IN THE MATTER OF:	*	
	*	**CONSENT ORDER**
EDWARD D. JONES & CO., L.P.	*	**No. CO-23-11056-S**
(CRD No. 250)	*	
("Respondent")	*	

I. PRELIMINARY STATEMENT

WHEREAS, the Banking Commissioner ("Commissioner") is charged with the administration of Chapter 672a of the General Statutes of Connecticut, the Connecticut Uniform Securities Act ("Act"), and Sections 36b-31-2 to 36b-31-33, inclusive, of the Regulations of Connecticut State Agencies promulgated under the Act ("Regulations");

WHEREAS, Respondent Edward D. Jones & Co., L.P. ("Edward Jones") has its principal place of business at 12555 Manchester Road, St. Louis, Missouri, 63131-3710, and has been registered as a broker-dealer under the Act since at least December 1986;

WHEREAS, the North American Securities Administrators Association, Inc. ("NASAA") is a voluntary association whose membership consists of 67 state, provincial, and territorial securities administrators;

WHEREAS, State securities regulators, as members of NASAA, formed a multistate task force, with Connecticut included as a Lead State, to conduct a coordinated investigation (the "Investigation") into Edward Jones' supervision of financial advisors servicing the accounts of brokerage customers who hired the firm's investment adviser to manage some or all of the customers' securities investments. The Investigation covered the period from approximately July 1, 2016 to June 30, 2018 (the "Relevant Period").

WHEREAS, Respondent has advised the NASAA multistate task force of its agreement to resolve the Investigation through a multistate settlement which includes this Consent Order;

WHEREAS, Section 36b-31(c) of the Act provides, in part, that: "To encourage uniform interpretation and administration of sections 36b-2 to 36b-33, inclusive, and effective securities regulation and enforcement, the commissioner may cooperate with the securities agencies or administrators of other states, Canadian provinces or territories . . . [and] any national or international organization of securities officials or agencies, and any governmental law enforcement or regulatory agency. The cooperation authorized by this subsection includes, but is not limited to, the following actions . . . (2) conducting joint . . . investigations; (3) sharing and exchanging information and documents subject to the restrictions of chapter 3; . . . and (5) executing joint agreements, memoranda of understanding and orders;"

WHEREAS, the Commissioner, acting pursuant to Sections 36b-31(c) and 36b-26 of the Act and through the Securities and Business Investments Division, joined in the Investigation described above to determine if Respondent had violated any provision of the Act or any regulation or order under the Act;

WHEREAS, Section 36b-27 of the Act, *inter alia*, authorizes the Commissioner to impose a fine against any person who has violated any provision of the Act or any regulation, rule or order adopted or issued under the Act;

WHEREAS, an administrative proceeding under Section 36b-27 of the Act would constitute a "contested case" within the meaning of Section 4-166(4) of the General Statutes of Connecticut;

WHEREAS, Section 4-177(c) of the General Statutes of Connecticut and Section 36a-1-55(a) of the Regulations of Connecticut State Agencies provide that a contested case may be resolved by consent order, unless precluded by law;

WHEREAS, Section 36b-31(a) of the Act provides, in relevant part, that "[t]he commissioner may from time to time make . . . such . . . orders as are necessary to carry out the provisions of sections 36b-2 to 36b-34, inclusive";

WHEREAS, Section 36b-31(b) of the Act provides, in relevant part, that "[n]o . . . order may be made . . . unless the commissioner finds that the action is necessary or appropriate in the public interest or for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of sections 36b-2 to 36b-34, inclusive";

WHEREAS, Respondent, without admitting or denying the Findings of Fact and Conclusions of Law set forth below and solely for the purposes of this Consent Order, admits the jurisdiction of the Commissioner, voluntarily consents to the entry of this Consent Order, and voluntarily waives the following rights: (1) to be afforded notice and an opportunity for a hearing within the meaning of Sections 36b-27(a) and 36b-27(d)(2) of the Act and Section 4-177(a) of the General Statutes of Connecticut; (2) to present evidence and argument and to otherwise avail itself of Sections 36b-27(a) and 36b-27(d)(2) of the Act and Section 4-177c(a) of the General Statutes of Connecticut; (3) to present its position in a hearing in which it is represented by counsel; (4) to have a written record of the hearing made and a written decision issued by a hearing officer; and (5) to seek judicial review of, or otherwise challenge or contest the matters described herein, including the validity of this Consent Order;

WHEREAS, the Commissioner finds that the entry of this Consent Order is necessary or appropriate in the public interest and consistent with the purposes fairly intended by the policy and provisions of the Act;

NOW THEREFORE, the Commissioner hereby enters this Consent Order.

