

# Schapiro Backs Off From Indexed Annuity Fight

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Published 7/20/2010

WASHINGTON BUREAU -- The U.S. Securities and Exchange Commission will be retreating from the Rule 151A battle but releasing a request for comments on a standard-of-care study "very soon," SEC Chairman Mary Schapiro said today.

Schapiro made her comments during an SEC oversight hearing organized by the House Financial Services Committee capital markets subcommittee.

President Obama is set to sign H.R. 4173, the Dodd-Frank Financial Services Reform Act bill, into law Wednesday. The SEC expects to have to write 95 new rules to implement the bill, Schapiro said.

Efforts to implement the act will be "extremely labor intensive" and "logistically challenging," Schapiro said.

"The importance and complexity of the rules, coupled both with their timing and high volume and the rule-writing agenda currently pending, will make the upcoming rule-writing process both logistically challenging and extremely labor intensive," Schapiro said in written comments.

The SEC has tried to get jurisdiction over indexed annuities with Rule 151A.

One provision in H.R. 4173 will classify most indexed annuities and comparable products that do not incorporate separate products as insurance products, and a D.C. Circuit U.S. Court of Appeals panel recently vacated the rule on procedural grounds and told the SEC to start over from scratch.

Schapiro said she still has concerns about the way indexed annuities are marketed. But the SEC will not be revisiting the issue, because the Dodd-Frank bill gives the states purview over the products, Schapiro said.

The SEC will help the states regulates the products, Schapiro said.

The Dodd-Frank act will require the SEC to conduct a study of the standard-of-care issue within 6 months, and then proceed to develop a rule. The standard-of-care section gives the SEC a separate, independent grant of rulemaking authority independent of the study provision.



Schapiro has been a strong advocate of imposing a uniform, fiduciary duty on sellers of investment products, meaning that all sellers would have to put clients' interests first and avoid conflicts of interest. In the past, insurance agents and securities brokers have used a suitability standard, meaning that they had to verify that the products sold to investors suited the investors' needs.

The Dodd-Frank act should give the SEC the rulemaking authority necessary to create a uniform standard, Schapiro recently told attendees at a meeting of the Society of Corporate Secretaries and Governance Professionals.

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