

Edward Jones

September 14, 2012

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
New Brunswick Securities Commission
Superintendent of Securities, Prince Edward Island
Nova Scotia Securities Commission
Superintendent of Securities, Newfoundland and Labrador
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon
Superintendent of Securities, Nunavut

Attention:

The Secretary
Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto, Ontario M5H 3S8
E-mail: comments@osc.gov.on.ca

And

Me Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800, square Victoria, 22^e étage
C.P. 246, tour de la Bourse
Montréal (Québec) H4Z 1G3
E-mail: consultation-en-cours@lautorite.gc.ca

Dear Sirs and Mesdames:

**Re: Proposed Amendments to NI 31-103
Cost Disclosure, Performance Reporting and Client Statements (2012 proposal)**

We appreciate the opportunity to provide our comments with respect to the key issues detailed in the June 14, 2012 proposed amendments to National Instrument 31-103 in relation to cost disclosure, performance reporting and client statements.

While we support the overall objectives of the proposed rules in terms of transparency of costs and account performance, we have some concerns with the substance of the rules as drafted and the proposed implementation time line.

The cost and complexity of implementing the proposed changes prescribed by the Instrument will be substantial, accordingly, we urge the CSA to consider a phased implementation allowing sufficient time to validate the new systems and train financial advisors and their assistants on the details of the new reporting.

We agree that investor experience can be improved by providing them with the information to answer two basic questions: 1) What did they pay? 2) How are their investments performing? Additionally, clients have requested book cost information on their statements as a reference for tax purposes. Accordingly, we would recommend implementing client performance reporting and expanding client statements to include book cost as phase one. We agree with providing full transparency on charges and other compensation that we receive; however, we should revisit additional reporting opportunities through client focus groups after the first phase has been completed to ensure that there is a client benefit relative to the cost.

Our comments on the key issues in the June 2012 proposal are as follows:

Cost Disclosure

Disclosure of trailing commissions

We continue to propose that registered firms be required to disclose the dollar amount of trailing commissions they have received. Research shows that most investors are not aware of this type of compensation. When trailing commissions are disclosed, in the Fund Facts document and in a mutual fund prospectus, they are shown as a percentage of fund assets. We believe that this information expressed in dollar terms will provide investors with a better understanding of the fees they pay and the incentives their dealer or adviser receives.

Comments:

This level of detail is not provided by the fund companies at this time. Industry standards could be developed through FundServ, however, the cost and time required to provide this detail is unknown.

We suggest that annual cost disclosure reporting be revisited with a client focus group after the industry has implemented Fund Facts and performance reporting.

Disclosure of fixed-income commissions:

In the interest of making fixed-income transactions more transparent, we invite comments on whether it is feasible and appropriate to mandate the disclosure of all of the compensation and/or income earned by registered firms from fixed-income transactions. This would include disclosure of commissions earned by dealing representatives as well as profits earned by dealers on the desk spread and through any other means.

Comments:

We implemented additional disclosures on over-the-counter securities in August 2012 in compliance with the IIROC Fair Pricing Rule (Rule 3300). Our trade confirmations now include the following disclosure **"The Investment Dealer's remunerations on this transaction has been added to the price in the case of a purchase or deducted from the price in the case of a sale"**. This disclosure will not print when no mark up or mark down is applied to the transaction. There is also yield, callable and variable rate disclosure.

Given that the new IIROC rule was implemented in the summer of 2012, we recommend allowing sufficient time for client feedback prior to implementing additional disclosure. If additional disclosure is required we feel that it should be limited to the gross amount received by the dealing representative.

Operating and Transaction Charges:

Foreign exchange (appendix O)

"Transaction charges" is also defined broadly in section 1.1 and examples include (but are not exclusive to) commissions, transaction fees, switch or change fees, performance fees, short-term trading fees, sales charges or redemption fees and foreign exchange spreads that are paid to the registrant.

Comments:

Similar to most broker dealers, we have a foreign exchange operation to accommodate the following transactions for our clients:

- Foreign security purchased or sold in a Canadian account
- Foreign interest or dividend paid to a Canadian account
- Cash foreign exchange requests

These transactions are netted throughout the day and covering trades are executed to mitigate foreign exchange risk. This process allows firms to provide a competitive foreign exchange rate. Accordingly, it is not possible to provide the exact amount of foreign exchange spread (gain or loss) on a transaction by transaction basis.

We have the following disclosure on our client statements and trade confirmations: ***"We may act as principal on foreign exchange transactions and fixed income transactions and may earn revenue for such transactions."***

Expanded client statement

Reporting on securities held in client name:

We understand that all securities transactions are carried out through an account, even when the securities are not held in that account. We have drafted the Rule on this understanding and invite comments on the practicality of this or other approaches to including the securities listed in section 14.14(5.1) in client statements and performance reports.

Comments:

Client name mutual fund accounts are offered by many IIROC firms for Registered Educational Saving Plans, Registered Disability Saving Plans and Group RSPs. This leverages the expertise of the mutual fund companies and in some cases reduces the cost to clients. The majority of mutual fund companies include the following information on their statements:

- Type of account
- Name of and contact information of their financial advisor and the fund company
- Net amount invested, current market value, change in value (both a numeric display and a bar graph)
- Details of holdings including adjusted cost base
- Details of transactions
- Details of beneficiary information and government grants

We feel that clients are getting good tax reporting and performance reporting from the mutual fund companies.