II. FINDINGS OF FACT

1. Respondent is a financial services firm headquartered in St. Louis, Missouri, that serves over

seven million investors across North America. The firm provides its services through its approximately 18,000 financial advisors ("FAs"). The firm's focus is on serving the needs of retail investors.

2. Respondent has been registered as a broker-dealer under the Act since at least December 1986. Respondent has also been registered as an investment adviser with the United States Securities and Exchange Commission ("SEC") since October 24, 1963, and has made the notice filing required of federally registered investment advisers by Section 36b-6(e) of the Act since December 22, 1997.

Sales of Class A Mutual Fund Shares

3. Respondent's general strategy with respect to its brokerage business has been to focus on helping the serious, long-term individual investor by providing investors with information and disclosures to aid in client choices. FAs often worked with customers to offer high-quality investments with the goal of achieving diversification and investing for the long term. Respondent stated in various training materials, workshops, and conferences that mutual funds are a product that aligned with this philosophy.

4. Mutual funds typically offer more than one class of shares, with each class carrying different sales charges (commonly referred to as "loads"), expense ratios, and minimum initial investment requirements. Retail brokerage customers are typically eligible to purchase Class A, B or C shares; these share classes have the lowest initial investment requirements. The most common share class sold by Respondent was the Class A share.

5. The price of a Class A share includes a sales charge in the form of a single "front-end load" when the shares are purchased. Front-end loads on Class A shares vary but can be up to five percent of the value of the initial investment. Class A shares, like other mutual fund share classes, also have ongoing annual expenses which affect a client's overall costs over the life of the investment.

6. Class A shares are generally suitable for investors with longer term investment horizons at the

time of the purchase. As Respondent's training materials highlighted, in a hypothetical scenario, if a customer's retirement goal, investment objective, or time horizon for an investment is long term, the amortized costs of the sales load on a Class A mutual fund share may be lower than other mutual fund investment options in certain circumstances. For example, Class C shares typically charge no initial "load," but have higher annual expense ratios than A shares, making the C shares more expensive over longer holding periods.

7. Certain FAs serviced customers that purchased Class A shares presuming that the customers would hold the shares for several years. In circumstances where that customer sold the Class A shares sooner than originally anticipated, the customer gave up the originally perceived benefit of having paid a larger front-end load (with lower corresponding annual expense ratios than other share classes).

The Launch of Guided Solutions

8. In or around 2013, Respondent conducted research directed to customers and FAs to explore introducing new types of products and services, including new investment advisory services. These investment advisory accounts differed from brokerage-only accounts in many respects, including, but not limited to, the following: the governing regulations, the applicable standard of care, the type of services provided and the benefits to clients, and the way that fees for the services provided are calculated.
9. Investment advisory fees are generally calculated based upon a percentage of the value of the assets managed pursuant to the investment advisory agreement between the client and the firm. The costs related to brokerage-only accounts are typically commissions based on each discrete securities transaction executed on behalf of the customer (i.e., a per trade commission).
10. In April 2016, the United States Department of Labor adopted its fiduciary rule (the "DOL

Rule").[1] The DOL Rule provided that investment advice to retirement accounts would be subject to a fiduciary standard of care.[2]

Offering of Guided Solutions

11. In addition to existing brokerage-only account options, Respondent ultimately offered clients several investment advisory account options, including one known as Guided Solutions.

