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®  
**Edward Jones**

March 5, 2013

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  
19th Floor, Box 55  
Toronto, Ontario M5H 3S8  
E-mail: [jstevenson@osc.gov.on.ca](mailto:jstevenson@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  
Montréal (Québec) H4Z 1G3  
E-mail: [consultation-en-cours@lautorite.qc.ca](mailto:consultation-en-cours@lautorite.qc.ca)

Dear Sirs and Mesdames:

**Re: Consultation Paper 33-403**

Edward Jones appreciates the opportunity to submit comments on the Canadian Securities Administrators (CSA) Consultation Paper exploring the desirability and feasibility of introducing a statutory best interest duty when providing advice to retail clients. We support a standard of care that puts investor's interest first, provided it promotes investor choice in how to pay for products and

services and preserves investor access to a full range of products and services to meet their financial needs.

Edward Jones is one of the largest financial services firms in Canada serving the needs of over 300,000 individual investors with personalized service provided by 640 financial advisors. We focus on serving the needs of the long-term individual investor by promoting an investment philosophy that emphasizes quality and diversification.

While Edward Jones supports a standard that puts the client's interest first, we provide comments to seek clarification and specifically address a few of the questions CSA has raised in the Consultation Paper. The firm actively participated in an Investment Industry Association of Canada (IIAC) Working Group formed to review the Consultation Paper and also wishes to convey our support for the more extensive comments submitted by the IIAC.

### **The Duty of Care Must be Clearly Defined**

Edward Jones supports a standard that puts the client's interest first when providing personalized advice to retail clients provided the standard of care is clearly-articulated and promotes the principles of investor choice and access more fully described below. Should the CSA move forward with a statute on a best interest standard of care, it will be imperative for the CSA to focus on clearly-defining the core principles of this standard, the scope of obligations and the definition of advice.

The CSA will also need to focus on providing guidance regarding disclosures that would satisfy the standard. We believe advisers and dealers should be required to provide clear, complete, plain-language disclosures regarding the range of services offered, fees and potential and actual material conflicts of interest so that investors can make well-informed decisions regarding the level of account service they wish to receive.

The CSA should also give careful consideration to the existing and proposed securities laws, regulations, instruments or rules in place to promote investor protection prior to moving forward with a statutory best interest standard. The CSA should review whether other more targeted policy solutions are preferable and consider the adequacy of the current regulatory regime. For example, the policies under the Client Relationship Model (CRM), including enhanced suitability requirements, conflicts management and mitigation and more robust disclosure rules, are still in the process of being implemented and embrace many of the principles of a best interest standard. The anticipated requirements with respect to cost and performance reporting will add another level of transparency and client protection. Should the CSA identify gaps or shortcomings in the current regulatory framework, the CSA should work with the IIAC, the Investment Industry Regulatory Organization of Canada ("IIROC") and other interested parties to determine the most cost-effective and efficient approach to addressing the underlying concerns.

### **Investors Must Have Choice With Respect to Pricing**

In considering a statutory best interest standard, the Firm urges the CSA to support investor choice in how to pay for products and services. We do not believe investors benefit from a "one size fits all" approach, but rather various pricing options based on the scope and level of service. We believe that this includes allowing investors to receive advice or guidance without charge, and to pay fees or commissions only when they execute transactions.

We respectfully ask the CSA to clarify that a best interest standard of care would not obligate a broker-dealer to only offer investors fee-based accounts. Edward Jones strongly believes that many investors, particularly those with modest-sized accounts, would be poorly-served if they are required to pay asset-based fees rather than transaction-based compensation. A best interest standard must promote affordability of services for all investors.

**Investors Must Have Access to a Full Range of Products and Services**

Edward Jones also requests the CSA to refrain from compelling financial services firms to only offer a limited and/or uniform suite of products and services. We believe the standard should be flexible so it can be tailored to different business models. We offer a wide range of financial solutions to meet our client's investment objectives, risk tolerances and investment time horizon. We believe our clients benefit from having access to these solutions designed to meet their individualized needs.

For example, we offer an inventory of fixed income securities to meet our client's income needs. We believe our clients benefit when we use our buying power and expertise to purchase fixed-income positions in the tens of millions of dollars so that we can make those same investments available to our clients in denominations of \$10,000 and \$20,000. We need further guidance on the application of a best interest standard to principal trading to ensure we will continue to be able to perform this critical activity, which benefits our clients.

Edward Jones appreciates the careful consideration the CSA has given to a best interest standard of care and welcomes the opportunity to provide comments. We want to ensure that any proposed statute truly benefits retail investors and does not result in unintended consequences. We would be pleased to discuss or elaborate upon any of the issues raised in this letter, if needed.

Yours truly,

A handwritten signature in cursive script that reads "David L. Lane".

David L. Lane  
Principal