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Dear Sirs/Mesdames:

Re: Consultation Paper 81-403, Rethinking Point of Sale Disclosure for Segregated Funds and Mutual Funds

This letter is in response to your request for comments on Consultation Paper 81-403 (the "Paper"), which, if the concepts it contains are carried forward, would establish a new point of sale disclosure regime. The following are the comments of Fidelity Investments Canada Limited ("Fidelity").

Fidelity's Prospectus Experience

Fidelity Canada is one of the largest managers of mutual funds in Canada, with more than \$26 billion under management in Canada. We are part of a group of companies known as Fidelity Investments, the head office of which is located in Boston, Massachusetts.

Fidelity Investments specializes in investment management for individuals, and has operations in a number of different countries located around the world. The Fidelity Investments group manages a total of more than \$925 billion in more than 275 mutual fund portfolios and other institutional accounts. We have significant experience in providing point of sale disclosure around the world.

In Canada, Fidelity was at the forefront of prospectus innovation in 1997 when it developed an award-winning, plainly-written, well-designed document that generated praise from investors,

advisors, and regulators. Since that time, Fidelity has successfully refined its prospectuses, even within the rigid structure of National Instrument 81-101 (“NI 81-101”).

General Comments

Fidelity actively participated in formulating the Investment Funds Institute of Canada (“IFIC”) submission on the Paper. We are in substantial agreement with the positions put forward by IFIC. We wish to take this opportunity to emphasize what we view to be the most critical elements of the IFIC submissions.

As an underlying principle, we submit that mutual fund managers should be given the flexibility to produce documents that are helpful to investors. Managers are in the best position to determine what information is most valuable to investors and the most effective means of delivering the information. This determination is dependant on the evolving needs of investors, the many ways mutual fund securities are sold, and on emerging technologies. Rigid rules undermine the ability of managers to produce documents that are helpful to investors, both at the time such rules are published and as key factors change over time. As evidence, consider NI 81-101 and the acknowledged disconnect between theory and practice.

Flexibility should be supplemented by general principles designed to ensure that any mandatory point of sale disclosure documents contain information that is crucial to the purchase of mutual fund securities and that such information is delivered in an effective, clear way. In that vein, we agree that Fund Summary documents should include information about a fund’s objective, strategy, risk, expenses, and where an investor can find more detailed information. The inclusion of additional information should be left to the manager’s discretion.

To clarify our use of the word “flexibility”, we submit that managers, while adhering to the general principles, should have the discretion to determine:

- whether to produce documents on a fund family or single fund basis or both;
- how to present the “crucial” information mandated for inclusion in the point of sale disclosure document;
- what information is included in a Foundation Document; and
- whether and how to provide performance information to investors.

Again, these determinations are dependant on manager-specific facts. As an illustration, consider a mutual fund manager that distributes through independent investment professionals compared to one that distributes directly to investors. The Fund Summary produced by the former would be likely to include less information and would be different from the Fund Summary produced by the latter. Each approach can be executed within the parameters of the general principles; each approach is helpful and protects the specific type of investor contemplated.

Conclusion

Although Fidelity has a number of concerns with respect to the Paper, we believe that the Paper represents a significant step forward. We urge you to consider allowing mutual fund managers the flexibility to produce documents that effectively inform and protect investors, within the parameters of general principles.

We appreciate the opportunity to comment on the Paper, and look forward to a continuing dialogue regarding the implementation of a fund disclosure regime that best serves the interests of investors.

Yours very truly,

[signed] "David S. Burbach"

David S. Burbach
Legal Counsel