12. The Guided Solutions investment advisory account was a non-discretionary account, requiring the investment adviser or its representative (a.k.a., FAs) to obtain approval from the advisory client prior to executing securities transactions in the account. As an investment advisory account, Guided Solutions offered certain ongoing management services, for which Respondent assessed an investment advisory fee. These services included ongoing account monitoring and rebalancing services as well as allocation guardrails.

13. Beginning in 2016, Respondent communicated to its FAs how the requirements of the DOL Rule would impact different types of retirement accounts. This included placing the status of "grandfathered" on brokerage retirement accounts – a status that would impose limitations on investment activities within the brokerage account[3]. More important, these included strict limitations on trading, meaning a customer could not continue to build on their investment portfolio within a brokerage-only account.

14. Respondent sent each affected brokerage account holder a "Grandfathering Notice" that identified transactions that could and could not occur in a retirement brokerage account after the effective date of the DOL Rule of June 7, 2016.

15. Respondent did encourage its FAs to meet with the customers that they serviced to discuss those customers' options. FAs provided these customers with written information about the various

[1] The fiduciary rule was first proposed by the DOL in October 2010 and then re-proposed in April 2015.
[2] The fiduciary standard for SEC-registered investment advisers is derived from the Investment Advisers Act of 1940 and rules promulgated thereunder by SEC. The governing standard of care for recommendations made to retail brokerage customers became the "Best Interest" standard, rather than the suitability standard, pursuant to the Regulation Best Interest compliance date in 2020.
[3] The effect of the DOL Rule was that registered representatives of broker-dealers could not provide investment advice (i.e., securities recommendations) to retirement accounts.

account options as set out in a document entitled "Making Good Choices" that was created by Respondent. The Guided Solutions program, which included advisory services subject to a fiduciary standard of care, was one of the options outlined in the brochure from which customers could choose.[4] After meeting with the FA that was responsible for their account and reviewing their account options, certain customers chose to invest through a Guided Solutions or other investment advisory account rather than a brokerage-only account. Those new investment advisory clients were provided with certain required disclosure forms, and they each executed written agreements containing the terms of the investment advisory program, including the fees and costs that the client would be charged for the advisory services provided. The firm also did disclose in its Form ADV brochure that customers "can purchase many of the same or similar investments as those available in an advisory program for a lower fee through Edward Jones as a broker-dealer, although [they] will not receive the additional advisory services."

Class A Share Sales Loads and Corresponding Fee Offset

16. Certain FAs serviced customers who held Class A mutual fund shares in their brokerage accounts and then became Guided Solutions investment advisory clients. And certain of those customers had purchased Class A mutual fund shares in their brokerage account during the two or three years preceding the opening of the Guided Solutions account and at that time had paid a front-end sales load of up to five percent. When these customers chose to open their Guided Solutions accounts they began a new and different relationship with Respondent as investment advisory clients and were therefore subject to the aforementioned ongoing advisory fees upon account opening.

17. Respondent addressed this scenario in several ways, including encouraging FAs to communicate

[4] The information set out in the "Making Good Choices" document is similar to the information that broker-dealers and investment advisers are now required to provide to prospective customers in the SEC-mandated Form Client Relationship Summary, required under Regulation Best Interest.

with clients about these new and different relationships and making disclosures regarding investment advisory services and fees in its Form ADV brochure and in the investment advisory account opening documents it provided to clients. Respondent also supervised certain transactions in brokerage accounts in connection with the opening of Guided Solutions accounts, and continuously enhanced its procedures beginning in the Relevant Period, including with respect to how assets under care were invested in Guided Solutions accounts.

18. Throughout the Relevant Period, Respondent also provided a prorated offset of investment advisory fees to clients who, during the two years before becoming an advisory client, paid sales loads for the Class A shares. However, given the front-end load of up to five percent for the Class A shares, and the annual investment advisory fee between 0.5 to 1.35 percent, a two-year fee offset did not fully offset the front-end load paid on the Class A shares previously purchased by certain customers.

19. Certain of these customers had expected to pay no additional out of pocket expenses relative to their investments in such Class A shares at the time of the Class A share purchase. These customers ended up opening a Guided Solutions account and paying an ongoing fee for the investment advisory services provided relative to those assets.

