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

314/955-3000

March 25, 2004

EDWARDS

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Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street N.W.
Washington D.C. 20552

Attention: 2004-06

Re: Comments of A.G. Edwards Inc. and A.G. Edwards Trust Company FSB
Notice of Proposed Rulemaking - Assessments and Fees [No. 2004-6]

Dear Sir or Madam:

Thank you for the opportunity to provide written comments to the recent proposed rulemaking. A.G. Edwards Inc. individually, and on behalf of its wholly-owned subsidiary, A.G. Edwards Trust Company FSB, (collectively referred to as "Edwards") recognizes and appreciates the important work performed by the Office of Thrift Supervision ("OTS") and respectfully submits these comments for your consideration.

Edwards' Organizational Structure

Edwards believes it is important to be familiar with our organizational structure when considering our comments. A.G. Edwards Inc. is a publicly traded holding company whose principal subsidiary is A.G. Edwards & Sons, Inc. ("Sons"). Sons is a registered broker-dealer whose business is conducted through one of the largest retail branch office networks (based upon number of offices and financial consultants) in the brokerage business. Sons has more than 700 locations in 49 states and more than 15,000 full time employees, including approximately 7,000 financial consultants providing services for over 3,600,000 clients. Sons is subject to various federal and state laws that specifically regulate its activities as a broker-dealer and investment advisor. Additionally, Sons is subject to net capital rules administered by the Securities and Exchange Commission ("SEC") and the New York Stock Exchange. Under such rules, Sons must maintain net capital of not less than 2 percent of aggregate debit items, as defined, arising from customer transactions. These rules also require Sons to notify and sometimes obtain approval of the SEC and other regulatory organizations for substantial withdrawals of capital.

A.G. Edwards Trust Company FSB ("AGETC") is also a subsidiary of A.G. Edwards Inc. AGETC is a federal savings bank organized to offer trust services. AGETC does not accept insured deposits from the public and is the only thrift in the holding company.

Savings and Loan Holding Company (SLHC) Semi-Annual Assessment

OTS is proposing to replace the existing SLHC assessment (based on actual examination hours) with a semiannual assessment based on the following components: Base Amount, Risk and Complexity, Organizational Form, and Condition (based on examination rating).

If this regulation is adopted as proposed, the SLHC annual assessment for Edwards will increase by more than 300%. Edwards does not believe that the proposed assessment for Edwards will correspond with the actual costs of supervising Edwards' SLHC. Edwards believes that this proposed increase is due to Edwards' capital structure. As previously mentioned, Edwards is subject to capital requirements as a result of the broker-dealer subsidiary. Because these capital requirements are unique to the securities industry, Edwards does not believe it is appropriate to apply the same assessment to securities firms (that control savings associations) that is applied to other types of firms. Additionally, Edwards is a SLHC that controls a single savings association that offers only trust services. Edwards does not believe that this type of holding company structure presents the same risk and complexity, as do other types of holding company structures.

One possible solution would be to incorporate a negative multiplier into the "Organization Form" component for certain types of SLHCs (e.g., securities firms that control a trust only thrift). For example, securities firms could have their assessment reduced by 50% of the sum of the base amount and risk and complexity components. This negative multiplier could be used to reduce the overall assessment for certain SLHCs to more accurately correlate the assessment to the actual costs of supervision. Another alternative would be to maintain the existing SLHC assessment calculation, which is based on actual examination hours.

Savings and Loan Semi-Annual Assessment

OTS is proposing to abandon the alternative size computation for qualifying savings associations. In doing so, OTS questions whether it is equitable to continue to require non-qualifying savings associations to carry some of the cost burdens for qualifying savings associations.

As previously mentioned, AGETC is a federal savings bank organized to offer trust services and does not accept insured deposits from the public. AGETC currently qualifies as a "small institution" for assessment purposes. As a general rule, trust only savings associations will have lower assets than deposit taking institutions (since trust assets are "off balance sheet" assets) and will often qualify as small institutions. Accordingly, trust assets are a separate component when calculating the assessment. Edwards agrees that it may be true that certain non-qualifying savings associations carry some of the cost burdens for qualifying savings associations. However, Edwards does not believe that this is true for trust-only savings associations since trust assets are already a component included in the assessment calculation. Edwards suggests that the alternative size computation should remain for savings associations that offer only trust services.

Summary

OTS states that it has three primary goals related to the proposed assessment changes:

1. Keep charges as low as possible while providing the agency with the resources essential to effectively supervise a changing industry;
2. tailor its charges to more accurately reflect the agency's cost of supervising institutions and their affiliates; and
3. provide institutions and their affiliates with consistent and predictable assessments to facilitate financial planning.

For the reasons explained previously, Edwards believes that the proposal does not meet the goals of keeping charges as low as possible and tailoring the charges to more accurately reflect the actual cost of supervision.

Thank you for your consideration of the foregoing items. I would welcome the opportunity to discuss these comments at greater length if you believe it would be of benefit.

Sincerely,

Douglas L. Kelly
Vice President and Chief Financial Officer
A.G. Edwards, Inc.