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March 23, 2012

Via Email:*rule-comments@sec.gov*

Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Re: File No.: 4-645, SEC Study Regarding Financial Literacy Among Investors

Dear Ms. Murphy:

Wells Fargo Advisors, LLC ("WFA") responds to the Securities and Exchange Commission's ("SEC" or "the Commission") request for public comment on financial literacy and investor disclosure issues that the Commission is studying as part of a review mandated by Section 917 of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd Frank"). WFA fully supports this effort by the Commission and offers its views. At the outset, this letter will discuss the information that retail investors need to make informed financial decisions on hiring a financial intermediary or purchasing investment products or services. Next, it will offer WFA's ideas to improve the timing, content, and format of disclosures to investors regarding financial intermediaries, investment products, and investment services. Finally, the letter will also comment on making investment expenses and conflicts of interest in investment transactions transparent where they are meaningful to an investor's decision making process.

WFA consists of brokerage operations that administer almost $1.1 trillion in client assets. It accomplishes this task through 15,263 full-service financial advisors in 1,100 branch offices in all 50 states and 3,548 licensed financial specialists in 6,610 retail bank branches in 39 states.[1]

[1] WFA is a non-bank affiliate of Wells Fargo & Company ("Wells Fargo"), a diversified financial services company providing banking, insurance, investments, mortgage, and consumer and commercial finance across North America and internationally. Wells Fargo has $1.1 trillion in assets and more than 278,000 team members across 80+ businesses. Wells Fargo's brokerage

Overview

As an investor protection agency, the SEC is fully empowered to review the current regulatory landscape and question whether the structure actually serves and protects investors by providing them meaningful, understandable information at a time and in a format that helps them meet their investing needs. The study mandated by Dodd Frank Section 917 seems to be a recognition by Congress that the current system may be so flawed that this basic level of service for investors is difficult, if not impossible, to attain. As a part of the Commission's study, WFA encourages the SEC to do an analysis of costs and benefits. As a part of this process, however, WFA encourages the SEC to look at costs to investors of the present disclosure regime, and consider those costs in non-monetary terms, possibly for the first time. It likely is not debatable that the current system is extremely costly to investors--costly in time expended in reviewing mandated disclosures, costly in the confusion generated by the current breadth of information supplied and costly in terms of the complexity surrounding the process of accessing professional investment assistance. The concept of "layered disclosure" is a concept that better fits the 21st century investor. With layered disclosure, certain information is referenced in a summary piece, more detailed information is made available via the internet or other readily accessible system, and that accessibility in and of itself serves as the evidence that a financial participant has met its legal disclosure obligation. Creating an effective layered disclosure model that enhances investor protection, preserves investor choice and improves the quality of service provided by industry participants requires a complete overhaul of the current system.

Hiring a Financial Intermediary or Purchasing Investment Products or Services

It is important to provide relevant and meaningful information to an investor at the outset of the client relationship. Recent rule changes make it possible for an investor to receive a disclosure exceeding 800 pages as a part of his/her involvement in an investment advisory relationship.[2] It is more likely that at the start of a relationship with a financial intermediary or one with a seller of investment products and services, there is certain basic information that is useful to an investor. It could almost follow the traditional journalist's checklist of "Who, How, When, Where, Why and What?"

Who? Who is the firm with whom the investor is dealing and if relevant, the name of any parent company. *How?* The industry participant would explain how it participates in the industry, i.e., financial intermediary, investment adviser, etc. Here would also be a place to explain *how* the firm is compensated and, where appropriate, by whom in addition to the client. *When?* The investor would learn when there would be communications about the investor's relationship with the firm and how often. Will the communications come through the postal service or will they come electronically, or some combination of the two? *Where?* Telling the investor where the firm does business and how that can impact the service and quality an investor receives. The

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affiliates include First Clearing, LLC. which provides clearing services to 93 correspondent clients and WFA. For the ease of discussion, this letter will use WFA to refer to all of those brokerage operations.

[2] *See generally,* SEC Form ADV Part 2(A) and (B), 17 CFR 275. To properly comply with the rule, WFA sent to an investor over 800 pages of required documents.

investor should also learn where one can find additional information about the industry participant. *Why?* Here, an investor should learn why the industry participant operates as it does. Does it target only a certain segment of clients? It should use this opportunity, if applicable, to also explain what investment objective categories the firm uses and explain briefly what they mean, recognizing that the "layered" approach will have more information available through a website or other source. An industry participant could describe what philosophies underlie its methods of interaction and engagement with clients and other market participants. Finally, *What?* What are the important conflicts that the firm has that impact the investor? Does the firm sell products out of its inventory? Does it receive compensation in addition to that disclosed earlier? Will there be a standard of care applicable to the relationship and if so, what is it?

