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®  
**Edward Jones**

September 23, 2011

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:

John Stevenson, Secretary  
Ontario Securities Commission  
20 Queen Street West  
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Toronto, Ontario M5H 3S8  
E-mail: [jstevenson@osc.gov.on.ca](mailto:jstevenson@osc.gov.on.ca)

And

Me Anne-Marie Beaudoin  
Corporate Secretary  
Autorité des marchés financiers  
800, square Victoria, 22e étage  
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E-mail: [consultation-en-cours@lautorite.gc.ca](mailto:consultation-en-cours@lautorite.gc.ca)

Dear Sirs and Mesdames:

**Re: Proposed Amendments to NI 31-103 - Cost Disclosure and Performance Reporting**

We appreciate the opportunity to provide our comments with respect to the proposed amendments to National Instrument 31-103 in context of the Client Relationship Model (CRM) Project.

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, as outlined below.

As a general comment, we would urge the CSA to work with IIROC to formulate consistent rules that can be contained in IIROC rules in order to avoid confusion or possible contradiction between the Instrument and IIROC rules.

The cost and complexity of implementing the proposed changes prescribed by the Instrument will be substantial, and we urge the CSA to consider a longer time frame for implementation. In particular, a three year phase in for annual cost reporting and performance reporting would be more realistic.

**Pre-trade transaction charge disclosure**

<b>Proposed Amendments:</b>	<b>Comments</b>
<p>s. 14.2 (3.1)</p> <p><i>Before a registered firm makes a recommendation to or accepts an instruction from a client to purchase or sell a security in an account other than a managed account, the firm must disclose to the client</i></p> <p><i>(a) the charges the client will be required to pay in respect of the purchase or sale, and</i></p> <p><i>(b) in the case of a purchase, any deferred charges that the client might be required to pay on the subsequent sale of the security, or any trailing commissions that the firm may receive in respect of the security</i></p>	<p>We suggest that the words "makes a recommendation to or" be removed from this section. Taken literally, as drafted, an advisor would have to preface any recommendation with a description of the charges that would apply and, in the case of an investment subject to a deferred sales charge and trailing commissions, a description of those, before even telling the client what security is being recommended. This would make for very odd conversations. Requiring that the disclosure be made before the instruction is accepted should be adequate to ensure full disclosure before the client is committed to the transaction.</p> <p>It would appear from the wording of the Companion Policy that the intention of the section is to require this type of disclosure on a trade by trade basis. We suggest that this is not only overly onerous both to advisors and clients, but would create a requirement for which it would be virtually impossible to demonstrate compliance when done on a verbal basis.</p> <p>In the case of stock trades, the time required to calculate and communicate the applicable commission will delay the entering of orders. For a client who trades stocks on a regular basis, such a pre-trade disclosure on a trade by trade basis will likely lead to frustration and less timely trade execution.</p> <p>We suggest that the intent of the provision can be fulfilled by providing clients with a commission and/or fee schedule upon account opening and/or periodically.</p> <p>With respect to the requirement to disclose DSC charges and trailing commissions, we agree that</p>

	it is important that clients understand these features; however the initiative to require delivery of the Fund Facts document would appear to address this and we question the need to include it in NI 31-103.
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**Annual charge and compensation disclosure**

<b>Proposed Amendments:</b>	<b>Comments</b>
(4.1) <i>A registered firm must deliver the following information to a client every 12 months with or in the account statement that is accompanied by or includes the report containing the account performance information required under section 14.15 [account performance reporting]:</i>	<p>We suggest that the requirement to include this information "with or in the account statement" is unduly prescriptive. The focus should be on ensuring that the information is delivered to the client, not on the mode of delivery.</p> <p>We would also suggest that the rules allow for aggregation of this information across various accounts owned by the same client, if appropriate.</p>
<i>e) the aggregate amount of any fees paid to the registered firm by any person or company in relation to the client during the 12 month period covered by the account statement;</i>	This requirement appears to duplicate other provisions of NI 31-103 and we suggest that it need not be included here.
<i>f) an identification of any securities in the account that may be subject to deferred sales charges;</i>	The Fund Facts sheets will provide clear disclosure to clients of costs related to mutual funds, including the DSC schedule if applicable. Our preference would be to enhance the disclosure of fund holdings that may be subject to DSC charges on our client statements rather than replicating this information on a separate report.
<i>g) if the registered firm received trailing commissions on investment funds held by the client during the 12 month period covered by the account statement.</i>	<p>Reports of trailing commissions are received from the mutual fund companies sorted by financial advisor. To comply with this proposed requirement we would need to receive the details at the client and individual mutual fund level. This would be a significant increase in the data and associated costs for both the fund companies and their distributors.</p> <p>We submit that the Fund Facts provide a clear disclosure of the trailing commission for the fund that they own.</p>

## Account Statements and Performance Reporting

We support the requirement to provide performance reporting, subject to the comments below.

