12555 Manchester Road
St. Louis, MO 63131-3710
314-515-2000
www.edwardjones.com

July 21, 2017

The Office of Exemption Determinations
Employee Benefits Security Administration
Attention: D-11933
Suite 400
U.S. Department of Labor
200 Constitution Avenue, N.W.
Washington, DC 20210

Submitted Electronically -- EBSA.FiduciaryRuleExamination@dol.gov

Re: RIN 1210-AB82 – Request for Information Regarding the Fiduciary Rule and Prohibited Transaction Exemptions: Response to Question 1 Relating to Extending the January 1, 2018, Applicability Date of Certain Provisions (the Transition Period)

Ladies and Gentlemen:

Edward D. Jones and Co., L.P. ("Edward Jones") appreciates the opportunity to submit comments on extending the January 1, 2018 applicability date of certain provisions in the Best Interest Contract Exemption; the Class Exemption for Principal Transactions in Certain Assets between Investment Advice Fiduciaries and Employee Benefit Plans and IRAs; and Prohibited Transaction Exemption 84–24 (collectively, the “Transition Period”).

Our comments address the issues raised in Question 1 of the Request for Information ("RFI") regarding the extension of the Transition Period subject to the 15-day comment period ending on July 21, 2017. We look forward to providing more substantive comments on the real-world impacts of the rule on individual investors in response to the remaining questions in the RFI subject to the 30-day comment period ending on August 7, 2017.

Extending the Transition Period Protects Retirement Savers

Edward Jones strongly supports materially extending the Transition Period to protect retirement savers. As explained in more detail below, we believe such an extension is essential to avoid harming retirement investors who will otherwise face significant costs, service disruptions and additional confusion, exactly the issues the President ordered the Department to consider in deciding whether to rescind or revise the rule in his February 3, 2017 Memorandum.[1]

[1] See President's Memorandum, 82 Fed. Reg. 9675 (Feb. 7, 2012).

12555 Manchester Road
St. Louis, MO 63131-3710
314-515-2000
www.edwardjones.com

While this RFI is an important procedural step in reviewing the effects of the rule, gathering accurate information based on real-world experience to inform the Department's decisions about how to proceed, it also highlights that the future of the rule remains uncertain and subject to change. The uncertainty for retirement savers will be made significantly worse if the Transition Period is not extended, as we comply with a set of requirements on January 1, 2018 that may change again shortly thereafter as the Department and other regulators continue to react to the practical problems created by rushed implementation of the rule.

Accordingly, we request that the Department extend the Transition Period to the later of July 1, 2019 or one year after the promulgation of any material amendments to the rule to allow for an orderly transition to the new regulatory environment. This extended Transition Period will provide the opportunity for the Securities and Exchange Commission ("SEC") and FINRA to meaningfully coordinate with the DOL on the creation of a uniform best interest standard of care for investors. We have long supported a uniform standard and believe the DOL and investors would greatly benefit from leveraging the SEC's and FINRA's expertise on investor protection to develop a best interest standard that is harmonized with the existing framework of rules and regulations imposed on financial services providers.

Extending the Transition Period Provides Significant Benefits to Retirement Savers

Question 1 of the RFI asks several questions regarding the effects of extending the Transition Period.

With respect to retirement savers, the RFI asks whether an extension "would benefit retirement investors by allowing for more efficient implementation responsive to recent market developments?" or "otherwise be advantageous…to investors?"[2]

The answer to these questions is, unequivocally, yes. The Transition Period has prevented imposing the significant costs and restrictions on retirement savers that will result from the application of the unnecessarily complex prohibited transaction exemptions, such as the "full" Best Interest Contract Exemption ("BIC Exemption"). If the "full" BIC Exemption becomes applicable on January 1, 2018, it will diminish access to retirement advice, services and products for many investors. As discussed below, an extended Transition Period will also provide additional time to evaluate product innovations in the marketplace to better serve retirement savers.

[2] 82 Fed. Reg. 31279 (Jul. 6, 2017).

12555 Manchester Road
St. Louis, MO 63131-3710
314-515-2000
www.edwardjones.com

Edward Jones

Time Needed to Develop Complementary Regulation and Foster Innovation

The Department has promulgated a rule that fundamentally changes the way investment advice, products and services may be provided to retirement investors. In particular, many of the changes to investment products and services necessary to make the “full” BIC Exemption workable require coordination with other regulatory agencies and organizations, such as the SEC, FINRA or state insurance commissioners. Given the overlapping laws and regulations governing various financial services providers, innovations necessary to best serve retirement investors in the new regulatory environment often require other regulatory entities to review and approve such innovations, a process that takes time.

In the RFI the Department has asked a series of questions about new share classes for mutual funds and new fee-based annuity products, but we believe there is simply not enough time for many of these important and practical questions to be resolved by January 1, 2018. In the release delaying the applicability date of the rule, the Department recognized changes in the marketplace from T-shares to clean shares and should anticipate even further market innovations during the Transition Period. The Department must be careful in this rapidly evolving marketplace not to tip the scales in favor of certain investment solutions over others – investors should be empowered to select the investment solution that best meets their retirement savings needs.

