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Via Email

October 18, 2018

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Financial and Consumer Services Commissions of New Brunswick
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Superintendent of Securities, Northwest Territories
Registrar of Securities, Yukon Territory
Superintendent of Securities, Nunavut

Attention:

The Secretary
Ontario Securities Commission
20 Queen Street West
22nd Floor, Box 55
Toronto, Ontario M5H 3S8
comments@osc.gov.on.ca

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

Dear Sirs / Mesdames:

Re: **Canadian Securities Administrators (CSA) Proposed Amendments to National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and Companion Policy 31-103CP *Registration Requirements, Exemptions and Ongoing Registrant Obligations* ("the Proposal")**

Edward Jones welcomes the opportunity to provide comments with respect to the Proposal.

Background

Edward Jones is a limited partnership in Canada and is a wholly owned subsidiary of Edward D. Jones & Co., L.P., a Missouri limited partnership. Edward D. Jones & Co., L.P. is a wholly owned subsidiary of The Jones Financial Companies, L.L.L.P., a Missouri limited liability limited partnership. We are registered with the Investment Industry Regulatory Organization of Canada (IIROC) as an investment dealer and have more than 800 financial advisors located across Canada managing over $30 billion of assets under care.

We help individuals achieve their serious, long-term financial goals by understanding their needs and implementing tailored solutions. At Edward Jones, we build close, ongoing relationships with our clients, beginning with a meeting between client and financial advisor to identify the client's specific long-term goals. We then develop a thoughtful investment strategy and a diversified portfolio of quality investments. Edward Jones believes that all clients, regardless of the amount of investable assets, deserve the services of a financial advisor and the benefits of professional advice.

We choose to conveniently locate our branches where our clients live and work. We believe a financial advisor together with the dedicated support of an office administrator is the best way to deliver a consistent, ideal client experience. Our clients can work face-to-face with local professionals who better understand them and make investing a personal process. As a result, we do not offer online investing or online advice.

Overview

We agree with, and fully support, the intended outcomes of the proposed amendments. Specifically,

- better alignment of the interests of securities advisers, dealers and representatives (registrants) with the interests of their clients,
- improved outcomes for clients, and
- further clarity for clients with respect to the nature and the terms of their relationship with registrants.

Our business model is designed to build and enhance the relationships between our clients and our branch teams. Our value proposition, tools, and processes, have been developed to facilitate a client-first approach. We view the principles associated with the proposed amendments as aligning with our approach and philosophy.

Comments

Below are our specific comments to the Proposal.

1. Best Interest Standard

We note that the proposed amendments do not propose an overarching best interest standard. Rather, the proposals represent "a harmonized approach that infuses the client's best interest into the conflicts of interest and suitability reforms." It would be helpful to understand more clearly the difference, from the CSA's perspective, between a "best interest standard" and the proposed "harmonized approach," which includes the client's best interest.

Furthermore, the proposed amendments in NI 31-103 and the Companion Policy contain multiple references to the terms (or phrases) 'best interest of the client' and 'putting the client's interest first.' We view the terms to have the same meaning. However, given that different wording is used in different places in the proposals, we request confirmation that the two terms are intended to be interchangeable or, alternatively, clarification on the difference(s) between the two terms.

We believe that the two terms could be interpreted to reflect distinct and different meanings. For example, according to the Companion Policy, firms and advisors may accept an unsolicited trade that is unsuitable if, after the advisor advises the client of the suitability concerns and documents the discussion, the client still wishes to proceed. In this scenario, to act in the best interest of the client, from an *advisor* perspective, could be to not accept the trade. Conversely, to act in the client's best interest, from a *client perspective,* might be to proceed with the trade. We can see this as a potential conflict of interest and thus, seek clarification on the CSA's intended meaning of the terminology.

With respect to the provision permitting the acceptance of an unsuitable trade, we believe that this facility in the Companion Policy is inconsistent with the proposals' focus on enhanced know your client, know your product and suitability requirements. As such, we do not believe an unsuitable trade or account should ever be permitted.

2. ***Know Your Product***

As written, the proposed amendments can be interpreted as imposing product due diligence obligations at the security level, as opposed to at the product-type level. We understand, based on subsequent discussions with the Ontario Securities Commission, that it was not the intention for the amendments to impose due diligence requirements at the security level and that firms could affect their comprehensive reviews and assessments at the product-type level. We further understand that, while the reviews and assessments can be done at the product-type level, higher risk securities warrant their own assessment. We ask that this understanding be clarified or confirmed.