In less than two pages, an investor will learn answers to certain key information about the relationship in which they are about to enter or the products or services they are in the process of obtaining. Certainly, several more "layers" of disclosure would be available, but the plain English format of this "short form" disclosure will readily give an investor easy to understand information without requiring that the investor undergo a level of financial literacy training that could almost qualify him or her to receive a securities industry registration.

Timing, Content and Format of Disclosures

Currently, the securities laws impose various content and timing requirements for disclosures. The number of times a client receives a disclosure has increased steadily over the years, and clients are concerned with the amount of information they receive.[3] With that concern as a backdrop, the key information should be available at the outset of the securities industry member's relationship with an investor and should indicate that some of the disclosures may be beneficial at other stages in the securities process. While the information is important when commencing an initial relationship with a firm, a shorter, "point of sale" version of the disclosure will be helpful at the time of purchase of a product. For example, after an investor has received a two-page document describing the general relationship with the firm, another one-pager could describe a specific product, service or strategy. That one-pager could describe the product, key features about the product, why the product is a fit for the client given his investment objectives and any specific conflict of interest that relates to this product that differs from the general disclosure document provided earlier at the relationship start. After a transaction, the current confirmation process would continue to be used to provide a summary of what was purchased if it is a securities investment or a recitation of the services if it is other than a product. The confirmation should also list the total dollar cost of that transaction.

In addition to content of the point of sale disclosure, there should be the facility to have the information delivered and acknowledged through a number of media. Paper copies work, but there should also be consideration of allowing point of sale material and confirmations to be delivered through mobile phone apps, tablets, flash drives, CD's, etc. Providing a clear and concise periodic disclosure of transactions occurring in the previous time period is another

[3] Schock, L, SEC, January 19, 2007, "*Feedback from Individual Investors on Disclosures",* Malvern, Pennsylvania.

essential element of any new system. The timing of the disclosures can be monthly if desired by the client, but no less than quarterly. Also, annually, the summary document entered into at the outset of the relationship would be made available to the client, highlighting in detail any updates or changes.

Investment Expenses and Conflicts of Interest

As described above, in a new, reformed system there would be three basic forms for communicating information to investors.[4] There would be a *relationship* form, a *transactional* form and finally the *other* periodic communication form. Any of these forms could contain information on investment expenses and conflicts of interest, but it will be important to have a clear view on how much information regarding expenses is material and meaningful. In the relationship form, financial industry participants could disclose how they are paid and the sources of payment. In a transactional form, the industry could include a disclosure of those costs directly paid by the investor relative to the transaction in which they are involved. In the relationship form, firms will have disclosed major conflicts of interest that exist. On the transactional disclosure form, industry participants would only have an obligation to repeat the disclosure of any conflict of interest that is materially different and substantially impactful to the investor as a result of the instant transaction. It will not be necessary nor does it seem beneficial to repeat information that has been fully disclosed earlier.

As a part of a layered disclosure, there would be an opportunity for clients and firms to customize a disclosure "dashboard" that, for the given client, brings onto the front of an electronic page the disclosures that the client feels are important to have readily accessible. For example, a client having received key information in the relationship document about conflicts of interest may have a concern about certain expenses and asks that the firm move some information on expenses up a few "layers" so that information is more prominent in the "dashboard." The rest of the "dashboard" could contain the prospectuses for securities as well as mutual fund company updates for the various products included in the investor's account. Annual shareholder proxies, municipal bond current information statements and other periodic investment material could also take its place on the "dashboard." Taking advantage of the flexibility that the new disclosure world provides, the client could make the "dashboard" accessible in a mobile app so that as a purchase or other transactional decision is considered, the client could quickly refer to the dashboard and assess the information on the investment relative to the "dashboard's" parameters.

[4] For comparison, the minimal number of disclosure documents proposed in this letter is dwarfed by the quantity of disclosure documents the SEC now requires delivered in a year for a hypothetical family of four with a joint brokerage account, a spousal IRA and two 529 plans. It is absolutely essential that whatever the Commission recommends in this study, it finds a way to ease the burdens investors and firms face under the current disclosure regime.

Conclusion

The SEC has a great opportunity to use this request for information to uncover means that will improve existing rules on how investors receive and process information and make certain the rules actually accomplish the investor protection goals that originally animated most of them. Though there may be new costs for the industry, if the rules change to deem legally sufficient a system of more effective and efficient disclosure, those benefits will far outweigh the attendant costs. We look forward to working with the Commission in taking a closer look at revamping the disclosure regime and creating a system that works better for issuers, investors, intermediaries and providers of products and services.

If you have any questions regarding this comment letter, please do not hesitate to contact us.

Sincerely,

Ronald C. Long
Director of Regulatory Affairs