

via electronic filing

January 24, 2008

Nancy M. Morris, Esq.
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

Re: File No. SR-FINRA-2007-040

Dear Ms. Morris:

Charles Schwab & Co., Inc. (“CS&Co”) supports the proposed delay of the effective date for the principal review requirements of new Rule 2821. CS&Co is a wholly-owned subsidiary of The Charles Schwab Corporation, a leading provider of financial services. CS&Co is registered with the Commission as both a broker-dealer and as an investment adviser under the Investment Advisers Act of 1940, and also licensed under the insurance laws of all 50 states.

Rule 2821 requires principal review “[p]rior to transmitting a customer’s application for a deferred variable annuity to the issuing insurance company for processing, but no later than seven business days after the customer signs the application.” We believe the requirement to “start the clock” as of the date the customer signs the application will have a disproportionate negative impact on firms that sell variable annuity contracts through non-traditional non-face-to-face methods such as through the internet and centralized call centers.

The vast majority of annuity sales at Schwab do not involve in-person interactions with clients. Most sales result from client discussion with Schwab annuity representatives who are physically located in a centralized call center. The rep will typically mail the annuity application materials to a prospective client. Schwab has little or no control over when the client will decide to sign, date, and return the application to Schwab for principal review.

With the “clock starting” for purposes of the seven-business-day review period on the date the client signs the application, and with the application potentially still days away from being received by Schwab, we anticipate that many if not most applications we receive will either be well into or beyond the seven-business-day period. This would necessitate that we return the application to the client with instructions to complete and sign yet another application. Clearly, this outcome would be a very negative experience for our clients, serving no real purpose.

Firms such as Schwab and other non-traditional sellers of variable annuities offer products at significantly lower costs than more traditional full commission firms. We believe firms like Schwab provide a very important alternative for clients who are interested in variable annuities but who do not need or want the services and costs associated with the traditional annuity sales model. Our concern is that this rule will result in a very negative client experience that will adversely affect our business and will serve as a de facto penalty on business models that offer the benefit of lower costs. We have always striven to provide client-friendly service consistent with the highest levels of professionalism and customer protection.

Our recommendation is that the rule be modified so that the seven-business-day principal review period commences with the firm's receipt of the annuity application in "good order." Without an "in-person" interaction between the rep and the client, we rely on our clients to complete the application and make sure that all required information is submitted. As a result, we frequently see applications that are initially deemed not in good order. If the application is not in good order, additional time will be needed to obtain the necessary information. It is difficult to see how such a change could result in any less protection for investors as this modification to the rule would not compromise any investor protection concerns, as the principal review would still be completed prior to issuance of the contract.

We appreciate the opportunity to comment on the proposal.

Sincerely,

David E. Stone, Esq.
Vice President & Associate General Counsel