A.G. EDWARDS & SONS, INC.
One North Jefferson
St. Louis, MO 63103

314/955-3000

EDWARDS.

January 30, 2007

Bradford Campbell
Acting Assistant Secretary
Employee Benefits Security Administration
Suite S-2524
U.S Department of Labor
200 Constitution Ave. N.W.
Washington, D.C. 20210

Re: Response to Request for Information Regarding Computer Models for the Provision of Investment Advice to Individual Retirement Accounts.

Dear Honorable Acting Assistant Secretary Campbell:

This letter is being provided by A.G. Edwards & Sons, Inc. ("Edwards" or "Firm") in response to the letter received from Ivan L. Strasfeld, Director – Office of Exemption Determinations, regarding the Request for Information that the Department of Labor published in the Federal Registrar on December 4, 2006 seeking information regarding the experience of financial institutions that use a computer model to provide investment advice to participants and beneficiaries of IRAs.

Edwards is a full service financial services firm with more than 6,800 financial consultants in more than 700 offices nationwide. Edwards provides a full range of financial products and services to individual and institutional investors and acts as custodian for over 1.26 million IRA accounts with an asset value of over $91 billion.

1. Are there computer model investment advice programs for the current year and preceding year that are, or may be, utilized to provide investment advice to beneficiaries of plans described in section 4975(e)(1)(B)-(F) (and so much of subparagraph (G) as relates to such subparagraphs) (hereinafter ``IRA") of the Code which:
 (a) Apply generally accepted investment theories that take into account the historic returns of different asset classes over defined periods of time;
 (b) Utilize relevant information about the beneficiary, which may include age, life expectancy, retirement age, risk tolerance, other assets or sources of income, and preferences as to certain types of investments;
 (c) Operate in a manner that is not biased in favor of investments offered by the fiduciary adviser or a person with a material affiliation or contractual relationship with the fiduciary adviser;

(d) Take into account the full range of investments, including equities and bonds, in determining the options for the investment portfolios of the beneficiary; and

(e) Allow the beneficiary, in directing the investment, sufficient flexibility in obtaining advice to evaluate and select investment options.

At present, Edwards is not aware of a computer model that meets all the requirements referenced above. Although there are computer models that provide asset allocation strategies which incorporate elements of parts (a) through (c) referenced above, these asset allocation strategies do not provide investor-specific and security-specific recommendations as contemplated above. Moreover, Edwards is not aware of models that meet the requirements of parts (d) and (e).

Specifically with regard to part (d) above, Edwards does not envision that it would be feasible for a model to "take into account the full range of investments, including equities and bonds, in determining the options for investment portfolios of the beneficiary" in a meaningful or comprehensive manner because of the wide array of complex investment options available to IRA participants, which include but are not limited to: stocks, bonds, commercial paper, funds (open, closed, and exchange traded), annuities, and private placements. To illustrate this point, the following bullets outline just a few of the relevant challenges:

- Volume of information—To begin, the total universe of stocks (traded and over-the-counter), bonds, funds, options would make it very difficult to produce an all-inclusive computer model. This universe is further expanded when one considers all of the different classes of each stock and fund, and the different issues and maturities/expirations for various bonds and options. Additionally, it would be extremely difficult to accumulate all of the quantitative data associated with all of the various securities issues in order to enable a model to provide a meaning evaluation of each of each individual security (such as the prices, ratios, yields, maturities, spreads, and benchmarks – to name only a few). This issue becomes even more significant when one considers that new securities are brought to the market on a daily basis.

- Qualitative information—Even if it was possible for all of the relevant quantitative data on every IRA eligible security to be collected, there is still an issue as to how a computer model would incorporate and evaluate qualitative factors. When making recommendations concerning a stock or a fund, investment advisers frequently place significant importance on qualitative factors such as the capability of management, soundness of strategic philosophy, adequacy of personnel, experience and/or expertise. Similarly, when evaluating bond investments, advisers look at bond ratings and a corporation's history concerning the servicing of its debt load. It is highly unlikely that the computer could make a meaningful analysis of this type of information, along with the other data, for purposes of making a security specific recommendation.

- Other features of the investment—Similar to the issues identified above for qualitative information, it seems highly unlikely that a computer model could, on a security-by-security basis evaluate investment features such as voting rights

associated with common stocks, liquidation priorities of preferred issues and debt, convertibility features, and any rights of redemption or exchange. Further, individual investors may value these features differently, which would make the consideration of these features more complicated for computer modeling purposes.

- Securities where information is not available—In addition to the foregoing, there may be instances where critical information is not readily ascertainable. For certain thinly traded issues (stocks and bonds) and private placement investments there may not be a publicly quoted price or value for the investment, this lack of information would seem to make it impossible for a computer model to provide a meaningful analysis of the security or a portfolio that contains such an investment.

In addition to the above, there are issues unique to IRAs that would make modeling for these accounts even more problematic such as considering the tax treatment of different investments in the IRA versus outside the IRA (tax efficiency); and whether an investment in a certain security could be viewed as a prohibited transaction under the Internal Revenue Code (i.e. because of a relationship between the IRA participant and the issuer). Taken together these issues would appear to make the creation of an effective and meaningful computer investment modeling program extraordinarily difficult.

2. If currently available computer models do not satisfy all of the criteria described above, which criteria are presently not considered by such computer models? Would it be possible to develop a model that satisfies all of the specified criteria? Which criteria would pose difficulties to developers and why?

