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September 14, 2012

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
New Brunswick Securities Commission
Superintendent of Securities, Prince Edward Island
Nova Scotia Securities Commission
Superintendent of Securities, Newfoundland and Labrador
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon Territory
Superintendent of Securities, Nunavut

The Secretary
Ontario Securities Commission
20 Queen Street West, 19th Floor, Box 55
Toronto, ON M5H 3S8

Me Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, tour de la Bourse
Montréal (Québec) H4Z 1G3

Dear Sirs/Mesdames:

RE: Proposed Amendments to National Instrument 31-103: Cost Disclosure and Performance Reporting

Thank you for the opportunity to provide comments to the Canadian Securities Administrators ("CSA") on the proposed amendments to National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* ("NI 31-103") and to Companion Policy 31-103CP *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (the "CP") related to cost disclosure and performance reporting (collectively, the "Proposed Amendments").

Fidelity Investments Canada ULC ("Fidelity") is the 6th largest fund management company in Canada and part of the Fidelity Investments organization in Boston, one of the world's largest financial services providers. Fidelity manages over $66 billion in mutual funds and institutional assets and offers approximately 200 mutual funds and pooled funds to Canadian investors.

Fidelity supports the general principles of the Proposed Amendments to provide investors with clear and transparent reporting on performance and the costs of investing in mutual funds. While improvements have been made since the CSA first published its proposal on June 24, 2011, we continue to believe that a number of issues in the Proposed Amendments raise significant concerns and cause confusion for investors, which are described below.

We have actively participated with the Investment Funds Institute of Canada's ("IFIC") on this initiative, as these issues have a broad impact on our operations and those of the distributors of Fidelity's mutual funds. Accordingly, we support and endorse IFIC's comments.

Our response is separated into three parts. In the first part, we raise our general concerns with respect to certain sections of the Proposed Amendments, in no particular order. In the second part, we respond to certain questions raised by the CSA in the Proposed Amendments. The final section summarizes our conclusion.

GENERAL COMMENTS

A. APPLICATION TO MUTUAL FUNDS VS. OTHER COMPETING PRODUCTS

We agree with the general principles of the Proposed Amendments to provide investors with clear and transparent reporting on performance and the costs of investing in mutual funds. However, we believe that this initiative is yet another initiative that targets only mutual funds and not the products that compete with and are very similar to mutual funds, like separately managed accounts ("SMAs"). We have heard in the past that mutual funds are so highly regulated because they are the subject of regulation by the securities commissions and the Investment Funds Branches in those commissions. However, products like SMAs are in fact securities products that are ignored by securities regulators. They are akin to mutual funds, but without the comparable level of transparency, disclosure and regulation.

We also hear from the securities regulators that other products are outside of the sphere of securities regulation. Yet they are offered to the same investors as mutual funds. We think it is within the mandate of the securities regulators to raise issues of unlevel playing fields in the interests of retail investors, if the true mandate of the securities regulators is the protection of investors. Regulatory arbitrage should not occur on the CSA's watch. These issues should be raised with other regulators, Finance Ministers or other areas of government.

In the meantime, we strongly believe that retail mutual funds are wonderful products for retail investors. The ongoing drive to take mutual funds to the highest regulatory standard without comparable regulation around other products will simply send investors to competing products. We are sure that regulators would rather see investors in highly regulated and thoughtful products rather than ones that might be less suitable and higher risk without the attendant regulation.

B. COST DISCLOSURE

Given the increase in regulatory materials that are provided to investors, which explain in detail the costs of investing in mutual funds, we believe that the Proposed Amendments have the potential to mislead investors to believe that mutual funds are more problematic and expensive than other types of securities, which may or may not be regulated by the CSA.

Also, we continue to be concerned about the number of documents given to investors relating to the costs of investing in mutual funds. The different cost disclosures (both account level and fund level charges) are more likely to give rise to investor confusion than create a clearer picture. We urge the CSA again to streamline the disclosure around costs given to investors and to use the same and consistent terminology.

C. INVESTMENT FUND MANAGERS

Pursuant to new section 14.1(2), fund managers will be required to provide the dealer with certain information about investment funds (i.e. charges deducted from the net asset value of a fund upon redemption and the dollar amount of trailing commissions paid).

It is unclear from the rule and the CP as to when and how fund managers are to provide this information. We respectfully request that the CSA specify when and how fund managers are to provide this information.

