

June 25, 2018

Via E-Mail

Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506

**Re: FINRA Regulatory Notice 18-14
Retrospective Rule Review: FINRA Requests Comment on the Effectiveness and
Efficiency of its Rule on the Annual Compliance Meeting**

Dear Ms. Mitchell:

We are submitting this letter on behalf of our client, the Committee of Annuity Insurers (the "Committee"),¹ in response to Regulatory Notice 18-14, *Retrospective Rule Review: FINRA Requests Comment on the Effectiveness and Efficiency of its Rule on the Annual Compliance Meeting*, described above (the "Notice"), issued by the Financial Industry Regulatory Authority, Inc. ("FINRA") on April 24, 2018.² The Notice solicits comments on the effectiveness and efficiency of the provisions of FINRA Rule 3110 requiring member firms to develop supervision systems, including participation in annual compliance meetings for principals and registered representatives.

Paragraph (a) of FINRA Rule 3110 requires a firm to maintain a system to supervise the activities of its associated persons that is reasonably designed to achieve compliance with the applicable securities laws and rules, as well as FINRA rules. Specifically, paragraph (a)(7) of FINRA Rule 3110 requires that this system provide for each registered representative and registered principal to participate in an annual interview or meeting at which compliance matters relevant to the particular representative or principal are discussed. Supplementary Material .04 of Rule 3110 provides member firms with alternatives to in-person meetings, including on-demand webcasts, video conferences, interactive classroom settings, or other electronic means. At a minimum, each registered person must attend the entire annual compliance meeting, and the firm must ensure that registered persons are able to ask questions regarding the presentation and receive answers in a timely manner.

¹The Committee was formed in 1981 to address legislative and regulatory issues relevant to the annuity industry and to participate in the development of securities, banking, and tax policies regarding annuities. For three decades, the Committee has played a prominent role in shaping government and regulatory policies with respect to annuities, working with and advocating before the SEC, CFTC, FINRA, IRS, Treasury, Department of Labor, as well as the NAIC and relevant Congressional committees. Today the Committee is a coalition of many of the largest and most prominent issuers of annuity contracts. The Committee's member companies represent more than 80% of the annuity business in the United States. A list of the Committee's member companies is available at (<https://www.annuity-insurers.org/>)

² The Notice is posted at http://www.finra.org/sites/default/files/notice_doc_file_ref/Regulatory-Notice-18-14.pdf.

The Committee appreciates the opportunity to submit comments in response to the Notice. We urge FINRA to eliminate the annual meeting requirement. The Committee believes that the Annual Compliance Meeting is not necessary given the separate Firm Element continuing education requirements that were adopted some years after the original adoption of the annual compliance meeting requirement and are currently included in FINRA Rule 1250(b). As background, the Firm Element requirement mandates that member firms establish a formal training program for registered persons. A member firm is required to consider its size, structure, scope of business and regulatory concerns when planning, developing and implementing the Firm Element. In the Committee's observations, the content presented during an Annual Compliance Meeting and the training provided as part of the Firm Element invariably overlap because compliance issues relevant to registered persons are critical to the ongoing training of registered persons as called for by the Firm Element requirement.

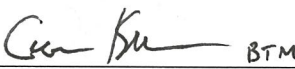
FINRA has stated that the purpose of the Annual Compliance Meeting is to discuss compliance issues and keep registered persons current on changing compliance requirements or changes within the firm.³ Similarly, the purpose of the Firm Element is to keep covered registered persons current on job and product-related subjects.⁴ It would appear that no significant purpose is served by requiring firms to develop and administer two distinct programs that cover similar content.

The Committee appreciates the opportunity to provide these comments on the Notice. Please do not hesitate to contact Clifford Kirsch (212.389.5052 or CliffordKirsch@eversheds-sutherland.com) or Eric Arnold (203.383.0174 or EricArnold@eversheds-sutherland.com) if you have any questions regarding these comments.

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Respectfully submitted,

EVERSHEDS SUTHERLAND (US) LLP

BY:  BTM
Clifford Kirsch

BY:  BTM
Eric Arnold

FOR THE COMMITTEE OF ANNUITY INSURERS

³ See NASD Notice to Members 05-44, *Annual Compliance Meetings: SEC Approves Amendments Relating to Annual Compliance Meetings* (June 2005), <https://www.finra.org/sites/default/files/NoticeDocument/p014578.pdf>.

⁴ See FINRA Regulatory Notice 17-30, *Qualification and Registration: SEC Approves Consolidated FINRA Registration Rules, Restructured Representative-Level Qualification Examinations and Changes to Continuing Education Requirements* (Oct. 2017), <https://www.finra.org/sites/default/files/Regulatory-Notice-17-30.pdf>.