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British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Securities Commission
Manitoba Securities Commission
Ontario Securities Commission
Securities Administration Branch, New Brunswick
Office of the Attorney General, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Registrar of Securities, Department of Justice, Government of the Northwest Territories
Registrar of Securities, Government of Yukon
Registrar of Securities, Legal Registries Division, Department of Justice, Government of
Nunavut

c/o John Stevenson
Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto, Ontario M5H 3S8
E-mail: jstevenson@osc.gov.on.ca

- and -

Denise Brosseau, Secretary
Commission des valeurs mobilières du Québec
800 Victoria Square, Stock Exchange Tower
P.O. Box 246, 22nd Floor
Montreal, Quebec H4Z 1G3
E-mail: consultation-en-cours@cvmq.com

Dear Sirs/Mesdames:

**Re: Changes to Proposed National Instrument 81-106 Investment Fund
Continuous Disclosure, Form 81-106FI and Companion Policy 81-106CP
Investment Fund Continuous Disclosure (Second Publication) and Related
Amendments**

We are writing in response to the request for comments on the revised versions of proposed National Instrument 81-106 Investment Fund Continuous Disclosure (the “Rule”), Form 81-106F1 Contents of Annual and Interim Management Report of Fund Performance (the “Form”) and the Companion Policy 81-106CP Investment Fund Continuous Disclosure (the “Policy”) which would implement a new regulatory regime governing the investment fund continuous disclosure. The Rule and the Form are together referred to as the “Instrument”.

Fidelity Investments is Canada's eighth largest mutual fund company and part of the Fidelity Investments organization of Boston, one of the world's largest providers of financial services. In Canada, Fidelity manages more than \$29 billion in assets and offers Canadian investors a full range of domestic and foreign-content mutual funds. Fidelity funds are available through a number of advice-based distribution channels including financial planners, investment dealers, banks, and insurance companies. Fidelity Investments also administers \$3 billion in defined contribution and defined benefit assets on behalf of corporate clients across Canada.

General Comments

As indicated in our comments about the first draft of the Instrument, we support the initiative taken by the CSA in proposing a regulatory regime intended to provide investors and advisers with timely and useful ongoing financial and non-financial information about investment funds. In our opinion, however, there continue to be several areas of concern that must be addressed before the Instrument will represent a solution that is in the best interests of investors.

We have chosen to focus on a few areas of concern in this comment letter. We support the comments made by the Investment Funds Institute of Canada (“IFIC”).

Specific Comments

Accelerated Delivery Requirements

We remain concerned with the 45 day deadline for interim financial statements and interim Management Report of Fund Performance (“MRFP”). Preparing, translating and mailing the interim financial statements within the current 60 day timeline provides considerable challenges. Unfortunately, many of these tasks are necessarily performed by parties that are not related to fund managers. The proposed interim MRFPs and incremental layer of review and approval will add significantly to those challenges.

We acknowledge that corporate issuers are required to prepare interim financial statements and Management Discussion and Analysis within 45 days. Unlike corporate issuers, mutual fund managers are required to prepare many interim reports: one set for

every fund offered. We submit that the sheer quantity of reporting makes the task of meeting a 45 day deadline inherently more challenging for mutual fund managers.

We are concerned that irrespective of the industry's best efforts, a 45 day deadline will give rise to the risk of a decline in quality of reporting. In our submission, any benefits to investors of receiving the reporting 15 days earlier are far outweighed by the risk that rushing will diminish quality of reporting.

The CSA indicated in its response to comments on the first draft of the Instrument that the U.S. Securities and Exchange Commission (the "SEC") is currently proposing to shorten filing deadlines to 60 days and 45 days for annual and interim financial statements. We understand that the SEC is **not** currently proposing such a reduction. We would ask that the CSA take this into consideration when contemplating reduced deadlines.

In our submission, 60 day deadlines are a reasonable balance between timely and quality reporting.

Fund Holdings Disclosure

In our view, disclosing holdings within 45 days unacceptably gives rise to risk of predatory trading. Information about a fund's holdings is valuable and proprietary information. The information is owned by a fund's investors. The early dissemination of such information causes a real deterioration in its value, ultimately harming investors.

We submit that, in the best interests of our investors, the deadline for disclosing holdings should not be set any earlier than 60 days after the date of such holdings.

Delivery of Disclosure

We strongly support giving investors the choice to receive any or all of a fund's financial disclosure. Where an investor provides instructions, he or she should be permitted to do so on a complex-wide basis. In our experience, investors are not interested in reporting on a fund-by-fund basis; they either wish to receive reporting for all of their funds or they do not wish to receive reporting for any of their funds.

While we are of the opinion that the annual reminder to investors is unnecessary and will result in increased costs to the funds, we suggest that if reminders are mandated, they should be generic. In other words, investors should be reminded each year that they can request information about their instructions or make changes by calling a toll free number or by contacting the fund manager in other ways. Customizing the reminder and allowing fund specific choices is of no, or at best minimal, interest to investors and it imposes a significant cost on fund managers. For those very few investors who may wish more information about their elections, the information will be made available in an accessible form.

Binding of MRFPs

Under the proposed Instrument an investment fund may not bind its MRFP with the MRFP of another fund. If the CSA's intent is to keep the content of each MRFP separate and distinct, this intent can be realized by prohibiting the consolidation of information. In the case of an RSP clone fund, however, consolidation and binding should be permitted. An RSP Fund has a virtually identical performance profile to an underlying fund, prohibiting consolidation and binding serves no purpose.

Furthermore, binding facilitates access of information contained in the MRFP for advisers who wish to educate potential investors on more than one fund. We submit that in the best interest of investors, binding should be permitted and consolidation of information permitted where two funds have very similar performance profiles.

Materiality

Finally, we submit that the Instrument is too prescriptive and that it does not properly consider materiality. Additional information that adds little or no value to investors will serve to clutter the disclosure and make it of less use. We echo the IFIC recommendation that Section 3.7 of the Rule, *Inapplicable Line Items*, be amended to include a level of materiality level of 5% of total revenue or expense, as applicable, for inclusion in the financial statements.

Similarly, the Financial Highlights requirements of 81-106FI Item 3 contemplate additional disclosure that is not helpful. In particular, disclosing the impact of revenue per unit provides very little useful information to investors. The more useful information is already part of the currently mandated Financial Highlights: net income per unit and, since investors are taxed on this amount, distributions from income.

Furthermore, expenses per unit is of less significance than the Management Expense Ratio, a measure with which most investors are familiar. We recommend leaving the Financial Highlights unchanged as it relates to income and expenses per unit.

We submit that the current form of the rules would create information overload, resulting in the loss of important and meaningful information in the clutter.

Conclusion

Although Fidelity Canada has a number of concerns with respect to the Instrument, we believe that the Instrument represents a significant step forward. We urge you to consider the concerns we have raised in this letter and our proposals for dealing with those concerns.

We appreciate the opportunity to comment on the Instrument, and look forward to a continuing dialogue regarding the implementation of Investment Funds Continuous Disclosure that best serves the interests of investors.

Yours very truly,

[signed] "Peter S. Bowen"

Peter S. Bowen
Vice-President & Fund Treasurer
Chief Compliance Officer
Fidelity Investments Canada Limited