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Saskatchewan Securities Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Nova Scotia Securities Commission
New Brunswick Securities Commission

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Dear Mesdames:

Re: Request for Comments on Proposed National Instrument 41-101 – *General Prospectus Requirements* ("NI 41-101")

This letter is in response to the general request for comments on proposed NI 41-101 and Related Amendments published by the Canadian Securities Administrators

("CSA") on December 22, 2006 (the "Proposals"). The following comments are from Fidelity Investments Canada Limited ("Fidelity"). Our comments will be limited to that portion of the Proposals relating to consequential to amendments to National Instrument 81-101 - *Mutual Fund Prospectus Disclosure* ("NI 81-101"), which are set out in Appendix I of the Proposals (the "NI 81-101 Proposals").

Who is Fidelity?

Fidelity is one of the largest managers of mutual funds in Canada, with approximately $40 billion in mutual fund assets under management in Canada. We are part of a group of companies known as Fidelity Investments, which is headquartered in Boston, Massachusetts.

Fidelity Investments is an international provider of financial services and investment resources that help individuals and institutions meet their financial objectives. The Fidelity Investments group manages more than $1.3 trillion in assets in more than 300 mutual fund portfolios and other institutional accounts around the world. Fidelity Investments has been in business for more than sixty years and has grown to become one of the largest mutual fund companies in the world.

General Comments

We support the efforts of the CSA to harmonize prospectus filing requirements across the country. More specifically, we welcome the further harmonization of the form and filing requirements for mutual fund simplified prospectuses ("SP") and annual information forms ("AIF"), through the NI 81-101 Proposals.

Notwithstanding our general support of these changes, we do have concerns regarding some of the elements of the NI 81-101 Proposals. Our comments are focused on two parts of the NI 81-101 Proposals: **Review of Unaudited Financial Statements**, and **Short Term Trading Policy Disclosure**.

Review of Unaudited Financial Statements

Under the NI 81-101 Proposals, the proposed addition of s. 2.7 to NI 81-101 ("section 2.7") states:

> **2.7 Review of Unaudited Financial Statements** – Any unaudited financial statements included in or incorporated by reference in a simplified prospectus must have been reviewed in accordance with the relevant standards set out in the Handbook for a review of financial statements by the mutual fund's auditor or a public accountant's review of financial statements.

If this change is adopted, it would create a new obligation for a mutual fund that issues a SP under NI 81-101 to have its interim financial statements reviewed by the fund's auditor, since National Instrument 81-106 *Investment Fund Continuous Disclosure* ("NI 81-106") currently does not require auditor review for interim financial statements.

It is our submission that if proposed section 2.7 were enacted, this new requirement would seriously impact the ability of mutual funds to file interim financial statements on time.

When NI 81-106 was enacted in mid-2005, the CSA chose not to shorten the filing deadline for interim financial statements from the 60 day period that was already in place (even though it had initially recommended shortening the timeline from 60 to 45 days). In doing so, the CSA was responding to concerns raised by many in the industry about the difficulties in complying with the already compressed filing timelines, especially in light of the addition of the Management Reports of Fund Performance and other reporting requirements introduced under that Instrument. At the time of NI 81-106's enactment, the CSA also chose not to make auditor review of interim financial statements mandatory.

If the auditor review requirement becomes mandatory, then the addition of this extra step in the financial statement preparation and delivery process will further squeeze an already very tight filing timeline. The extra time that will need to be set aside for auditor review will leave far less time to actually prepare the statements and will jeopardize the ability of funds to file interim financial statements within the 60 day timeline. All of these same issues and concerns that arose during the NI 81-106 consultation process will surface again.

In addition, the increased costs associated with a mandatory auditor review will have an impact on fund expenses through higher management expense ratios ("MERs"). Higher MERs ultimately harm investors, since they act as a drag on a fund's rate of return. It is our submission that these additional costs to investors would not be offset by any benefits derived from an auditor review.

In light of these concerns, we recommend that the CSA eliminate the proposed section 2.7.

Short Term Trading Fee Disclosure

Fidelity is generally in agreement with the CSA's proposals to amend Item 6 of Part A of Form NI 81-101F1 (the "Form") to add additional disclosure regarding short term trading policies to a fund's SP and AIF (the "Short Term Trading Disclosure" or the "Disclosure")). That said, we wish to express our concerns regarding certain aspects of the Short Term Trading Disclosure that we believe require further consideration by the CSA. Our concerns are with the following parts of the proposed Disclosure:

- Describe the restrictions, if any, that may be imposed by the mutual fund to deter short term trades, including the circumstances, if any, under which such restrictions may not apply or may otherwise be waived. (emphasis added);

- If applicable, stat that the annual information form includes a description of all agreements, whether formal or informal, with any person or company, to permit short-term trades of securities of the mutual fund

Exceptions to Short Term Trading Policies

It is our submission that specific disclosure of circumstances in which a short term trading restriction or fee may be waived, may have the unintended adverse consequence of serving as a roadmap for "how to beat the system" and to circumvent the restrictions and penalties set forth in those policies, which exist to protect investors. This in turn could make it easier for persons to engage in excessive short term trading and avoid detection, or the application of any penalties and restrictions set out in a fund's short term trading policies, by simply conducting trades in a way that is exempted from the policy, or by offering one of the enumerated reasons for waiver, all as described in the SP. While we agree it is appropriate for investors to be told about any fees or other penalties that could be assessed for excessive short term trading, we don't believe it serves the best interests of investors to in effect be provided with instructions on how to engage in excessive short term trading and avoid penalties or restrictions put in place for doing so. The harm of this disclosure being misused, in our opinion, outweighs the benefits to investors from having this disclosure. To that end, we recommend eliminating this requirement.

Description of Agreements Permitting Short Term Trading

We're also concerned with the provision requiring a description of agreements the fund manager has with others that "permit" short term trading – it's not necessary and could be misleading to investors. To the extent that a fund manager may have agreements in place which provide that for legitimate reasons, short term trading restrictions will not be actively enforced in regards to certain transactions, they are typically "fund on fund"-type agreements with institutional investors or other mutual fund managers. These clients often require a degree of flexibility regarding their ability to buy and sell bottom fund units, in order to meet purchase and redemption requests in the top fund. These agreements typically include specific representations regarding market timing or excessive short term trading, and where it includes specific waivers of parts of the bottom fund's short term trading policies, it is only where the bottom fund manager is satisfied that such client has suitable policies of its own to police that practice in their top funds.

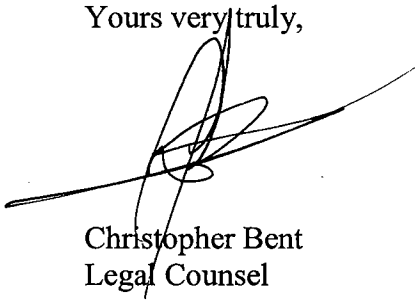
It is our submission that this kind of "alliance relationship" is not the type of relationship that the short term trading policies are intended to restrict, and we do not believe there would be a material benefit to investors from disclosure of these types of agreements in the AIF. This disclosure could even be misleading in that it may give a false impression of different treatment for different investors. As such, we recommend the elimination of this proposed portion of the Disclosure.

Conclusion

Notwithstanding the concerns raised in this letter, we support many of the changes proposed in the NI 81-101 Proposals and support the principles behind those changes. We urge you to consider the concerns we have raised in this comment letter and our

proposals for addressing those concerns. We appreciate the opportunity to comment on the Proposals and look forward to a continuing dialogue regarding the implementation of these changes in a way that best serves the interests of investors.

Yours very truly,



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