Our detailed comments are addressed below. However, in summary, our recommendations are that:

1. Original Cost should not be prescribed as a performance measure.
2. Performance Report delivery should not be entrenched with statement delivery.
3. We feel it is in the clients' best interest for firms, working with their own clients, to determine the preferred content and delivery methods of performance reports (e.g., intervals used, terminology and layout.)

<b><i>Proposed Amendments:</i></b>	<b>Comments</b>
<p><b>14.14 Account Statements.</b></p> <p><b>Original cost of securities in account statements (Companion Policy)</b> <i>Subsection 14.14(5.2) requires the account statement to include the "original cost" of each security position. This is the total amount paid for a security, including any commissions or related fees.</i></p>	<p>We submit that the requirement to include original cost on monthly account statements is not necessary. Clients will be able to answer the question "how am I doing" adequately with performance reporting provided to clients within the proposal. In addition, tax cost information is provided to clients separately for tax reporting purposes.</p> <p>If original cost is required in the regulation, we believe that book value (tax cost) is the more current and accurate cost number for comparison to current market value.</p> <p>If cost is required in the regulation, then in the case of transfers where the cost of the security position is not available or known to be inaccurate, registered firms should be given an option to use blank or null values with disclosures on why the value was suppressed on the account statement. This gives the client an incentive to provide the correct original or average cost for the asset transferred and such information will also not provide the client with a clear understanding of how their asset is performing.</p>

**14.15 Performance Reports  
(Companion Policy)**

*A performance report must be provided to clients every 12 months as part of, or together with, the account statement. We expect registered firms will give this information sufficient prominence among their client reporting materials so that a reasonable investor can readily locate it. For example, the prominence of this information may be enhanced by putting this information on the first page of the account statement or a bold cross-reference to the performance reporting on the face of the account statement.*

The proposal mandates that clients receive performance reports once every 12 months. We believe this mandate, in itself, is sufficient in terms of delivery. Firms should have flexibility with respect to the delivery method that best suits their clients' needs as long as the firm can prove delivery. Delivery methods could include, for example, statement enclosure, separate report, personal delivery by the financial advisor or through the firm's online account access. Clients may prefer to receive the information in different ways and flexibility in delivery method will allow each firm to meet their clients' needs.

Monthly or quarterly statements are delivered promptly after the end of the month, on a relatively tight time schedule. Due to the intensive nature of performance calculations, timely delivery of account statements may be jeopardized if performance reports must be delivered concurrently with the statement.

**14.16 Content of Performance Reports  
Performance Reporting Periods**

*Subsection 14.16(3) outlines the minimum reporting periods of 1, 3, 5 and 10 years and the period since the inception of the account.*

We submit that reporting periods should not be mandated in the Instrument and that each firm should have the flexibility to determine what is most appropriate for their clients.

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.

Although the dollar weighted performance

	<p>calculation method is a much more data intensive calculation than a time weighted method, we believe this methodology is the most appropriate rate of return calculation for the individual investor. With current technology, calculating dollar weighted performance for all client accounts greater than ten years will pose a very significant technological challenge.</p>
<p><b>14.16 Content of Performance Reports - Net Amount Invested</b></p> <p><i>Paragraph 14.16(1)(a), will require firms to report the net amount invested in the client's account. This is defined as the sum of all contributions and transfers in of cash or securities less all withdrawals and transfers out of cash or securities.</i></p>	<p>We recommend using the term "Amount Added/Withdrawn from Account" which we believe better describes the concept of net amount invested. This would be defined, for example, as "external assets like cash or securities added to or withdrawn from your account, fees associated with the advisory programs, and other account maintenance fees."</p>
<p><b>14.16 Content of Performance Reports</b></p> <p><i>The performance reporting disclosure must include explanatory notes and definitions of key performance terms as outlined in paragraphs 14.16(1)(e) and (h) and included in section 1.1. We would expect these notes to explain the information presented and how an investor can use it to assess the account performance. The use of both text and a table, graph or chart is required. The information in each of the combinations of paragraphs 14.16(1)(a) and (b), (c) and (d), and (f) would be usefully presented together.</i></p>	<p>We submit that this is unnecessarily prescriptive and that dealers be permitted more flexibility in the overall presentation of performance reports.</p>
<p><b>14.17 Benchmark Information</b></p> <p><i>Before a registered firm delivers investment performance benchmark information to a client, it must set out the benchmarks it will provide in a written agreement between the registered firm and the client.</i></p>	<p>We agree with the principles set out in the proposed amendments to the Companion Policy with respect to benchmark information, however, the requirement to enter into a written agreement with every client with respect to the benchmarks to be used is unnecessarily prescriptive. We would recommend reducing the broad principles laid out in the Companion Policy to a rule to be applied when benchmark information is provided and removing the requirement for a written agreement.</p>

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

Yours truly,

D.J. Burwell  
General Counsel and Chief Compliance Officer