



October 15, 2007

BY ELECTRONIC MAIL: jointforum@fsco.gov.on.ca

Mr. Neil Mohindra
Acting Policy Manager
Joint Forum Project Office
5160 Yonge Street
Box 85, 17th Floor
North York, Ontario
M2N 6L9

Dear Sir:

Re: Proposed Framework 81-406 – Point of Sale Disclosure for Mutual Funds and Segregated Funds

We are writing in response to the Request for Comments dated June 15, 2007 with respect to the Proposed Framework 81-406 ("81-406"). We appreciate the opportunity to comment on 81-406.

Fidelity Investments Canada ULC ("Fidelity") is the 8th largest mutual fund management company in Canada managing in excess of \$43 Billion in mutual fund through approximately 100 mutual funds and corporate pension plan assets. Fidelity is part of the Fidelity Investments organization of Boston, one of the world's largest providers of financial services.

General Comments

Fidelity commends the Joint Forum initiative to introduce a simple two page document for investors (the Fund Facts). Fidelity supports increased transparency of fees as proposed in the Fund Facts. We also agree that this type of document will make it much easier for investors to understand the product that they are buying. In addition, we very much support the notion that delivery of the Fund Facts should replace the obligation to deliver the simplified prospectus to investors. We agree with your conclusion that few investors actually read the prospectus given the size and complexity of that document.

We commend the Joint Forum for bringing together securities regulators and insurance regulators to come to a common proposal for products which are

similar. We support a level playing field for mutual funds and segregated funds and for other competitive products.

Our major comments on 81-406 are highlighted below. We have also attached an Appendix to this letter that responds to the questions posed by the Joint Forum.

Major Comments

We have two major comments on 81-406. They relate to delivery of the Fund Facts document and the cost and logistics of producing Fund Facts as currently proposed in 81-406.

1. Delivery

a. Disruption to the Investment Process

The Joint Forum proposes that the Fund Facts document be delivered before or at the point of sale. The rationale for this is that the Joint Forum believes that investors want the information in the Fund Facts to assist them in making their purchase decisions. Under the current proposal, Fund Facts must be delivered for initial purchases, subsequent purchases (except for pre-authorized payment plan purchases) and switches. Investors do not have the option to waive receipt of the Fund Facts.

We believe that requiring the Fund Facts document to be delivered before or at the point of sale will significantly disrupt the investment process in many cases to the detriment of investors. The delivery mechanisms for the Fund Facts are outlined in the proposal. However, in our view, the proposal does not take into account several important factors.

We believe, based on industry data, that most investors will not want to receive the Fund Facts until after the sale has taken place. They will not want the sales process to stop while they wait to receive the Fund Facts and then take the time to confirm back to their financial advisor that they have read it. Many investors will want the right to waive this requirement, particularly where they have a relationship with a financial advisor. There are likely a variety of other reasons that investors will not appreciate this requirement. For example, an investor may wish to take action in light of changes to market conditions or an investor may simply want to conclude a trade and not agree that additional information is helpful or necessary. Also, the proposal does not take into account the investor who is out of the country and who may not have access to fax machines or computers. Since delivery cannot be done orally, those people will be unable to trade or manage their investment portfolios at potentially important times.

If 81-406 goes forward in its present form, we believe that the regulators will be forced by disgruntled investors to amend 81-406 to take into account their right not to receive this document at or before the point of sale depending on their own circumstances at the time they are placing the trade. We do not believe that this initiative takes into account the real needs of investors by not giving them the choice that they, as adults, should have.

We could envision an effective system that would include the Fund Facts document being delivered within a limited amount of time after the sale. In that event we would suggest that the investor have a cooling off period (as already contemplated in 81-406) that would allow investors to withdraw their investment after reading the Fund Facts document.

b. Subsequent Purchases

Delivery at or before the point of sale is particularly troublesome for subsequent purchases, where investors have already received extensive information about a fund through their existing holdings (prospectus, financial statements, management reports of fund performance, marketing materials etc.).

Quite often, investors provide instructions for subsequent purchases over the telephone. In our view, the requirement to deliver the Fund Facts before a subsequent purchase of the same fund is unnecessary and cumbersome and is unlikely to be a step that is welcomed by most investors. We urge the Joint Forum to eliminate this requirement or allow investors to waive receipt of the Fund Facts.

c. Competitive Concerns

Fidelity strongly believes that the additional requirement of delivery in the sales process will create a significant competitive disadvantage for mutual funds and segregated funds. The proposal does not extend to other competitive products, such as ETFs, equities, wrap programs, banking products (such as principal protected notes which are often linked to mutual funds) or other products not subject to his regime. We believe that this will create an incentive for financial advisors and clients who want to transact more quickly, to use other non-mutual fund products.

