

These proposed regulations seem to be over-written, vague, without specific guidance and with a world of discretion in the hands of regulators to impose fine after fine. The very idea of product specific suitability criteria shows a dramatic lack of understanding of why these products are being purchased.

**Product Specific Suitability Criteria.** The establishment of a new suitability rule for VAs is unwarranted. If Rule 2310 provides satisfactory suitability standards for all other products except the volatile, high-risk products, it should be appropriate for determining the suitability of VAs. You are implying that a product of which over 90% are sold with a variety of different guarantees to prevent them from being as aggressive as pure stocks and bonds, not to mention options. I am concerned that certain product specific criteria listed by the NASD are either unclear or irrelevant to a suitability determination. Many of the product specific criteria show a lack of knowledge and understanding of the basic product and a dramatic lack of knowledge of the many riders available.

**Obligation to Inform Customers of the Material Features of the VA.** Evidence of the distribution of the specific product's prospectus must be sufficient to achieve compliance with this provision just as every other product sold with a prospectus is.

**Principal Review and Approval.** This is not practical—you can't depend on a letter getting across town, little less across country, in the two business day time frame.

Undue Concentration-Once again due to the absence of regulatory directions, case law, and industry forum discussion there is far too much risk being placed upon the industry and far too much discretion in the hands of the regulators.

Deferred Variable Annuity Exchange-This requires a registered principal to consider the extent to which "the customer's account has had another deferred variable annuity exchange within the preceding 36 months." This is one of those rules where it is painfully clear the regulators don't deal with the clients in the real world. It takes years to build the trust of a client to the point that they will tell you all of their business and everything they own.

**Training.** We already have this rule. The obligation to understand the material features of the product a financial advisor sells to his member make suitable recommendations to his client. I believe that the NASD should refrain from educational mandates and instead rely upon the firm element continuing education provisions of NASD Conduct Rule 1120. Today every bank in our town has high school grads promoted from teller to VA salesperson. They know nothing about securities and only have an insurance license with little or no training on the intricacies of the product.

**Unintended Consequences.** I do not believe the sales abuses have occurred because the NASD's rules and enforcement mechanisms were not strong enough to prevent them.