If it is determined that this information would still have to be reported by registrants, the following challenges and risks should be considered:

- As mentioned above, clients currently receive statements and tax reporting from the mutual fund company that holds the asset. Therefore, including this information on the client's broker dealer statement would result in providing the client with duplicate information and not necessarily in the same format as the relevant mutual fund company. This could result in the client being confused as to who holds the assets, their total holdings and, which holdings are included in CIPF coverage.
- The accuracy, integrity or timeliness of the data cannot be ensured. Currently client name holdings are received electronically from mutual fund companies through FundServ approximately 3 business days after month end. This would leave two options 1) delay monthly statements 2) display off-book holdings that are one month in arrears.
- Activity is much more complex than positions. We have no way to reconcile the activity for accuracy; accordingly we are not comfortable displaying client name activity on a nominee statement.
- This data should NOT be reported within the Firm's performance reporting. Primarily, because we cannot ensure the accuracy of the data and basic performance is displayed on the mutual fund statement.

Given the above, we would recommend that client name holdings and activity should not be reflected on the client's monthly statements nor included in performance reporting.

Book cost information:

Under the 2012 Proposa/, investors wou/d see the book cost information for each security position included in the client statement, and wou/d be able to assess how weil individual securities are performing by comparing their book cost to their current market value. A definition of book cost is inc/uded in the Rule. This is a change from the 2011 Proposa/, where we had proposed that original cost be provided as the comparator for market value. We made the change because original cost is not adjusted for reinvested earnings, returns of capital or corporate reorganizations. We have found that original cost is not a term that is familiar to most investors and it would be potential/y confusing for registrants to have to exp/ain the uses and /imits of the original cost measurement to their clients. Book cost is a more wide/y used measure, familiar already to some investors, that takes the adjustments noted above into consideration.

Comments:

We are in agreement with the use of "book cast" in providing cast information to clients. However, there is a need for industry standards ta be set to provide consistency of information. The issue will be raised within industry groups to discuss and establish these standards for ali securities. This will ensure continuity of book cost reporting should a client transfer between firms.

Determining Market Value:

If no prrie for a security can be readily determined using these methods, the firm must report that its market prrie is not determinable and exc/ude it from calculations in value and performance returns.

Comments:

We support reporting to clients when a price is unavailable. Clients would be able to see this information on their client statement and it would not be included with the value of the account. We propose to maintain the securities within performance reporting even though the security is not priced. This ensures the client receives performance reporting on cash flows related to the security.

In the case of illiquid securities, variances in pricing policies between firms could lead to significant performance reporting anomalies on account transfers. An example are Canadian Controlled Private Companies (CCPC) in registered plans where one firm sets market value at zero where another prices it at par.

Performance Reporting

Percentage return calculation method

We invite comments on the benefits and constraints of the proposal to mandate the use of the dollar-weighted method, in particular as they relate to providing meaningful information to investors.

We are not prohibiting the use of the time-weighted method, but if a registered firm uses such a method, it must be in addition to the dollar-weighted calculation.

Comments:

We recognize that the dollar-weighted method is the most appropriate methodology in the majority of cases as it best reflects the experience of the individual investor by providing an average rate of return. We also recognize that there are certain situations, such as discretionarily managed accounts, where we support the use of a time-weighted calculation as it allows the investor to more accurately assess the performance of the investment manager. As a result, we propose providing registered firms with the ability to choose between a dollar-weighted and time-weighted method to help ensure clients are provided with the most appropriate return calculation for their various account types.

Benefits of dollar-weighted calculations:

- The dollar-weighted methodology best reflects the client's experience and is easiest to explain to a retail investor, for example, "Mr. Smith, in 2011 the average rate of return on your account is 9%."
- The dollar-weighted return measures average return earned by an investor during a specified time period and takes all cash flows into consideration (cash flows refers to external cash flows like contributions and withdrawals made to/from an account as opposed to internal cash flows, such as interest and dividends), as is appropriate, but the portfolio is not revalued at each cash flow. This means that the return calculation, which is mathematically identical to an internal rate of return calculation, yields an average return for the period which includes the effects of the cash flows.

Benefits of time-weighted calculations:

- Most fee-based programs, managed accounts, and mutual funds use a time-weighted calculation which better answers the question "What was the performance of my investment manager?" The calculation eliminates the impact of additions and withdrawals and focuses on the performance of the underlying investments.
- There is significant history in managed account systems today and conversion of this data is not a feasible option.

Change in Value:

The proposal provides formulas for calculation of change in value. Firms must provide the opening market value of an account, plus deposits into the account, less withdrawals from the account (at market value) to determine the change in the market value of their account over the past 12-month period and since the inception of the account. This will tell investors how much money they have actually made or lost in dollar terms.

Comments:

Reporting "since inception" returns for individual investors may be appropriate for time periods less than ten years. However, for periods beyond ten years, many clients will have changed investment strategies to complement their changing needs. (For example, moving from a growth oriented strategy to a more conservative income oriented strategy in retirement.) Therefore, reporting performance for periods beyond ten years may have little value.

The requirement to report returns since inception may make sense for a mutual fund, where the long term performance of a mutual fund company or manager is being judged, but we submit that it makes much less sense for an individual client account.

Also note that with current technology, calculating dollar weighted performance for all client accounts greater than ten years will pose a very significant technological challenge.

Annual reports

Integrate with client statement and CPR; same envelope or an integrated document.

Comments:

We support providing clients performance reporting and a full disclosure of fees. Firms should have flexibility on how and when the information is delivered to their clients such that the additional information does not delay the timeliness of account statements. The dealer should also have the opportunity to offer the additional information electronically.

With all other changes in scope within the Client Relationship Model, we recommend deferral of the annual cost disclosure to a later date. This would allow firms the necessary lead-time to develop the systems and processes for performance reporting on nominee holdings and providing cost base information on client statements.

We would be pleased to discuss or elaborate upon any of the issues raised in this letter, if needed.

Yours truly, ~~///~~ .



Doug Bennett
Principal, Operations and Service