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There is an old saying, "evil never sleeps." Likewise the bureaucrats at FINRA tirelessly work overtime to gin up more and more unnecessary regulation. Their latest assault on securities business is 2210-1 & 2210-2. With this new rule FINRA uses the phrase "modernize" as a euphemism for "creating more difficult, grueling, laborious, demanding, cumbersome and unnecessary regulation."

Item C of FINRA's new proposed new states:

Proposed paragraph (b) would require that all communications clearly identify the type of product discussed and would prohibit communications from representing or implying that a variable insurance product is a mutual fund.

If the funds within a variable annuity are not a mutual fund, then just what are they? I suppose we will have to wait for some decree from FINRA to tell us that in the future because it is not being specified in this new rule.

Item C continues to state:

Proposed paragraph (c) would prohibit communications from falsely implying that variable insurance products are short-term, liquid investments.

Our firm has VA's that did not have a surrender charge. We also have VA's with very short surrender charges, some as short as 3 years. The surrender charges on these products are shorter than many of the bonds that are being sold. I know that FINRA does not require such a statement for debt instruments. This proposed rule is ill conceived.

Item C continues to state:

Paragraph (c) also would require any presentation regarding access to account values to be balanced by a description of the potential effect of all charges, penalties or tax consequences resulting from a redemption or surrender. In addition, any discussion of loans and withdrawals would have to explain their impact on account values and death benefits. These requirements generally reflect provisions contained in the Guidelines.

Isn't it amazing how a little modernization can make a product so complicated? The regulations on VA's are already ridiculous. Now when an investor rolls over a VA to a new VA the firm has to provide a disclosure that states what the prospectus already states. In essence it is a prospectus for the prospectus. When will this end?

Talk about regulatory excess, please take a look at FINRA's idea of what modernization will turn a simple annuity proposal into. What a nightmare. Anybody can tell this rule had to be created by some FINRA attorney with no private sector experience. The rules for proposals and advertising are untenable.

FINRA seems to be very concerned with divulging compensation and cost. They call it transparency. I find FINRA's obsession with transparency

odd in that they refuse to divulge what their bureaucrats take home each year. I believe the membership would be more receptive to divulging this information to the public when FINRA starts doing the same.

What could they be embarrassed about?

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