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James D. Weddle
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Edward Jones®

March 6, 2008

RECEIVED

Nancy M. Morris, Secretary
U.S. Securities and Exchange Commission
100 F Street N.E.
Washington, DC 20549

RE: Review of Rule 12b-1 – File No. 4-538

Dear Ms. Morris:

Edward Jones submits this letter to elaborate on our earlier comments with respect to the Securities and Exchange Commission's (the "SEC" or the "Commission") review of Rule 12b-1.¹

A. Introduction

Edward Jones is one of the largest financial services firms in the United States, serving the needs of over 5 million U.S. investors through the personalized service and relationships maintained by our more than 10,000 U.S. Financial Advisors. We focus our business on serving the needs of the serious, long-term, individual investor. In general, we have found that mutual funds serve our clients well, by providing advantages such as diversification and liquidity. Today, our clients have over \$299 billion invested in mutual funds and execute approximately 14 million mutual fund trades per year. Rule 12b-1 plays an important role in mutual fund distribution. Meaningful changes to Rule 12b-1 could have a significant impact on our clients, our Financial Advisors, and our firm.

¹ Letter from James D. Weddle, Managing Partner, Edward Jones, to the Honorable Christopher Cox, Chairman, SEC, June 15, 2007.

B. Rule 12b-1 Comment

1. General Comments

As stated in our June 15, 2007 letter, we believe that drastic changes to Rule 12b-1 are unwarranted at this time. We wish to reiterate those points in this letter and to provide more detailed recommendations with respect to enhanced disclosures. We note that SEC Chairman Christopher Cox has indicated that the Division of Investment Management "is readying a formal rule proposal for this spring."² We again note that Edward Jones stands ready to work with the Chairman, other Members of the Commission, the Staff, other industry participants, and the public to shape any proposal or to otherwise address this important issue.

At Edward Jones we believe that Rule 12b-1 is good for our customers. It is our experience that most investors prefer to have the benefit of professional guidance when managing their money.³ They generally want that help both at the time of purchase and throughout the life of the investment. Rule 12b-1 (including trail commissions) makes this investment model possible with regard to mutual funds. We certainly recognize that investors may choose other financial products and other means for purchasing them, such as on-line trading, fee-only planners, and other alternatives.⁴ But Rule 12b-1 has fostered an environment that allows investors of even modest means to have real choices about how they manage their money and to obtain the guidance or advice they seek before and after their initial purchase.⁵

Over the past few months, interested parties have engaged in spirited discussion and debate over the origins of Rule 12b-1 and whether a repeal or major refinement of the rule is necessary. As Andrew Donohue, Director of the Division of Investment Management, noted that in response to the Rule 12b-1 Roundtable:

The Commission ... received more than 1450 comment letters....
Approximately 1000 of these letters are form letters that were sent

² Christopher Cox, Chairman, SEC, "The SEC Agenda for 2008, Remarks to the SEC Speaks in 2008 Program of the Practising Law Institute" Feb. 8, 2008, at 8, available at <http://www.sec.gov/news/speech/2008/spch020808cc.htm> ("Chairman Cox Speech").

³ The Investment Company Institute ("ICI") validates that view. ICI reports that "the 'do-it-yourself' fund buyers who prefer to make investment decisions on their own are a distinct minority. "ICI research indicates that fully 80 percent of investors who hold funds outside of an employer-sponsored retirement plan turn to financial advisers and other intermediaries for help and advice [footnote omitted]." Remarks of Paul Schott Stevens, President and CEO, ICI, before the American Enterprise Institute Conference on Rule 12b-1, Sept. 14, 2007. Available at http://www.ici.org/home/07_aei_stevens.html#TopOfPage

⁴ Edward Jones is dually registered as a broker-dealer and as an investment adviser. Our Managed Account Program is an Edward Jones Investment Advisory product.

⁵ We note that broker-dealers use fees paid under Rule 12b-1 plans, along with other revenue sharing payments, to provide for a range of shareholders services.

2. Account Level Disclosure

In 2004, the Commission stated: “one approach on which we would particularly like to receive comment would refashion rule 12b-1 to provide that funds deduct distribution-related costs directly from shareholder accounts rather than from fund assets.”⁷ In our view, personalized, account-level deduction and disclosure of actual charges and expenses is not the answer. Specific disclosures on trade confirmations or account statements would require significant changes to systems, software, processes and procedures at financial intermediaries and other industry participants. Firms would incur enormous costs to implement these changes and to develop the necessary infrastructure to keep the information accurate and timely. We believe account-level deduction and disclosure would also have tremendous potential for errors, both in calculations made and in clients’ understanding of the fees “charged” to their accounts. Space constraints on already crowded account statements and confirmations would also present firms with major challenges.

Other commentators raise similar concerns:

- Funds and broker-dealers providing shareholder services would incur substantial systems costs to assess fees accurately. Investors would ultimately pay for those changes.
- Account level fees would be collected by periodic redemption of fund shares, imposing additional cost.⁸

Changes such as these almost certainly would bring higher costs to fund investors and adverse tax implications, and would result in more limited fund choices. In our view, investors simply would avoid mutual funds, rather than endure the additional complexity and expense that account level fees would entail.

