

August 4, 2011

VIA E-MAIL

Ms. Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

**Re: File No. SR-FINRA-2011-028
Notice of Filing of Proposed Rule Change to Adopt Rules Regarding
Supervision in the Consolidated FINRA Rulebook**

Dear Ms. Murphy:

We are submitting this supplemental letter on behalf of our client, the Committee of Annuity Insurers (the "Committee"),¹ in response to the *Notice of Filing of Proposed Rule Change to Adopt Rules Regarding Supervision in the Consolidated FINRA Rulebook* ("Proposal Notice") issued by the U.S. Securities and Exchange Commission (the "SEC") on June 23, 2011.² The Proposal Notice solicits comment on rule changes (the "Proposed Rule Change(s)") to, among others, NASD Rule 3010 (the supervision rule) and NASD Rule 3012 (the supervisory controls rule) proposed by the Financial Industry Regulatory Authority ("FINRA") as part of the FINRA Consolidated Rulebook. The Proposal Notice would adopt Proposed FINRA Rule 3110 to replace NASD Rule 3010, and Proposed FINRA Rule 3120 to replace NASD Rule 3012.

The Committee submitted a letter on July 12, 2011 regarding the limited time period for reviewing, analyzing and compiling comments on the Proposed Rule Changes, and requesting an extension of the due date. As the request for an extension was not granted, the Committee

¹ The Committee of Annuity Insurers is a coalition of 31 life insurance companies that issue fixed and variable annuities. The Committee was formed in 1981 to participate in the development of federal securities law regulation and federal tax policy affecting annuities. The member companies of the Committee represent over 80 % of the annuity business in the United States. A list of the Committee's member companies is attached as Appendix A.

² The Proposal Notice was published in SEC Release No. 34-64736, 76 Fed. Reg. 38245 (June 29, 2011).

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submitted a comment letter on July 20, 2011. Since that time, the Committee has continued to work on its analysis of the Proposed Rule Changes and has an additional area of concern under the Proposed Rule Changes. We respectfully request that staff of the Securities and Exchange Commission review and consider these comments.

Review of Internal Communications – Proposed FINRA Rule 3110(b)(4)

Proposed FINRA Rule 3110(b)(4) changes the existing language of NASD Rule 3010(d)(2) with respect to the obligations to review internal communications of a member firm. Under Proposed FINRA Rule 3110(b)(4):

The supervisory procedures required by this paragraph (b) shall include procedures for the review of incoming and outgoing written (including electronic) correspondence with the public and *internal communications relating to the member's investment banking or securities business.* (Emphasis added.)

The Committee notes that SM.08 provides that firms may use “risk-based principles” to determine the policies and procedures that should be in place for the review of correspondence, including internal communications.

NASD Rule 3010(d)(2) did not include any express reference to the review of internal communications of a member. NASD Notice to Members 07-59 did expressly address internal communications, and stated that “members may decide, employing risk-based principles, the extent to which review of *any* internal communications is necessary in accordance with the supervision of their business.”³

Committee Comment. While the Committee appreciates the ability to rely on risk-based principles for a firm’s review of correspondence, including certain internal communications, the Committee urges that the standard articulated in NTM 07-59 be adopted for internal communications so that is clear that in certain instances no review of internal communications may be an appropriate approach. FINRA has long recognized the significant differences in risk between communications within a firm, and the much more heavily regulated and protected communications with the public. As a result, the Committee believes that Proposed FINRA Rule 3110(b)(4) (or SM.08) should be revised to reflect those differences and expressly allow for the possibility that no review of internal communications may be appropriate in certain situations.

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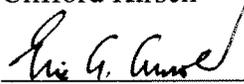
³ NASD Notice to Member 07-59 (December 2007) at p. 9 (emphasis added).
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The Committee appreciates this opportunity to provide these additional comments on the Proposed Rule Changes. Please do not hesitate to contact Cliff Kirsch (212.389.5052) or Eric Arnold (202.383.0741) if you have any questions.

Respectfully submitted,


Clifford Kirsch


Eric A. Arnold

APPENDIX A

THE COMMITTEE OF ANNUITY INSURERS

AEGON Group of Companies
Allstate Financial
AVIVA USA Corporation
AXA Equitable Life Insurance Company
Commonwealth Annuity and Life Insurance Company
(a Goldman Sachs company)
CNO Financial Group, Inc.
Fidelity Investments Life Insurance Company
Genworth Financial
Great American Life Insurance Co.
Guardian Insurance & Annuity Co., Inc.
Hartford Life Insurance Company
ING North America Insurance Corporation
Jackson National Life Insurance Company
John Hancock Life Insurance Company
Life Insurance Company of the Southwest
Lincoln Financial Group
MassMutual Financial Group
Metropolitan Life Insurance Company
Nationwide Life Insurance Companies
New York Life Insurance Company
Northwestern Mutual Life Insurance Company
Ohio National Financial Services
Pacific Life Insurance Company
Protective Life Insurance Company
Prudential Insurance Company of America
RiverSource Life Insurance Company
(an Ameriprise Financial company)
SunAmerica Financial Group
Sun Life Financial
Symetra Financial
The Phoenix Life Insurance Company
TIAA-CREF
USAA Life Insurance Company