

September 16, 2005

Jonathon G. Katz, Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-9303

File Number: SR-NASD-2004-183

Dear Mr. Katz:

I would like to thank you for the opportunity to respond to the NASD Proposed Rule 2821 applying to the offer and sale of deferred variable annuities. I am President and CEO for FFP Securities, Inc. an independent B/D in Chesterfield, Missouri. We have approximately 340 reps and are registered to do business in all 50 states. FFP is an introducing B/D with Pershing as our clearing firm.

The following summarizes our issues and concerns:

The proposal is very focused on investment time horizon for the client. The time horizon is important for the client to consider but is only one factor that should be considered by both the client and rep. The fact and circumstances of each sale should be evaluated in totality and the sales suitability should be based on all circumstances including the time horizon of the investment need. We recommend that the final rule be modified to include all facts and circumstances to determine suitability rather than a singular focus on the one factor.

The proposal is breaking new ground by establishing product specific suitability criteria for DVAs. Specifically, we believe that Rule 2310 provides adequate suitability standards for all products other than large risk products, like futures and warrants. An additional rule on suitability is not needed and adds little in client protection that is not already present in the suitability rule. This may also open the door for specific suitability rules by product making recommendations very difficult for reps and confusing for clients.

If the product specific criteria, does remain in the new rule, we are very concerned with the intended use of the DVA. What is a legitimate intended use and at what level of specificity is needed to document the purpose? Does Estate Planning or tax deferral provide the necessary information? If specifics are required this will add to the complexity of the disclosure and introduce an additional consistency issues across the industry.

The proposal requires principal approval using specific suitability standards established by the member. The appropriateness of the sale needs to be judged based on the transaction exceeding a stated percentage of the net worth of the client, the dollar amount of the transaction, and the age of the client. Our preference is that we do not establish any age guidelines for this approval process beyond what has been established in each product. To clarify, each of these products already has a maximum issue age established by the insurance company with the guidance and approval of the insurance department of each state. The NASD requirement is duplicative and adds additional burden on member firms for a matter that is already being monitored and controlled by other regulators and the issuer. Our firm has already established standards that are used to evaluate the transaction based on the percentage of the transaction to the net worth of the client and believes that this is needed and appropriate.

Our firm supports and agrees with NASD in the effort to provide improved and more meaningful disclosure for clients discussed in NtM 04-45. A plain English summary of the product features and risks should be added to the front of the prospectus with a reference to later parts of the prospectus where further details could be found. Any required summary needs to be in the prospectus and should not become the responsibility of the member firms that sell the products to develop and provide this summary.

The NASD appears to have decided that the costs and complexities of DVAs may outweigh the benefits of the product. Our firm does not agree with this premise and believes that if the proposal is implemented in the current form, an unintended consequence will be a substantial reduction in the availability of the product. DVAs provide deferred taxation, retirement planning, lifetime income options and estate planning vehicles for clients.

It is extremely important that representatives and supervisors understand the products that they are selling as well as supervising to determine that the product is most appropriate for the investor. We believe that a module should be incorporated in the Regulatory continuing education program that covers the features and suitability requirements of variable annuities. With the elimination of “grandfathering” representatives who have been in the business since 1988 this would allow consistency in the training that is delivered to all representatives. By revising the current prospectus requirements to include summaries this will provide greater clarity to the representatives as well as the clients on the individual features, benefits, and risks of the specific product.

Thanks again for the opportunity to provide feed back on this extremely important topic.

Very truly yours,

Craig Junkins  
President and Chief Executive Officer  
FFP Securities, Inc.