3. Recommendations

We strongly urge the Commission to improve disclosure to investors regarding Rule 12b-1 fees. Essentially, this approach would ensure that Rule 12b-1 fees are more transparent and understandable to investors, allowing fund investors to make intelligent investment decisions. Such an approach would continue to recognize the importance of Rule

⁷ IC-26356 (Feb. 24, 2004) 69 FR 9726, 9731 (March 1, 2004). *See also* IC-26591 (Sept. 2, 2004); 69 FR 54728 Sept. 9, 2004).

⁸ Letter from Mary S. Podesta, Acting General Counsel, ICI, to SEC, July 19, 2007 (ICI comment letter on 12b-1 Roundtable). *See also* Report of the Working Group on Rule 12b-1, Submitted to the ICI Board of Governors, May 2007, at 15-16 and SIFMA letter at 3.

12b-1 in supporting the sale of mutual fund shares, in compensating broker-dealers and other financial intermediaries for the services that they provide to funds and fund shareholders, and in providing investors with meaningful choices of share classes and pricing methods.

Over the past several months at Edward Jones, we have evaluated a variety of options for improving disclosure of Rule 12b-1 fees. We recommend that the Commission consider the following:

i. **Change the terminology associated with Rule 12b-1 fees.**

We believe that the term "Rule 12b-1 fee" is confusing and we urge the Commission to replace it.⁹ We urge the Commission to employ a functional name, such as "Distribution and Service Fees".

ii. **Provide standardized language for broker-dealers and other financial intermediaries to use with clients and prospective investors.**

We urge the Commission to adopt an enhanced explanation of Rule 12b-1 fees on documents and disclosures used by broker-dealers and other financial intermediaries. We foresee that such disclosures could include in clear, plain English, a uniform:

- definition of Rule 12b-1 fees;
- explanation that Rule 12b-1 fees are shared between the mutual fund company, financial intermediary and, where applicable, the financial advisor;
- description of the ongoing services provided by the broker-dealer for which Rule 12b-1 fees are paid; and
- direction as to where to get additional and more detailed information.

We have prepared an example of how this type of disclosure might be drafted, which is included as an Attachment to this letter. Once the Commission approves

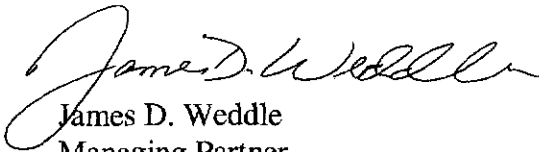
⁹ Chairman Cox said:

As most of you know (but most retail investors don't know), ...[Rule 12b-1] permits mutual funds to pay out nearly \$12 billion a year in investors' assets for purposes such as reimbursing brokers for their expenses of marketing the funds to other investors, and for various administrative services.

Chairman Cox Speech at 8. We believe that a more descriptive term would help investors better understand the these fees.

Thank you once again for your time and consideration of our views.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "James D. Weddle". The signature is fluid and cursive, with the first name "James" being more prominent.

James D. Weddle
Managing Partner
Edward Jones

Attachment – Edward Jones Sample 12b-1 Disclosure

Cc: The Honorable Christopher Cox, Chairman
The Honorable Paul S. Atkins, Commissioner
The Honorable Kathleen L. Casey, Commissioner
Andrew J. Donohue, Director, Division of Investment Management
Erik R. Sirri, Division of Trading and Markets
Robert L.D. Colby, Deputy Director, Division of Trading and Markets

Attachment

Edward Jones Sample Rule 12b-1 Disclosure

Certain mutual funds charge ongoing fees typically referred to as Rule "12b-1 fees" but are also called "distribution fees", "service fees", or "trails". The term "12b-1" comes from an SEC rule that permits mutual funds to charge these fees.

The mutual fund company pays Rule 12b-1 fees from the fund's assets, reducing your fund investment. Mutual fund companies pay Rule 12b-1 fees to broker-dealers, including Edward Jones. Edward Jones receives Rule 12b-1 fees from each mutual fund company with which it has an agreement to sell the fund, called a "dealer agreement." Edward Jones pays a portion of the Rule 12b-1 fees to the financial advisor. Rule 12b-1 fees pay Edward Jones and the financial advisor for the on-going service and support of your mutual fund investment, including custody, recordkeeping, ongoing advice, account maintenance and account reporting. Edward Jones receives other revenue from the mutual fund company or its investment adviser. We provide more information about these fees on our website. Rule 12b-1 fees are determined by the individual fund company, but certain rules limit the overall amount of Rule 12b-1 fees on funds.

Each mutual fund's Prospectus and/or the Statement of Additional Information (available upon request) provides more information about Rule 12b-1 fees as well as other fees and expenses associated with owning mutual funds. Edward Jones arranges for you to receive a prospectus at the time of an initial purchase of a mutual fund and you can also obtain a prospectus by contacting the mutual fund company. Please consult with your Edward Jones financial advisor for more information about available disclosures.

Note: This model disclosure is based on the assumption that the Commission has not replaced the term "12b-1 fee" with other more descriptive terms, as we suggest.