



Via Email: pubcom@nasd.com

August 9, 2004

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

Re: Request for Comment Notice to Members 04-45
Proposed Rule Governing the Purchase, Sale or Exchange of Deferred
Variable Annuities

Dear Ms. Sweeney:

This comment letter regarding NTM 04-45 is submitted on behalf of World Group Securities, Inc. ("WGS"), a broker-dealer with over 5,000 registered representatives offering mutual funds, variable life insurance and variable annuities.

Disclosure and Prospectus Delivery

We agree that providing prospective clients with all material information necessary to make a purchase or sale decision on a fully informed basis is important. Indeed, a primary goal of the Federal securities laws is to ensure full and fair disclosure of material information to investors. As the various SEC mandated registration statement forms and Federal securities case law can attest, providing this material information is sometimes easier said than done and not entirely black or white. To further this goal, the SEC has spent a great deal of time and effort developing registration statement requirements and templates to help provide this critical information to prospective investors through the prospectus. All other information provided to clients, like advertising and supplemental sales literature, are subsets of this mandated text.

However, based on recent disciplinary actions and customer complaints, the NASD may feel that the prospectus is not as effective as it could be in bringing certain information to

the attention of investors for a variety of reasons, including that the document has become somewhat unwieldy. Several years ago, the SEC contemplated a summary or profile prospectus for variable annuities, but that experiment eventually faded. Given the NASD's recent concerns, perhaps the NASD should consider entering into discussions with the SEC about possibly requiring a summary prospectus or, as suggested by the Securities Industry Association in its comment letter regarding NTM 04-45, a revised format for the prospectus that presents the highlighted information conspicuously and in plain-English at the front of the prospectus.

For the same reason that the prospectus may have diminished in value as a meaningful disclosure tool due to its breadth and length, requiring an additional disclosure document from broker-dealers in connection with the purchase of an annuity may not be successful in achieving the goal to provide important information to investors. The document becomes one more form in a laundry list of forms provided to investors at the time of sale. We risk the annuity sale becoming as perfunctory as a mortgage closing with its host of disclosure documents. Rather than diluting the message by adding to the volume of forms, bolstering the message in an existing disclosure document to highlight the most important points may have a better chance of being reviewed carefully by investors.

If the NASD continues to prefer use of a separate document, the issuers of the product and, hence, authors of the prospectus are in the best position to craft a subset disclosure document that highlights those specific characteristics of their product identified as important by the NASD in NTM 04-45. While broker-dealers are properly charged with understanding the securities we sell, we learn this information primarily from the prospectus. To avoid material omissions, misstatements and inconsistencies, it would better serve the public if the information provided in the separate disclosure came from the issuers, just as it does for broker-dealers.

Principal Review

We also agree that variable annuity purchases should be approved by a registered principal. And, this suitability review should include an analysis of the factors identified in the Joint SEC/NASD Report on Examination Findings Regarding Broker-Dealer Sales of Variable Insurance Products. However, it would be difficult to take all or even most of those factors into consideration within one business day following execution of the application. It seems the emphasis should be on the analysis and consideration and not how quickly that is performed. In fact, "speed" was not among the best practices noted in the Joint SEC/NASD Report. On the contrary, a short time limit may harm customers by restricting their choices as firms reduce their product menu and by requiring principals to make hasty decisions about the suitability of the proposed sale.

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We appreciate the opportunity to comment on this proposed rule. If you wish to discuss this further, please contact me at 770-248-3454.

Sincerely,

Kimberly A. Scouller
President