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BY E-MAIL: VIEIRAD@SEC.GOV

Darren Vieira, Esq.
Office of Chief Counsel
Division of Trading and Markets
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

Re: **Edward Jones & Co., L.P.**
Exemption Request under Exchange Act § 36(a)
Exemption from Section 11(d)(1) of the Exchange Act

Dear Mr. Vieira:

We represent Edward Jones & Co., L.P. ("Edward Jones"), a broker-dealer registered under Section 15 of the Securities Exchange Act of 1934, as amended ("Exchange Act") and an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, as amended. We write to request the Securities and Exchange Commission ("Commission") by order pursuant to Section 36(a) of the Exchange Act to exempt Edward Jones from the prohibitions of Section 11(d)(1) of the Exchange Act for extending to its customers immediate margin on newly-purchased shares of non-proprietary mutual funds in instances in which an investor is making a dollar-for-dollar substitution by selling an already-margined non-proprietary mutual fund and buying another non-proprietary mutual fund on margin without incurring any fees, commissions or other costs for the transactions and without Edward Jones otherwise charging the respective customers any fees, commissions or other costs to effect the transactions.

Salient Issues for Commission Consideration to Support Edward Jones' Request for Relief

- Edward Jones believes that prudent management of its customers' accounts dictates sale of current margined investment in mutual fund shares and purchase of shares of a different mutual fund, similarly margined, on dollar-for-dollar basis
- The mutual fund shares are held on margin in a wrapped fee account

- No proprietary mutual funds of Edward Jones are involved in the subject sale and purchase transactions[1]
- Because of wrapped fee accounts, no commissions, fees, expenses or other costs will be charged in effecting the subject transactions
- Edward Jones has advised us that it does not currently engage, and has not in the past engaged, in the transactions that are the subject of this request.

The fact pattern which is the basis for our request is a program known as "Edward Jones Advisory Solutions" ("Advisory Solutions"). Advisory Solutions is offered by Edward Jones as a purely asset-based fee arrangement to manage mutual fund portfolios – a so-called "wrap account." With respect to these wrap accounts, Edward Jones does not receive any sales commissions, Rule 12b-1 fees, revenue sharing or any other compensation from the mutual fund complexes in which investments are made. Nor does Edward Jones charge or receive any compensation, fees, expenses or other costs as a result of its effecting transactions in the funds.

The mutual funds that are subject to this request for Commission action are not proprietary funds of Edward Jones. That is, the mutual funds and their respective managers under Advisory Solutions subject to this request are in no way affiliated with, associated with or related to Edward Jones, its affiliates, associates, related persons, management or employees, and, except for the transactions effected by Edward Jones in these funds, are completely independent of Edward Jones.

In certain limited instances customers of Edward Jones hold mutual funds on margin within Advisory Solutions. Edward Jones believes that prudent management of its clients' accounts may from time to time suggest the sale of such margined positions and the substitution, on a dollar-for-dollar basis, of shares in a different mutual fund. Edward Jones believes that customers are disadvantaged in not having the option to maintain an equivalent dollar amount of mutual funds, similarly margined, should such a substitution be made.

Section 11(d)(1) of the Exchange Act restricts broker-dealers from extending credit on mutual fund shares and other "new issues" in certain circumstances. This section provides that a person "who is both a dealer and broker" may not extend or arrange for "the extension or maintenance of credit to or for a customer on any security . . . which was part of a new issue in the distribution of which he participated as a member of a selling syndicate or group within thirty days prior to such transaction." We recognize that the Commission takes the position that mutual fund shares are always a "new issue" because they are continually offered for sale.[2]

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[1] As a matter of record, Edward Jones has no proprietary mutual funds, sponsors no proprietary mutual funds and advises no proprietary mutual funds.

[2] Exchange Act Rel. No, 34-21577 (December 18, 1984)

Thus, absent relief, the immediate extension of credit on mutual fund shares by broker-dealers would be prohibited by Section 11(d)(1). By this letter, we request on behalf of Edward Jones that the Commission by order will grant an exemption pursuant to Section 36(a) of the Exchange Act from the prohibitions of Section 11(d)(1) in the limited circumstance where a customer will be extended an equivalent amount of credit to effect a dollar-for-dollar substitution of margined non-proprietary mutual fund shares within Advisory Solutions. We believe the requested relief is appropriate in the public interest and is consistent with the protection of investors.

Although this request does not deal with Exchange Act Rule 11d1-2, we believe it significant that the Commission, in adopting Rule 11d1-2, in its Release (34-21577) expressed concern that ". . . fund shares are often sold with the kinds of sales compensation that could lead to the abuse that prompted the Congress to prohibit the use of credit in the sale of new issues of securities." Additionally, we believe the remarks of Catherine McGuire, the Chief Counsel of the Division on November 5, 2004 before the ALI/ABA Variable Insurance Products Conference are indeed significant to these compensation and conflicts concerns imbedded within Section 11(d)(1).[3] Thus, the Commission's well-founded concerns regarding the potential churning of customers' mutual fund accounts by unscrupulous broker-dealers and the derivation of additional commissions, fees and charges by these broker-dealers in placing their clients' funds in investments in proprietary mutual funds are not present with respect to Edward Jones and its Advisory Solutions program and this request for relief by Edward Jones. The Commission, by its granting the request of Edward Jones, would allow Edward Jones to receive not one additional cent of compensation, fees, expenses or other costs in its management of Advisory Solutions.

In the instant case no such abuse can exist. No compensation is involved. Rather, the prohibitions of Section 11(d)(1) and related rules inhibit the Edward Jones managers from

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[3] Remarks before the ALI/ABA Variable Insurance Products Conference, November 5, 2004: "One of the primary concerns with regard to broker-dealers extending credit to customers on mutual fund shares is the fact that mutual fund shares are often sold with sales loads or charges that are significantly higher than commissions charged for transactions in other securities. In 1984 when the Commission adopted Rule 11d1-2 under the Exchange Act, it noted this concern in particular in declining to adopt a rule that would allow broker-dealers to sell mutual fund shares on margin or to extend, maintain, or arrange credit on mutual fund shares held by customers for less than 30 days. The concern is that sales loads and other sales compensation, whether they are assessed upon sale or deferred, provide broker-dealers with an improper incentive to extend credit to customers on fund shares. . . . As such, I believe that Section 11(d)(1) continues to provide an important sales practice protection for investors by addressing the conflict of interest that exists when a broker-dealer sells variable insurance products [or mutual fund shares] with high sales charges and/or redemption fees."

serving their respective customers' interest as the manager deems best. If, for example, a client owns $100,000 of shares of a fund (e.g., Fidelity shares) which is margined to some degree (e.g., $10,000), we believe that it would be in the public interest to allow the sale of these Fidelity shares and the substitution of $100,000 of shares of another fund (e.g., Vanguard shares), margined at $10,000, with a different objective as the manager deems appropriate as long as no compensation of any type is received therefor.

For the foregoing reasons, Edward Jones requests that the Commission grant the requested exemptive relief under Section 36(a) from Section 11(d)(1).

Please contact the undersigned at (202) 776-7815 with any questions you may have regarding this matter.

Sincerely,

Laurence S. Lese

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