

July 19, 2006

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

Re: SEC File Number SR-2004-283

Dear Ms. Morris

We appreciate the opportunity to comment on the new proposed rule 2821. While we understand that variable annuities have seen changes over the past few years with regards to new features being added, we have the following concerns regarding the new proposal.

Suitability - The proposal states that the customer shall be informed of material features. The prospectus given to the customer outlines all the features of the annuity. If providing the customer with the current prospectus is insufficient then the prospectus needs to be revisited. Perhaps the material features, as defined by the NASD, can be outlined in the prospectus. By additionally informing the customer of only the material features would diminish the importance of the remainder of the prospectus.

The proposal states that prior to recommending a variable annuity, information regarding existing life insurance and investments shall be obtained. Although we agree that as much information about a customer should be obtained, it is unclear how the NASD will view those transactions in which the customer purchased a variable annuity as opposed to a mutual fund because the variable annuity offered guarantees and living benefits that are not offered by the mutual fund company.

Training - The proposal states that members shall develop and document specific training policies or programs with respect to variable annuities. While we understand the need for continuous training in this industry, we feel this proposal is redundant in that this is addressed in the firm element of Continuing Education Rule 1120. Rule 1120 states that members shall evaluate and prioritize their training needs and develop a written training plan. Requiring specific education in variable annuities will reduce the importance of the Firm Element of Continuing Education and education may not be given in other areas.

We believe the proposed rule would steer industry professionals away from variable annuities and possibly into less regulated products such as equity index annuities, which we feel would not be in the best interest of the customer. Therefore, we believe this new proposal would not serve its intended purpose of protecting the investing public.

Thank you for the opportunity, should have any further questions please contact me at (630)250-7000.

Sincerely,
Joe Lukowski
Chief Compliance Officer
Waterstone Financial Group