We note that the proposed amendments would prevent firms from accepting an account transfer unless an analysis and approval is completed. We have concerns with this proposed requirement in that it could have the unintended consequence of negatively impacting the client-advisor relationship. Potential consequences could include: delaying the transfer, forcing a sale of securities, and preventing the transfer of the entire account, any of which may not be in the interest of the client. We propose that firms have the option of permitting the transfer and limiting the trading to liquidations until the firm has completed its analysis and approval. This standard would satisfy both client need as well as the objective underlying the proposed rule.

We further request clarification on the obligation of the firm in the instance where a client requests a trade in a security that the firm has not previously approved for sale, for example, where the client requests an unsolicited trade in an exchange-traded equity on which the firm has not conducted an extensive review and assessment. As currently written, guidance related to the know your product provisions would not allow the trade, whereas guidance with respect to suitability would permit it, provided the registrant advises the client of the unsuitability of the trade.

3. ***Suitability***

We note that the proposed amendments would require registrants to put the client's interest first when making a suitability determination. To facilitate this requirement, we recommend that the CSA provide a list of specific criteria or steps that, if followed, would satisfy the requirement to put the client's interest first when making a suitability determination. To be clear, we are not recommending a tick-the-box approach to suitability nor are we suggesting advisor and firms do the bare minimum. Rather, having a list of criteria or steps of considerations that should be made when determining suitability would minimize ambiguity. It would furthermore ensure a consistent application amongst dealers and advisors.

The CSA's notice makes reference to "the persistence of suitability as a leading source of client complaints," which appears to be one of the drivers behind the enhanced suitability, know your product, and know your client provisions. It is our experience that the majority of suitability-related complaints are triggered by the performance of the security and/or portfolio. We do not see how the proposed amendments address the performance issue nor do we believe performance is an indicator of suitability. While we agree that the additional suitability provisions will improve the understanding and relationship between the client and advisor, it is unlikely that these changes will result in a reduction of client complaints related to suitability since there are no guarantees of performance.

We have concerns with the view that unless a registrant has a reasonable basis for determining that a higher cost security will be better for a client, the CSA expects firms and advisors to recommend the lowest cost security available. While cost must certainly be taken into consideration, it is only one consideration. Our concern is that regulators will default to lowest cost as the sole determinant for suitability, especially if the security does not perform as expected.

4. ***Know Your Client***

We agree with and support the requirement for mandatory updates to the know your client information. The proposed timeline for periodic updates for managed accounts is annually while the proposed timeline for all other accounts is every 36 months. We suspect that the distinction for managed accounts was made because of the fiduciary nature of the account. We would like to see the proposal make a further distinction between individual discretionary managed accounts and managed accounts that use portfolio models that are overseen and rebalanced by a third party portfolio manager. We recommend that the timeline for the managed accounts that use portfolio models be the same as for non-managed accounts.

Furthermore, we are seeking clarification as to when the first mandatory know your client review would be expected for existing accounts.

5. ***Instrument vs. Companion Policy***

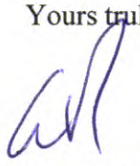
We appreciate the additional guidance and information provided in the Companion Policy. We find the Companion Policy to be a helpful and useful reference tool. That said, throughout the Companion Policy we note several references to 'expectations' and 'guidance.' We further note that the stated guidance and expectations go beyond what is stated in NI 31-103. Our concern is that the Companion Policy will be viewed and treated as part of the rules, as opposed to solely as guidance. Therefore, we request further clarification on what in the Companion Policy is a requirement and what is truly guidance provided to assist firms in complying with NI 31-103.

6. ***Transition Period***

The proposed amendments would precipitate a substantial amount of change to processes, systems, tools, and forms, as well as how financial advisors and supervisors approach certain activities. This, combined with the increased training requirements, leads us to the conclusion that the proposed two-year transition period is insufficient. Instead, we respectfully propose a three-year transition period.

We would be pleased to discuss and elaborate if requested.

Yours truly,



Wayne Bolton
Chief Compliance Officer

c. David Gunn, UDP, Edward Jones
Nawaz Meghji, General Counsel (Canada), Edward Jones