We also believe it is critical for the Department to materially extend the Transition Period to provide more time to reassess and clarify significant ambiguities in the current rule that have resulted in increased costs and limited product and service offerings for retirement savers. For example, it is still unclear how to apply the so-called "neutral factors" to determine the compensation that can be received when offering transaction-based services.

Secretary Acosta and Chairman Clayton have publicly stressed that the Department and the SEC wish to coordinate their respective efforts regarding a fiduciary standard. While we very much support such coordination and applaud the Secretary and the Chairman for recognizing the need to provide consistency and clarity, we are concerned that, absent a material delay of the January 1, 2018 applicability date, the opportunity for meaningful coordination between the agencies will be lost.

Minimize Investor Confusion and Inefficient Changes

A failure to extend the Transition Period will harm retirement investors through the anticipated multiple rounds of changes to service offerings and products caused by continued changes in the rules promulgated by the Department, SEC, FINRA, and other regulatory agencies. For example, as the Department continues reviewing the rule as directed by the President, it may well conclude that it will materially change the BIC Exemption after the Transition Period. We support changes to the BIC Exemption, but

12555 Manchester Road
St. Louis, MO 63131-3710
314-515-2000
www.edwardjones.com

Edward Jones

believe even the possibility of changes without an extension in the Transition Period will harm retirement investors who will see expensive and confusing revisions to their service offerings and constantly changing line-ups of available investment solutions.

If the Transition Period is not extended and the "full" BIC Exemption becomes applicable, Edward Jones will again have to make extensive changes to client offerings. This is because the restrictions and requirements regarding compensation under the "full" BIC Exemption are not yet achievable with respect to all the products and services we currently offer customers. Even if we use the ill-defined "neutral factors" analysis under the BIC Exemption, we may not be able to offer mutual funds to all of our customers in all account types.

The evolving changes to the rule have not only lead to significant investor confusion, but also challenges in developing the systems and processes to operationalize compliance with the rule. We have worked diligently to put systems and processes in place to serve our clients, but have done so without the necessary clarity or certainty as to what aspects of the rule may remain in effect.

We believe the Department must materially extend the Transition Period to resolve ambiguities in the rule, meaningfully coordinate with other regulatory agencies, assess the effectiveness of measures implemented on June 9th, and provide a reasonable period of time for the development of fully-automated, well-integrated systems and processes that best serve the needs of our clients.

Costs and Benefits of Extending the Transition Period

Question 1 also asks whether extending the Transition Period would carry any risks and what the costs and benefits of an extension would be.

As discussed above, we believe there are significant benefits to retirement savers from extending the Transition Period and believe there are little, if any, risks involved in doing so.

As the Department itself recognized in its April 7, 2017 rule establishing the Transition Period, the vast majority of the benefits to retirement investors come from the fiduciary obligations in the rule's Impartial Conduct Standards that became applicable on June 9th. In evaluating the effects of the Transition Period, the Department concluded that "If advisers fully adhere to these requirements [the Impartial Conduct Standards], affected investors will generally receive the full gains due to the fiduciary rulemaking."[3] In considering whether there was any significant risk of non-compliance by advisers, the Department concluded that it "expects that advisers' compliance with the Impartial Conduct Standards during the period between June 9, 2017 and January 1, 2018, will

[3] 82 Fed. Reg. 16909 (Apr. 7, 2017).

12555 Manchester Road
St. Louis, MO 63131-3710
314-515-2000
www.edwardjones.com

Edward Jones

be substantial…"[4] The Department summarized this conclusion by noting that "Because of Firms' anticipated efforts to satisfy the Impartial Conduct Standards…the Department believes that most…of the investor gains predicted in the 2016 RIA for the transition period will remain intact."[5]

At Edward Jones we have strived in good faith to comply with the Impartial Conduct Standards by designing and implementing new training programs, updating account agreements, reevaluating client pricing and product offerings, amending agreements with product manufacturers, changing compensation structures and creating the supervisory structures and compliance procedures necessary to manage these vast changes.

We have observed similar compliance efforts across the industry, and believe that the Impartial Conduct Standards are governing advice as the Department anticipated. Therefore, as the Department has recognized, there is little, if any, risk in extending the Transition Period.

Conclusion

Consequently, we believe the benefits to retirement investors of extending the Transition Period far outweigh the potential costs. Rushing to implement the rule will result in further reductions in retirement services and investment products available to retirement savers, increased costs, more confusion, and more rounds of unnecessary change as the marketplace evolves and regulatory requirements are modified in the near term.

Edward Jones appreciates the opportunity to provide comments in response to the RFI. We urge the Department to materially extend the Transition Period, and to work with the SEC and FINRA to significantly rewrite the rule to adopt a uniform best interest standard of care that promotes investor protection, preserves investor choice and options, and ensures investors have access to meaningful assistance and guidance from financial professionals.

If you have any questions regarding the comments contained in this letter please contact me at 314-515-9711.

Sincerely,

Principal – Government and Regulatory Relations

[4] Id. at 16910.

[5] Id. at 16907.