In addition, we are concerned that this requirement will cause dealers to narrow their product shelf and the offering to investors, so instead of offering the funds of 10 or more fund companies, the choice will be narrowed to 3 or 4 fund companies and fewer funds. We do not believe that this is in the best interests of investors.

2. Cost/Logistics

a. Production

The current proposal is to produce a separate Fund Facts document for each series of a Fund at least two times a year (at the time the financial statements are produced) and potentially a third time (if the prospectus filing cycle is not at the same time as the financial statements).

In the case of Fidelity, we estimate that we will be creating in excess of 2,000 Fund Facts annually. While we will not be required to deliver the simplified prospectus and annual information form, we will nevertheless have to continue creating those documents and filing them with the Canadian Securities Regulators in the normal course. This, in addition to the financial statements and the recently introduced Management Report of Fund Performance for each fund ("MRFP"), will create a staggering amount of work and cost for the mutual fund management company and the funds in many different areas of the company. We anticipate that the Fund Facts will have workload repercussions for the systems department, the legal department, the marketing and sales departments, the transfer agent, client services, the financial services department and the fund treasury department. We are in the process now of trying to assess the impact on the Company and the costs for investors of implementing this proposal.

Adding further to the cost is the issue of how to produce these for the financial advisors and their firms and how to deliver them to the financial advisors so that they can be used effectively and in compliance with 81-406. We anticipate having to print and deliver hard copies to many financial advisors who still do a primarily paper-based business. In our experience, financial advisors typically sell approximately 20 mutual funds from a variety of mutual fund companies. The financial advisor will have the responsibility to keep a current inventory of the Fund Facts for every mutual fund that he or she sells. Since they are produced twice (or even three times) a year and at different times depending on the financial year end of the fund in question, we believe that this will create significant logistical challenges for the individual financial advisor. The result is very likely to be that the financial advisor does not receive the correct version of the Fund Facts or has difficulty keeping track of what the correct version is and the investor does not receive the correct version of the Fund Facts at the right time.

The mutual fund industry has made significant strides in reducing paper and increasing use of electronic means. We believe that this will be a significant step backwards and that more paper will be produced in an era when investors want less paper and more electronic access at their convenience.

If the various series of a Fund are offered in different Fund Facts, we do not believe that investors will be easily able to compare their options. For example, Fidelity Funds are sold both front load and back load. Front load is known as Series A and backload is sold as Series B. Investors would only receive one Fund Facts and would therefore potentially not be aware of the other alternative. In addition, there are other types of series that investors may be eligible to purchase that they may wish to understand. Again those would not be available to the investor. For this reason, we would suggest that a Fund, including all series, be offered through one Fund Facts document. We believe that a table can be constructed (as is now done in many simplified prospectuses) outlining the series and other purchase options and costs without overly complicating or lengthening the Fund Facts.

The Fund Facts also does not contemplate other commission options such as low load or fee for service.

For these reasons, we would suggest that the Fund Facts be a more inclusive document that would allow all purchase options to be described in one place for a Fund. This would increase transparency of purchase options to investors, reduce costs to investors and improve the logistical issues of delivery for financial advisors.

b. Rights of Investors on Non-Delivery

The Proposal currently allows investors to withdraw from their purchases if they did not receive the Fund Facts. This seems to be an unlimited right. In that event, investors will have the right to receive their original investment back plus any fees that they paid (which we assume means commissions). It is not clear who should bear any costs of returning the investor's original investment (if indeed there are costs, such as market declines). Is it the advisor, the Fund or the fund management company? 81-406 should make this clear. In addition, it is not clear which "fees" will be returned to the investor.

We suggest that there be a time limit on this right. After a certain amount of time, the investor will have (or been able to receive) a great deal of information about their fund including the financial statements, management reports of fund performance. Even if they have not opted to receive this information, they will have received confirmations and very regular client statements specifying the Fund that they purchased and giving them the opportunity to ask questions.

Conclusion

We are very supportive of the approach being put forward by the Joint Forum to adopt a simple two page document in the form of the Fund Facts. We believe that investors will be better served with this type of information and are more likely to read and understand the fund information in this format.

However, we do not believe that the current proposal to deliver the Fund Facts at or before the point of sale is in the best interests of investors. We believe that most investors will not want this since they will not have the ability to trade when they want or need to trade. We believe that investors want to make their own decisions without restrictions imposed by regulators, or at least have the ability to waive those restrictions where it suits their own particular needs or where circumstances are such that they wish to act immediately.

