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Thursday, August 04, 2005

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

RE: File Number SR-NASD-2004-183

Dear Mr. Katz:

I am a licensed insurance agent and have NASD registrations 6, 7, 24, and 65. I sell variable products when I believe they are suitable for my clients. For about the last four years, I have approved or disapproved practically every securities transaction in a branch office of over 100 Representatives. I took every transaction seriously and am confident that the transactions were reviewed carefully. I am writing to you because the principal review requirements and redundant suitability standards contained in NASD proposed Rule 2821 are unnecessary, will provide no meaningful additional protection to consumers and will adversely impact my business and that of my colleagues. It's an unnecessary layer of "disclosure" and review that just adds to the already burdensome requirements in place. I urge the SEC to disapprove the proposal.

I firmly believe that people who engage in misleading sales practices should be aggressively prosecuted and subject to appropriate sanctions. However, proposed Rule 2821 duplicates requirements that are already in place. NASD rules already contain suitability requirements that apply to all sales of securities, including variable annuities. If regulators really want to protect consumers, appropriate enforcement of the existing suitability rule rather than adopting a new rule is the answer.

Furthermore, the requirement for review by a principal found in the proposed rule appears to present a bias against these products. In addition, these requirements will lead to constant second guessing of my advice and recommendations (based upon less first hand information than was available to me) as well as significant increases in merit less litigation.

Finally, I believe that the proposal is a "solution in search of a problem"—I do not think the available data supports the NASD's claims that the level of sales problems in the variable annuity marketplace calls for the adoption of the proposed rule. The NASD has not statistically quantified the scope of the problem it is allegedly seeking to solve with the proposed rule. Furthermore, over 95 percent of the comments received by the NASD regarding the proposal opposed the new rule, and the NASD has not adequately responded to the concerns raised by the vast majority of commentators. For these reasons, I urge the SEC to disapprove NASD proposed Rule 2821. Thank you for your consideration of my views on this matter.

Sincerely,

Charles W Potts

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