

December 19, 2024

**Via E-Mail ([NASAAcomments@nasaa.org](mailto:NASAAcomments@nasaa.org))**

Amy Kopleton  
Broker-Dealer Market and Regulatory Policy and Review Project Group Chair  
Jim Nix  
Broker-Dealer Section Chair  
North American Securities Administrators Association, Inc.  
750 First Street, N.E., Suite 990  
Washington D.C. 20002

**Re: Proposed Amendments to NASAA’s Dishonest or Unethical Business Practices of Broker-Dealers and Agents Model Rule**

Dear Ms. Kopleton and Mr. Nix:

We are submitting this letter on behalf of the Committee of Annuity Insurers (the “Committee”),<sup>1</sup> in response to the North American Securities Administrators Association, Inc.’s (“NASAA”) proposed amendments (the “Proposal”) to its model rule on *Dishonest or Unethical Business Practices of Broker-Dealers and Agents* issued on November 4, 2024, (the “Model Rule” or, as proposed, the “Proposed Model Rule”).<sup>2</sup>

The Committee appreciates the opportunity to comment on the Proposed Model Rule. The Committee supports the proposed incorporation of Regulation Best Interest (“Reg BI”) principles based on Reg BI’s rule text into the Model Rule. The Committee notes and supports comments provided by a number of other industry groups that NASAA make certain adjustments to its proposed language which would serve to more directly adopt Reg BI by reference.

Reg BI was the culmination of an intricate and deliberative rulemaking process, spanning approximately ten (10) years, that involved extensive consideration of comments and insights from a diverse set of stakeholders. The process began in 2010 with the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), which mandated that the SEC evaluate, and, if necessary, improve the standards of conduct for broker-dealers and investment advisers.<sup>3</sup> Pursuant to the Dodd-Frank Act, in 2011, SEC staff conducted a study to evaluate the effectiveness of existing standards of care and the potential need for enhanced

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<sup>1</sup> The Committee is a coalition of many of the largest and most prominent issuers of annuity contracts. The Committee’s 32 member companies represent approximately 80% of the annuity business in the United States. The Committee was formed in 1981 to address legislative and regulatory issues relevant to the annuity industry and to participate in the development of insurance, securities, banking, and tax policies regarding annuities. For over three decades, the Committee has played a prominent role in shaping government and regulatory policies with respect to annuities at both the federal and state levels, working with and advocating before the SEC, CFTC, FINRA, IRS, Treasury Department, and Department of Labor, as well as the NAIC and relevant and Congressional committees. A list of the Committee’s member companies is available on the Committee’s website at [www.annuity-insurers.org/about-the-committee/](http://www.annuity-insurers.org/about-the-committee/).

<sup>2</sup> See Proposed Amendments to the NASAA Model Rule, *Dishonest or Unethical Business Practices of Broker-Dealers and Agents* (November 4, 2024), available [here](#).

<sup>3</sup> See Section 913(g) of the Dodd-Frank Act.

regulations. The study recommended the adoption of a standard that would require firms “to act in the best interest of the customer without regard to the financial or other interest” of the broker-dealer.<sup>4</sup> In 2013, the SEC requested data and other information from the public to assist the SEC in evaluating whether and how to address standards of conduct for broker-dealers and subsequently received and evaluated more than 250 comment letters from industry groups and market participants.<sup>5</sup>

In 2018, the SEC proposed Reg BI and subsequently engaged in a 14-month process which included: (i) the consideration of approximately 3,000 unique comment letters from a variety of commenters including, among others, individual investors, consumer advocacy groups, financial services firms, and state securities regulators; (ii) the solicitation of individual investors’ input at seven investor roundtables held in different locations across the country; and (iii) input and recommendations from the majority of the SEC’s Investor Advisory Committee (“IAC”).<sup>6</sup> Since Reg BI’s adoption in 2019, broker-dealers (including Committee members’ affiliated broker-dealers) have spent considerable time and resources adopting and implementing policies, procedures, disclosures, and practices to comply with Reg BI and its component obligations.

NASAA’s Proposed Model Rule, with the adjustments offered by a number of other industry groups, will allow states to adopt a rule which will result in a uniform standard of care for broker-dealers at the federal and state level. It would allow broker-dealers to utilize, and continue to develop, existing Reg BI compliance mechanisms while supporting NASAA’s mission to protect investors from fraud and abuse.

## CONCLUSION

The Committee appreciates the opportunity to provide these comments on the Proposed Rules. Please do not hesitate to contact Clifford Kirsch (212.389.5052 or [CliffordKirsch@eversheds-sutherland.com](mailto:CliffordKirsch@eversheds-sutherland.com)) or Eric Arnold (202.383.0741 or [ericarnold@eversheds-sutherland.com](mailto:ericarnold@eversheds-sutherland.com)) with any questions or to discuss this comment letter.

Respectfully submitted,

Eversheds Sutherland (US) LLP

**FOR THE COMMITTEE OF ANNUITY INSURERS**

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<sup>4</sup> See Staff of the U.S. Securities and Exchange Commission, *Study on Investment Advisers and Broker-Dealers as Required by Section 913 of the Dodd-Frank Wall Street Reform and Consumer Protection Act* (Jan. 2011), available [here](#).

<sup>5</sup> See *Request for Data and Other Information: Duties of Brokers, Dealers, and Investment Advisers*, Exchange Act Release No. 69013 (Mar. 1, 2013), available [here](#).

<sup>6</sup> See Regulation Best Interest, Securities Exchange Act Release No. 86031 (June 5, 2019), 84 Fed. Reg. 33318, 33320 (July 12, 2019), available [here](#).