20. In these cases, Respondent retained the front-end load previously assessed on the initial purchase of Class A mutual fund shares where that front-end load was not fully offset against the annual investment advisory fees for investment advisory services as described above.

21. Between 2016 and 2018 (the "Relevant Period"), the States estimate that certain FAs serviced brokerage customers who became Guided Solutions advisory clients and collectively paid more than ten million dollars in front-end loads for Class A shares in brokerage accounts across the United States and its territories that was retained by Respondent and not applied as an offset to investment advisory fees.

Mitigating Facts

22. In forgoing restitution to Respondent's customers, the States considered the positive performance of the investment advisory accounts (as compared to the brokerage accounts), the low per-customer restitution amount across the affected accounts, the variability in facts and circumstances for each customer, and the prolonged timeframe since the date of this activity.

III. CONCLUSIONS OF LAW

The Commissioner finds that sufficient grounds would exist to assess an administrative fine against Respondent under Section 36b-27 of the Act, based on the following, all of which are more fully described above, after granting Respondent an opportunity for a hearing:

1. Section 36b-31-6f(b) of the Regulations under the Act requires that a registered broker-dealer establish, enforce and maintain a system for supervising the activities of its agents that is reasonably designed to achieve compliance with applicable securities laws and regulations.
2. During the Relevant Period, Respondent did not have reasonably designed procedures regarding its activities as a broker-dealer that would have detected the conduct described herein relating to the holding period of Class A share mutual funds.
3. Respondent's failure, during the Relevant Period, to establish and maintain reasonably designed procedures relating to the foregoing constitutes a violation of Section 36b-31-6f(b) of the Regulations.
4. Pursuant to Section 36b-27(d) of the Act, a violation of of Section 36b-31-6f(b) of the Regulations constitute a basis for assessing an administrative fine against Respondent.

IV. CONSENT ORDER

On the basis of the Findings of Fact, Conclusions of Law, and the consent of the Respondent to the entry of this Consent Order,

IT IS HEREBY ORDERED THAT:

1. No later than ten days after the Commissioner enters this Consent Order, Respondent shall pay to the "Treasurer, State of Connecticut", by certified bank check or by Automated Clearing House (ACH) electronic funds transfer, the sum of three hundred thirty five thousand seven hundred fifty four and 72/100 dollars ($335,754.72), three hundred twenty thousand seven hundred fifty four and 72/100 dollars ($320,754.72) of which shall constitute an administrative fine and fifteen thousand dollars ($15,000) of which shall constitute Connecticut's allocated share of the investigative costs involved in the multistate settlement;
2. This Order concludes the Investigation by the Commissioner and resolves any other action that the Commissioner could commence under the Act as it relates to the Findings of Fact and Conclusions of Law herein; provided, however, that excluded from and not covered by this paragraph are any claims by the Commissioner arising from or relating to enforcement of the terms and conditions of this Consent Order. Nothing herein shall be construed as limiting the Commissioner's ability to investigate Respondent for violations not resolved herein, to respond to and address any consumer complaints made with respect to Respondent. or, in the future, to initiate proceedings under Sections 36b-15 and/or Section 36b-27 of the Act based on matters not specifically resolved herein.
3. This Consent Order shall be binding upon Edward Jones and its successors and assigns, as well as the successors and assigns of relevant affiliates, with respect to all conduct subject to the provisions above and all future obligations, responsibilities, undertakings, commitments, limitations, restrictions, events, and conditions
4. This Consent Order is entered into solely for the purpose of resolving the referenced multi-state securities investigation and is not intended to be used for any other purpose.
5. This Consent Order shall not (a) form the basis for any disqualifications of Edward Jones from registration as a broker-dealer, investment adviser, or issuer under the laws, rules, and regulations of any state, or for any disqualification from relying upon the securities registration exemptions or safe

harbor provisions to which Edward Jones or any of its affiliates may be subject under the laws, rules, and regulations of the settling states, (b) form the basis for any disqualifications of Edward Jones under the laws of any state, the District of Columbia, Puerto Rico, or the U.S. Virgin Islands; under the rules or regulations of any securities or commodities regulator or self-regulatory organizations; or under the federal securities laws, including but not limited to, § 3(a)(39) of the Securities Exchange Act of 1934, Rule 262 of Regulation A and Rules 504 and 506 of Regulation D under the Securities Act of 1933 and Rule 503 of Regulation CF, (c) form the basis for disqualification of Edward Jones under the FINRA rules prohibiting continuance in membership or disqualification under other SRO rules prohibiting continuance in membership.

