Response via e-mail: **rule-comments@sec.gov**

July 14, 2006

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

Re: **File Number SR-NASD-2004-183**

Dear Ms. Morris:

This comment letter is submitted on behalf of Transamerica Financial Advisors, Inc. (CRD #3600), a full-service broker-dealer with about 1,000 registered representatives selling mutual funds, variable life insurance, variable annuities, and general securities.

Transamerica Financial Advisors ("TFA") supports the desire of the NASD and the SEC to protect the public by insuring that sales of variable annuities are suitable through appropriate supervision of sales practices. We appreciate the positive changes that were made to the original proposal by the NASD. However, we still have some concerns about the amendment to the proposed Rule 2821.

In general, the proposed rule contains too many specific criteria, requiring too much interpretation of the NASD's meaning, for determining the suitability of a variable annuity sale. Some of the criteria in the proposed Rule imply that a variable annuity is suitable only for limited group of customers. Requiring the member to verify that the customer would benefit from the unique features of a variable annuity, and requiring the member to verify that the purchase would not result in an undue concentration of variable annuities, suggests that the NASD believes variable annuities should only be sold in limited circumstances. This is an unsubstantiated bias. And by including this kind of criteria in the proposed Rule, the NASD would be free to challenge the suitability of sales of variable annuities based on criteria that have little or nothing to do with suitability or the intent of NASD Rule 2310.

NASD Rule 2310 has been an effective guideline for the requirement to determine the suitability of the purchase of a security for a customer. That Rule uses language like "a member must have reasonable grounds for believing that the recommendation is suitable for such customer . . ." and lists financial status, tax status and investment objectives as examples of the information about the customer that should be considered in determining suitability. This has worked well for all securities, and should continue to be appropriate for variable annuities.

More specifically, we believe we will be unable to avoid circumstances that would force us out of compliance with the requirement in the proposed Rule that the sale be reviewed by a principal within two days. The first reason is that when new accounts are submitted, there is often missing information that precludes the principal from completing the review. The principal must often go back to the customer for missing information. Sometimes this includes missing information on the new account form, and sometimes there are missing disclosure forms that must be signed by the customer to confirm that they acknowledge suitability and other issues. We are now installing a compliance system from SunGard, which will flag trades based on numerous suitability criteria. While this will improve the quality and speed of our suitability review, it will impede trades that generate red flags. This will force additional time to resolve the question generated by the red flag before the system will allow the business to be processed.

In addition, because sub-accounts in variable annuity products have no unique numbering system (such as a CUSIP) the quality of the currently available data will not allow utilization of a SunGard type electronic system to assist in making suitability assessments. As far a we are aware, because of this data problem, there is no product currently on the market that can perform this function. This constraint will add time to our suitability review for variable annuities. We can't insure that the resulting inquiries can be done within 48 hours, despite our best efforts.

Finally, the Gramm-Leach-Bliley Act, along with supporting rules from the SEC and NASD, require special handling before we can accept a new customer that may take more than two days. We are required to check each customer against OFAC's Specially Designated Nationals ("SDN") list. If the customer matches a name on the SDN, we must perform additional research and reports. We are also required to confirm the customer's identification through our Customer Identification Program ("CIP"). If the customer fails our CIP check against a national database of information, we must do additional research to confirm their identity. This may involve contacting the customer for additional information. If we cannot confirm their identity, we may have to reject the business. We can't insure that we can perform these special procedures within 24 hours, despite our best efforts.

Requiring completion of principal review within two days would be setting us up to fail. We believe setting an arbitrary number of days for principal review is unrealistic and unwarranted. We recommend that the proposed Rule simply require principal review within a reasonable period of time. This is in keeping with the spirit of our general supervision requirement and the letter of NASD Rule 2310. Allowing a reasonable period of time for principal review would give us time to do everything necessary to protect the needs of the customer and to make our best effort to properly supervise the business.

Thank you for the opportunity for TFA to provide you with our comments on this proposed Rule.

Sincerely,

Christopher Shaw
Vice President, Licensing & Compliance Administration
Transamerica Financial Advisors, Inc.