As noted above, Edwards does not believe that there are currently any computer models that meet all five of the criteria specified in Question #1 and the possibility of creating a model that satisfies all the specified criteria is highly unlikely. Specifically, for the reasons identified above, it seems unlikely that a computer model could be developed to comprehensively address the criteria required in part (d) from Question #1. Additionally, given the breadth and complexity of the information that would be necessary to create and maintain a comprehensive and effective program, Edwards believes that the costs/expenses to do so would be prohibitively high.

3. If there are any currently available computer model investment advice programs meeting the criteria described in Question 1 that may be utilized for providing investment advice to IRA beneficiaries, please provide a complete description of such programs and the extent to which they are available to IRA beneficiaries.

As stated in our response to Question #1, Edwards does not know of any computer investment advice programs meeting all of the criteria described in Question #1.

4. With respect to any programs described in response to Question 3, do any of such programs permit the IRA beneficiary to invest IRA assets in virtually any investment? If not, what are the difficulties, if any, in creating such a model?

Edwards does not know of a program that permits IRA beneficiaries to invest IRA assets in "virtually any investment." The difficulties with developing and maintaining such a program are discussed in detail in Edwards' responses to Questions #1 and #2.

5. If computer model investment advice programs are not currently available to IRA beneficiaries that permit the investment of IRA assets in virtually any investment, are there computer model investment advice programs currently available to IRA beneficiaries that, by design or operation, limit the investments modeled by the computer program to a subset of the investment universe?

Edwards is aware of modeling programs that limit investment advice to a subset of the investment universe and other computer models provide asset allocation recommendations, however, asset allocation model recommendations are not considered investment advice under DOL Interpretive Bulletin 96-1. With regard to investment advice models that are limited to a subset of the investment universe, Edwards is aware of certain programs that evaluate a limited number of open-end mutual funds that are available to 401(k) participants and make fund-specific allocation recommendations based on certain of the 401(k) participant's personal characteristics (i.e. investment objective, risk tolerance, age, and net worth). At this time, the Firm does not offer any such computer model investment advice program in IRA accounts.

If so, who is responsible for the development of such investment limitations and how are the limitations developed?

The Firm does not offer a computer model investment advice program and as such our knowledge regarding the development of computer investment advice programs is limited. In our experience the 401(k) plan sponsor establishes the limits for the investments that are available to plan participants. Information on those selected investments is then fed into the computer model.

If, however, Edwards were to develop or use a computer investment advice program, we anticipate that investment limitations would first be determined by a working group of the Firm's Sales and Marketing and Information Technology Divisions. At present, the Firm anticipates that the universe of possible investments would probably be limited to open-end funds that maintain selling agreements with Edwards.

Is there any flexibility on the part of an IRA beneficiary to modify the computer model to take into account his or her preferences?

Edwards does not offer such computer model investment advice programs. Therefore, our knowledge of the ability for an IRA beneficiary to modify the computer model to take into account his or her preference is limited.

Are such computer model investment advice programs available to the beneficiaries of IRAs that are not maintained by the persons offering such programs?

Edwards does not offer such computer model investment advice programs. Therefore, our knowledge of such programs is limited.

6. If you offer a computer model investment advice program based on nonproprietary investment products, do you make the program available to investment accounts maintained by you on behalf of IRA beneficiaries?

Edwards does not offer propriety funds nor does it provide a computer model advice program. If Edwards would initiate such a program it would be available to all customers.

7. What are the investment options considered by computer investment advice programs? What information on such options is needed? How is the information obtained and made part of the programs? Is the information publicly available or available to IRA beneficiaries?

The computer investment advice programs Edwards is familiar with are narrowly confined to open-end mutual funds, and are generally used for employer sponsored 401(k) plans. With respect to the mutual funds offered, the information necessary for the IRA beneficiary to evaluate the choices is obtained from public sources, some of which are free and others which charge an access fee.

8. How should the Department or a third party evaluate a computer model investment advice program to determine whether a program satisfies the criteria described in Question 1 or any other similar criteria established to evaluate such programs?

The Firm believes that any computer model investment advice program must:
1. Consider all investment options available for an IRA account. The model needs to consider the fees of the different products, performance data complete with benchmark comparisons, and risk comparisons.
2. Be cost effective. If a model is too expensive to maintain then the cost(s) the Firm would have to charge clients may outweigh the usefulness of the model.

9. How do computer model investment advice programs present advice to IRA beneficiaries? How do such programs allow beneficiaries to refine, amend or override provided advice?
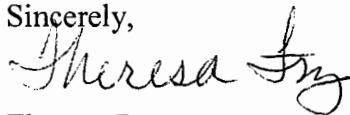
Edwards does not offer a computer model investment advice program. Therefore, our knowledge of such programs is limited. Edwards is most familiar with computer models that provide asset allocation models (education) rather than specific recommendations (investment advice). As mentioned in response to Question #5 above, with a limited universe (generally open-end funds) there is potential that specific recommendations of

funds may be made. The recommended investments would be potentially influenced by client inputs (age, risk tolerance, life expectancy, and retirement age).

Please be advised that Edwards does not believe that there is a computer model investment advice program which takes into account all the factors established in Question #1 that is feasible for IRAs. Therefore, we recommend that you expedite your review and immediately grant a class exemption from the prohibited transactions provisions under Section 4975 of the Internal Revenue Code for certain investment advice-related transactions.

If you have any questions regarding the enclosed response please contact Phil Toben at (314) 955-2160, or me at (314) 955-6387.

Sincerely,

Theresa Fry
Vice President, Manager
IRA and Distribution Planning
Private Client Services