6. Except in an action by the Commissioner to enforce the obligations in this Consent Order, this Consent Order is not intended to be deemed or used as (a) an admission of, or evidence of, the validity of any alleged wrongdoing, liability, or lack of any wrongdoing or liability; or (b) an admission of, or evidence of, any such alleged fault or omission of Edward Jones in any civil, criminal, arbitration, or administrative proceeding in any court, administrative agency, or other tribunal.
7. Nothing in this Consent Order affects Edward Jones' testimonial obligations or right to take legal positions in litigation in which the Commissioner is not a party. Evidence of any compromise offers and negotiations of the parties related to the Consent Order, including the Consent Order and its terms and any conduct or statements made during compromise negotiations, should not be used as evidence against any Party in any proceeding to prove or disprove the validity or amount of a disputed claim except in an action or proceeding to interpret or enforce this Consent Order.
8. This Consent Order is not intended to state or imply a finding of willful, reckless, or fraudulent conduct or breach of any fiduciary duty by Edward Jones, or its affiliates, directors, officers, employees, associated persons, or agents.
9. This Consent Order and any dispute related thereto shall be construed and enforced in accordance with, and governed by, the laws of the State of Connecticut without regard to any choice of law

principles.

NOW THEREFORE, the Commissioner enters the following:

1. The Findings of Fact, Conclusions of Law and Consent Order set forth above, be and are hereby entered;
2. Entry of this Consent Order by the Commissioner is without prejudice to the right of the Commissioner to take enforcement action against Respondent based upon a violation of this Consent Order if the Commissioner determines that compliance with the terms herein is not being observed; and
3. This Consent Order shall become final when entered.

So ordered at Hartford, Connecticut

this 20th day of December 2024.

_____/s/_____
Jorge L. Perez
Banking Commissioner

CONSENT TO ENTRY OF ORDER

I, James E. Crowe, III, state on behalf of Edward D. Jones & Co., L.P., that I have read the foregoing Consent Order; that I know and fully understand its contents; that I am authorized to execute this Consent Order on behalf of Edward D. Jones & Co., L.P.; that Edward D. Jones & Co., L.P. agrees freely and without threat or coercion of any kind to comply with the terms and conditions stated herein; and that Edward D. Jones & Co., L.P. voluntarily consents to the entry of this Consent Order, expressly waiving any right to a hearing on the matters described herein. Edward D. Jones & Co., L.P. further agrees that it shall not claim, assert, or apply for a tax deduction or tax credit with regard to any state, federal, or local tax for any administrative fine or monetary penalty that Edward D. Jones & Co., L.P. shall pay pursuant to this Consent Order. Edward D. Jones & Co., L.P. understands and acknowledges that the foregoing is not intended to imply that the Commissioner would agree that any other amounts that Edward D. Jones & Co., L.P. shall pay pursuant to this Consent Order may be reimbursed or indemnified (whether pursuant to an insurance policy or otherwise) under applicable law or may be the basis for any tax deduction or tax credit with regard to any state, federal or local tax.

Edward D. Jones & Co., L.P.

By: _____/s/_____
James E. Crowe, III
Senior Associate General Counsel

State of: Missouri

County of: St. Louis

On this the 17th day of December, 2024, before me, the undersigned officer, personally appeared James E. Crowe, III, who acknowledged himself to be the Senior Associate General Counsel of Edward D. Jones & Co., L.P., a limited partnership, and that he, as such Senior Associate General Counsel, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the limited partnership by himself as Senior Associate General Counsel.

In witness whereof I hereunto set my hand.

/s/
Notary Public
Date Commission Expires: May 5, 2028