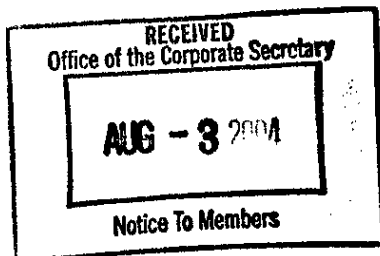


USAllianz Securities
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July 30, 2004

Barbara Z. Sweeney
NASD
Office of the Corporate Secretary
1735 K Street, NW
Washington, DC 20006-1500

Re: Proposed Rule Governing the Purchase, Sale or Exchange of Deferred Variable Annuities

Dear Ms. Sweeney,

USAllianz Securities, Inc. (USAS) is a fully disclosed retail broker-dealer registered to conduct business in all domestic jurisdictions, with over 900 Registered Representatives offering securities services through 10 Offices of Supervisory Jurisdiction and over 800 remote office locations. We are an active broker-dealer in providing variable annuities through our registered representatives. Further, an affiliated firm produces variable annuities for public distribution.

We appreciate the opportunity to submit comments on the issues raised in the above captioned proposed rule change by the National Association of Securities Dealers, Inc. Efforts to enhance supervision should be commended. Effective supervision is a cornerstone of investor confidence and efficient markets. We endorse the NASD's efforts to ensure appropriate sales and supervisory practices are in place for deferred variable annuities. We concur with efforts designed to ensure clients are fully aware of all material factors of an investment. However, there are certain items within the proposal that appear to be difficult to implement or unnecessary based on the existing regulatory framework. Our comments below are limited to those areas where we would suggest additional consideration.

Disclosure and Prospectus Delivery

We do not support product-specific disclosure by the selling firm. Mandating disclosure by the selling broker-dealer for each particular deferred variable annuity may result in significant variance between firms in what is communicated to customers on the same products. Member firms have traditionally been told that prospectuses may not be highlighted to draw attention to particular features. In essence, we are being asked to create forms to "highlight" key features

from a prospectus that they could not otherwise do. The margin for error and potential related damage to clients does not appear prudent. Further, creating and maintaining accurate individual product disclosures would be impractical and costly to implement. Many broker-dealers would be forced to limit the products available to their clients, resulting in fewer client alternatives.

Alternatively, we recommend the disclosure be addressed at the initial point of distribution, the issuer. This approach would ensure a consistent approach to individual product disclosure. While we recognize the NASD does not have direct supervision over the annuity issuers, we recommend that the Securities and Exchange Commission be involved to address disclosure or prospectus content under the Investment Company Act of 1940. Existing product sponsor disclosure might easily be adjusted to ensure regulatory concerns are addressed.

Principal Review

The proposal calls for review and approval of transaction "no later than one business day following the date of execution of the deferred variable annuity application". We agree with the need for timely review of the business. However, the term 'execution' is not defined. Further, the flow of paper on a variable annuity is not as fluid as other security transactions. If the intent of this rule proposal is to protect customers from unsuitable sales, perhaps approval "prior to submission to the issuer" would be appropriate.

An area that does not appear to be addressed is subsequent purchase payments to an existing variable annuity. We do not believe such purchases should require additional disclosure, but recommend specific exclusion from the rule.

Training

We wholly endorse the NASD's efforts to address education; however, current regulatory guidance already exists for training. In addition to qualification exam requirements, firms must design continuing education plans for its registered personnel. As an active firm in the sale of variable annuities, product suitability issues are included in our annual compliance meetings and firm element curriculum. Specific product training requirements from the NASD appears counter to the NASD's prior direction to the industry, thus, opening up the potential for more required involvement from the NASD in other product areas.

Other Comments

The request for comment asked for feedback on limiting the sale of these products to specific clients. We would not support such a limitation, as this is a rapidly evolving product. As such, there may be features created that would make such limitations outdated. Numerous factors are taken into account in any client recommendation. We believe all circumstances and relevant factors should be considered in an investor making an investment decision.

Regarding inclusion of specific limitations in any final rule items such as percentage of net worth or age, we do not support the NASD establishing set standards. Such an approach would lead to many suitable sales not being made because of a specific standard not being met. There may very well be considerations that would override a single factor. For example, an elderly client might invest a substantial portion of net worth in a deferred variable annuity for estate planning purposes. Addressing all potential reasons for varying from set standards would be difficult if not impossible to adequately address.

In closing, we again wish to thank the NASD for the opportunity to comment on this important proposal. We have and will continue to take steps necessary to ensure sound selling practices and communications with clients. We appreciate the NASD's efforts in this regard.

Sincerely,

USAllianz Securities, Inc.

A handwritten signature in cursive script, appearing to read "Michael D. Burns".

Michael D. Burns
Chief Compliance Officer