that parity will be maintained in the treatment of mutual funds and variable annuities under the proposed rules.

ACLI strongly recommends that an exemption for variable annuities should also, for the same reasons, be accompanied by an exemption for variable life insurance. An exemption for variable life insurance would make the rules more fairly and equitably useful, and the consideration of such an exemption for both variable annuities and life insurance would be advisable to clarify the intended scope of the final rules. Accordingly, ACLI recommends that the final rules include an exemption for the “variable contracts issued by insurance companies” that would encompass both variable annuity and life insurance contracts.

ACLI appreciates the opportunity to provide these supplemental comments on the proposed rules. Please let us know if you have any questions or need additional information.

Sincerely,

A handwritten signature in black ink that reads "Lisa Tate". The signature is written in a cursive, slightly slanted style.

Lisa Tate

cc: Kieran J. Fallon
Brian P. Knestout
Genevieve E. Walker