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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

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**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:

On behalf of JPMorgan Chase & Co., I am writing to respond to the Department's above-captioned request for information. JPMorgan Chase & Co., through its affiliates, JPMorgan Chase Bank, N.A., JPMorgan Securities Inc., a registered broker-dealer and NYSE member, and Chase Investment Services Corp., a registered broker-dealer and NASD member (collectively, "JPMC"), provides services to individual retirement accounts ("IRAs"), including, investment education and guidance. This causes the subject to be of particular interest to JPMC and positions it as a credible and practical resource of information in regard to this request. Therefore, we appreciate the opportunity to respond to this RFI and hope to remain a valuable source of information to the Department of Labor as it completes its required review of computer models for investment advice.

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.

JPMC is not aware of any computer model that meets all of the requirements enumerated above. In particular, those requirements set forth in sub-sections (c) and (d) are not addressed in computer models with which we are familiar.

We suggest that the requirement that mandates that a model “*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*”, merits some discussion.

It is our understanding that in order to mitigate such a bias, it is common practice in the industry for advisors to provide guidance or advice regarding a selection of both affiliated and non-affiliated funds and to allow the IRA beneficiary to make the ultimate investment decision. The advisor thereby is not exercising investment discretion and avoids favoring its own or an affiliate’s funds. Noteworthy is the fact that it is the investor, with the assistance of the advisor, and not a computer model which is causing the ultimate investment decision regarding mutual fund investments to take place.

We are certain that, while there are computer models which may consider a limited universe of mutual funds and which populate asset allocation models with such mutual funds, there exists no computer model in the IRA marketplace which meets the mandate that it: “*take into account the full range of investments, including equities and bonds, in determining the options for the investment portfolios of the beneficiary*”.

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 indicated in our above response, JPMC believes that the current computer models will meet neither requirement (c) or (d) above. The universe of data that would necessarily be included in the computer model in order to address these criteria, while not infinite, would certainly be vast. In addition, such a model would have to be equipped to take into consideration investor preference with respect to investing styles. For instance, some investors prefer active management while others believe that indexing is the appropriate way to invest. To develop and operate a model that essentially replicates the financial markets and which also takes into consideration investor preference in order to render investment advice to IRA beneficiaries could be so burdensome and costly that it may not be feasible to operate economically. This could potentially render such an offering unaffordable to the average IRA beneficiary, effectively defeating its worthy purpose. Furthermore, if a uniform computer model was developed, and the entire marketplace was to rely upon it, the value added by advisors who independently strive to optimize returns would be eliminated.

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 we have noted in our response to question 1, JPMC knows of no model that meets all of the criteria specified in that question.

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?

As we have noted in our response to question 1, JPMC knows of no model that meets all of the criteria specified in that question. In addition, as noted in our response to question 2, we believe that the inefficiencies and expense in attempting to operate a model which replicates the financial markets would be daunting and would not have the hoped for positive effect for IRA beneficiaries.

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?

Yes, in fact, JPMC utilizes a computer model for asset allocations, which allocations are then populated with a subset of the universe of U.S. registered mutual funds.

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

JPMC develops strategic and tactical allocation models which are implemented consultatively through investment advisory relationships between JPMC investment advisors and IRA beneficiaries.

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

JPMC's allocation models, of course, allow IRA beneficiaries to provide changes to the inputs relied upon in its scoring methodology. For example, an investor is able to change his or her investment time horizon or risk tolerance in order to do "what if" or "scenario" analysis. The scoring methodology profiles the IRA beneficiary and guides the allocation, the IRA beneficiary may not change the scoring methodology. We are not aware of any computer model which may itself be changed by an IRA

beneficiary. Of course, an IRA beneficiary is free to accept or reject the advice generated by the model or to invest in a manner that is different from the advice generated by the model.

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

JPMC knows of advice programs which are both maintained in-house and outsourced by a service provider.

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?

JPMC's model allocations may be populated with non-proprietary funds after consultation with the IRA beneficiary.

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?

JPMC is aware that in the 401(k) marketplace there are computer models which advise on investment in mutual funds and optimize around company stock positions held in an account. We are not aware of any such model in the IRA marketplace. In the IRA marketplace, in addition to the prospectuses of the funds, there are myriad sources of information and fund screening tools which IRA beneficiaries may consult.

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?

Clearly performance data which takes into consideration the return and expense ratios of the funds would be necessary in order for an IRA beneficiary to evaluate each investment option. In addition, a measure of risk which is easily understood by and tailored to the investor would be critical to any such evaluation. Finally, any evaluation of the computer model output would include a common sense assessment of whether the recommended asset allocation is a rational one based upon the inputs. By way of example, taking into consideration one's investment time horizon and risk tolerance, is an investment allocation of 80% equities and 20% fixed income sensible?

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?

The computer models with which JPMC is familiar provide investment allocation by asset class rather than advice on investment in particular mutual funds. An IRA beneficiary will respond to questions regarding his or her investment objective, time horizon and risk tolerance and the output is a profile which is then "mapped" to a particular model allocation. In an advisory relationship, as opposed to one where investment discretion is exercised by a manager, the implementation of the model allocation, that is the selection of the mutual fund investments that populate the recommended allocation, may then be revised as agreed by the advisor and the IRA beneficiary.

Again, we appreciate the opportunity to respond to the Request for Information. Please feel free to call us if you have any additional questions or require additional information.

Sincerely,