D. TRAILING COMMISSIONS

We support the CSA's desire to have investors understand the costs that they pay for their mutual fund. However, we continue to be concerned that the specific disclosure you are mandating for mutual funds will mean that investors may perceive them to be more expensive than other vehicles. Unbundling the trailing commissions, for example, may well cause investors not to invest in mutual funds. Investors may abandon this type of savings altogether, believing the costs are too high. Alternatively, they may move to other products where the fees are still bundled, believing that the costs are cheaper.

We see no attention being paid by the regulators to this real threat. Has, for example, the CSA considered additional disclosure that would make it clear that all

investments have costs and that many investments pay commissions and then give examples?

Without the creation of a level playing field around the understanding of costs, regulators are not serving investors well. They will simply serve to drive investors away from savings or to competing products that may not be as appropriate or suitable or even as cost effective as mutual funds.

E. TRANSACTION CHARGES

In terms of the new definition of "transaction charges" in section 1.1, in our capacity as a mutual fund dealer, certain charges are not levied to the client by us directly, but rather are fund charges that are either charged by and paid to the fund or a function of the way the fund is sold (i.e. commissions, short-term trading fees, etc.).

Consequently, we would ask that the CSA clarify this definition and/or provide guidance as to how this may apply to mutual fund dealers where some of the charges are not charged by the dealer, but rather a function of and charged by the fund.

F. HARMONIZATION WITH SRO INITIATIVES

While not specifically addressed in detail in the Proposed Amendments, there are still significant differences between the Proposed Amendments and the rules of the Self-Regulatory Organizations ("SROs"). The CSA expects that the MFDA and IIROC rules to be exempt from the Proposed Amendments, but only where the CSA considers them to be substantially similar to the Proposed Amendments. As further refinements will be necessary to ensure harmonization, we encourage the CSA to work with the SROs so that the extent of the changes could be minimized. The end result will be beneficial to industry participants and investors generally.

G. TRANSITION PERIODS

We acknowledge the CSA's efforts to incorporate longer transition periods with respect to the implementation of many of the Proposed Amendments. Yet, we recognize the difficulties in implementing some of the Proposed Amendments without incorporating any transition periods at all.

In terms of the required information that fund managers would need to provide dealers under section 14.1(2) and the transaction charge disclosure to be made under section 14.12(1)(c) (i.e. DSC charges), we believe that a suitable transition period (i.e. a year) be incorporated to account for the difficulties in instituting changes to reporting systems. The CSA proposes a one-year transition period for the disclosure of annual yield and the pre-trade disclosure of charges (which can be a reasonable estimate), we request that the same transition period should apply to sections 14.1(2) and 14.12(1)(c).

SPECIFIC COMMENTS

A. We invite comments on the benefits and constraints of the proposal to mandate the use of the dollar-weighted method, in particular as they relate to providing meaningful information to investors.

We are not prohibiting the use of the time-weighted method, but if a registered firm uses such a method, it must be in addition to the dollar-weighted calculation.

We are of the opinion that registrants should be given the flexibility to determine the appropriate method for calculating performance. The dollar-weighted method may not be an appropriate method in all circumstances.

For example, if a benchmark comparison is reported alongside mutual fund returns, the presentation of the dollar-weighted method would not be considered an appropriate comparator as it would potentially be misleading to investors. As a benchmark does not take into account external cash flows, the time-weighted method would be the appropriate comparator.

We note that, generally, the time-weighted method is widely used by fund managers and industry organizations, such as Morningstar. Also, this method is currently required by the Global Investment Performance Standards published by the CFA Institute in calculating performance. As such, the use of the dollar-weighted method may cause confusion among investors who rely on industry organizations to measure performance.

CONCLUSION

We thank you for the opportunity to comment on the Proposed Amendments. We support the provision of clear information to investors about the costs and performance of their investments. Yet, we are mindful of the proliferation of the number of documents that investors receive which disclose the same or similar information. We are also very concerned about the increasing amount of regulation aimed at the mutual fund product. We urge the CSA to consider the comments we have made about competing products and the need for a level playing field which is surely in the best interests of investors.

As always, we are more than willing to meet with you to discuss any of our comments.

Yours truly,

“W. Sian Burgess”

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c.c. Rob Strickland, President
Rob Sklar, Legal Counsel