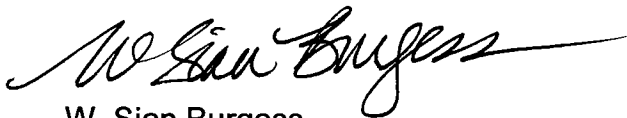
We believe that the objective of the Fund Facts can be accomplished with delivery after the point of sale within a limited amount of time. We have suggested that this could be followed by a reasonable cooling off period. We believe that this would serve the investors well without disrupting the trading process.

We would also urge the Joint Forum to consider a system whereby the Fund Facts is renewed annually unless there is a material change to a Fund, on the same cycle as the prospectus renewal. We believe that this would result in the correct version of the Fund Facts making its way to investors. We do not believe that the logistical and cost issues warrant a more frequent document and we do not believe that investors lose any meaningful information as a result of a less frequent Fund Facts cycle (i.e. annual).

In addition, we support the Joint Forum's effort to provide clarity and simplicity around fees paid by investors. We would suggest that the Fund Facts include all series and purchase options so that investors can see all their options in one document and choose the option that is most appropriate for them.

Thank you again for the opportunity to provide comments on this Joint Forum initiative. Rob Strickland, President of Fidelity and myself would very much appreciate an opportunity to discuss our comments with you and the other Canadian regulators who have participated in the formulation of 81-406. I can be reached at 416-217-7692 if you wish to discuss these comments or to set up a meeting.

Yours sincerely,

A handwritten signature in black ink, reading "W. Sian Burgess". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

W. Sian Burgess
Senior Vice-President & Deputy General Counsel

c.c. Robert Strickland, President

APPENDIX "A"

RESPONSES TO SPECIFIC QUESTIONS

- 3. Do the delivery methods described above give investors and industry enough flexibility to make and execute investment decisions in a timely manner?**

As we stated in the main body of our letter, Fidelity's view is that delivery at or before point of sale will be disruptive to the sales process. We are particularly concerned about this requirement for subsequent purchases and would urge the Joint Forum to reconsider the proposal relating to subsequent purchases. We do not believe that most investors will want to hold up a subsequent purchase in order to receive the Fund Facts, particularly when we believe that most subsequent purchases are conducted by telephone.

- 4. Are there other delivery methods or options that we should consider that are consistent with our objective of providing investors with disclosure before or at the point of sale?**

In our view, investors should have the ability to waive the requirement to receive a Fund Facts. Again, this right would be critical for investors who do not have easy access to a Fund Facts document (for reasons such as investors who are traveling etc.). In addition, we feel that an investor who already owns a Fund is already informed about the fund through various means and again should have the right to waive this requirement.

We believe investors should also have the right to obtain the Fund Facts on a fund manager's website as opposed to the obligation being placed on the advisor to actually deliver the document by any of the methods currently contemplated.

- 9. Are there other ways of disclosing the information in the Fund Facts for a fund with multiple classes, series or guarantee options that are consistent with our objective of providing investors with a two-page document that is easy to understand?**

We would suggest that a chart be used to show the various series and purchase options for those series. It could be simple and easy to read. This approach is now used in simplified prospectuses for mutual funds and could be adopted for the Fund Facts without overly lengthening or complicating the document.

We continue to believe that an investor should be aware of all of its options with respect to purchasing a Fund, including lower cost series, lower commission series etc.

10. Fund managers and insurers: How often would you want to update the Fund Facts? If more or less frequently than quarterly, with what frequency and why?

In our view, an annual update should be all that is necessary. If an investor wants more frequent information that can be obtained through the fund manager's website or through readily available documents like the fund financial statements or the management reports of fund performance. It is unnecessarily costly to update such generic information as is currently laid out in the Fund Facts more frequently than annually.

The two areas on the Fund Facts that would be impacted are the top 10 holdings and the fund performance. The industry has had multiple discussions with the regulators about how quickly the top 10 holdings become outdated and the response from the regulator is that this is just "indicative" information. If that is the case, and time sensitivity is not a high priority for the regulators, then again, it should not be necessary to update this information more than annually.

The second area impacted would be fund performance. Here again, with the long term horizon for mutual funds, the emphasis should not be on 6 month performance changes, but rather on long term performance. As for the simplified prospectus, annual reporting on this should be sufficient. In addition, there are multiple public sources for fund performance should an investor require up to the minute performance information.

We do support the concept that the Fund Facts should be updated if there is a material change to the Fund. The material given to investors should accurately reflect the nature of the Fund and its objectives.