November 4, 2003

Honorable William Donaldson  
Chairman  
United States Securities and Exchange Commission  
450 Fifth Street, NW  
Washington, DC 20549

Dear Chairman Donaldson:

As a major distributor of mutual funds to individual investors, we would like to share with you and other commission members our views surrounding recent revelations:

- We believe in mutual funds as a best choice for many investors. We have recommended funds to individual investors for more than 50 years, and we know from experience how well they can perform.

- We believe mutual funds were designed for long-term investors, not traders. We know that, historically, Edward Jones customers who own mutual funds have held their shares four times longer than the industry average -- up to 20 years. Across the industry, the average holding period is 3.6 years. Thus, any practice that disadvantages the long-term investor hurts our customer especially.

- We believe mutual funds and their managers are not all alike, so it is important to separate funds by their business practices as well as their performance.

Because mutual funds do have a long record of serving investors well, we, like so many others, were completely unaware that the "anything goes" mentality of the late 1990s had infected a few fund managers.

Our firm serves more than 5.3 million individual investors whose holdings include more than $1 15 billion in various funds. We expect to add $25 billion in fund holdings this year. Accordingly, Edward Jones cannot simply take the role of a spectator as events in this vital sector of our capital markets unfold. Therefore, we submit these clear and unequivocal recommendations for change:

1. End the day for all order entry at 4 p.m. Eastern time. This is the recommendation of the Investment Company Institute, and we strongly support it. For the present time, establish a hard close based upon the time the trade is captured by a recognized and verifiable order-entry system. Allow no exceptions. While it will inconvenience some investors, this highly visible and easily implemented short-term solution will ensure a more level playing field for all.
2. Enhance the existing clearance-and-settlement system for mutual funds. Bob Reynolds, Fidelity Investments’ chief operating officer, is advocating this measure, and he is right. This would mitigate the inconvenience caused by the hard close.

3. Disclose all commissions, fees and other payments so investors understand the true costs of purchasing and holding shares. If that requires elimination of the product known as B-class shares, we favor it. Investors are entitled to transparency. They should know what they are paying and what we, as the broker, are receiving.

4. Discourage very short-term trading of mutual funds. Approve mechanisms to make such activities unattractive. The 2 percent penalty on sales of shares held five days or less is one potential solution.

5. A mutual fund should have hard-and-fast rules that are applied without exception, not guidelines that can be selectively ignored or waived. It is unacceptable for investors to take action under the assumption that all are bound by the same standards when, in actuality, exceptions are being made.

6. Mutual funds should be mandated to develop the technology to track both the duration over which a shareholder owns a fund and the frequency with which shares are traded.

As a firm that serves the serious, long-term individual investor, we advocate ownership of high-quality mutual funds. We are dealing with assets earmarked for retirement, for the education of children and grandchildren, and for unexpected needs. It is paramount that every fund holder and prospective fund investor has assurance that all are bound by the same rules, and that all will be treated with equal respect.

We commend the commission and staff as they work to restore investor confidence in this important sector of our capital markets.

Sincerely,

John W. Bachmann
Managing Partner

cc: Commissioner Cynthia A. Glassman
Commissioner Harvey J. Goldschmid
Commissioner Paul S. Atkins
Commissioner Roel C. Campos
Director Paul Roye

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