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28 October 2005

Letter of Comment No: 25 File Reference: 1205-001

Our ref FASB/SMH/CC

Ms Suzanne Bielstein Director of Major Projects and Technical Activities Financial Accounting Standards Board 401 Merritt 7 PO Box 5116 Norwalk, Connecticut 06856-5116

Dear Ms. Bielstein:

Reference No. 1205-001 -- Proposed Statement of Financial Accounting Standards - Consolidated Financial Statements, Including Accounting and Reporting of Noncontrolling Interests in Subsidiaries a replacement of ARB No. 51

Fidelity International Limited appreciates the opportunity to comment on the FASB's exposure draft (ED) 'Consolidated Financial Instruments, Including Accounting and Reporting of Noncontrolling Interests in Subsidiaries'.

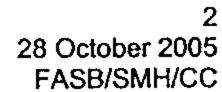
By way of background, Fidelity International Limited ("FIL") is a privately owned asset manager which provides investment advisory, management, and investor services for a range of collective investment schemes and separately managed accounts for individual and institutional customers including pension plans. The Group also develops markets and sells/licenses mutual fund-related application software and invests in emerging businesses. The Group's head office is in Bermuda. The Group also operates in many other countries across the world, principally in Europe and Asia. FIL, which reports to its shareholders and other financial statement users under Accounting Principles Generally Accepted in the United States of America, is a separate company from Fidelity Investments in the United States.

We have a specific concern regarding the proposed treatment of Noncontrolling interests, and focus on that topic below. We have also replied to the specified questions included in the request for comment. Our comments are set out in the appendix to this letter.

Treatment of noncontrolling interests

The premise of the standard is that the consolidated entity should be presented as a single economic unit jointly owned by the controlling and non-controlling interests. This differs from the current approach which treats the consolidated entity as the economic unit held by the controlling shareholders.

We believe that defining and presenting non-controlling interests as equity detracts from the usefulness of the financial statements for holding company stakeholders whilst adding nothing for the noncontrolling parties.





Whilst the economic unit model removes some of the theoretical anomalies of the current treatment, we do not believe that pursuit of theoretical consistency should take precedence over practical usefulness to the stakeholders and users of the financial statements.

We appreciate the opportunity to express our views. If you have any questions regarding our comments, please contact me on 011 44 1732 77 7346.

Yours sincerely

S M HASLAM

Chief Administrative Officer



Appendix - Fidelity International Limited's responses to the specific questions raised in the ED's Notice for Recipients

Questions 1 and 2—Reporting Noncontrolling Interests in the Consolidated Statement of Financial Position

Question 1—Do you agree that the noncontrolling interest is part of the equity of the consolidated entity? If not, what alternative do you propose and why?

We do not agree. We believe that consolidated equity should be calculated from the perspective of the consolidated holding company. Noncontrolling interests are not equity from this perspective. We acknowledge that they also do not meet the strict definition of a liability, but believe that from the holding company perspective they are closer in nature to a liability than to equity and should continue to be defined as a 'mezzanine' item on the balance sheet.

Our reasoning is as follows:

Financial statements should be prepared for the benefit of the users. We believe that holding company and minority shareholders each have very different requirements from the financial statements, neither of which are met by the 'economic unit' model of consolidation.

The primary users of consolidated financial statements are the shareholders and other stakeholders in the holding company. The balance sheet is most relevant to those users when consolidated equity is defined as that of the consolidated holding company, as equity should represent the primary shareholders' funds and net assets should be those attributable to the primary shareholders.

We believe that minority shareholders are most interested in the financial statements of the subsidiaries in which they have a holding. Defining their investments as part of consolidated equity does not assist their analysis of their investments, and we are not aware of any demand from such shareholders for this definition of equity.

The proposal to separately disclose equity between controlling and non-controlling interests, and the calculation of earnings per share from a holding company perspective are implicit acknowledgement of the ongoing and overriding requirements of holding company shareholders to be able to derive a consolidated holding company view of the accounts.

We believe that practical usefulness for the primary users is of greater importance than rigid adherence to a theoretical 'economic unit' consolidation framework. The existing 'holding company' framework better meets the needs of the primary users. Under this framework noncontrolling interests do not meet the definition of equity.

We recognise that noncontrolling interests also do not meet the current definition of a liability. We believe they are to the holding company shareholders, however, closer in nature to liability than to equity as they can be viewed as a residual liability of the consolidated holding company before the holding company's interests are determined. Therefore we believe that minority interests represent a 'mezzanine' balance sheet item which is closer to a liability than to equity.

If the Board is of the view that information regarding the consolidated results on an economic entity basis is useful to the users then we believe this should be provided by memorandum disclosure rather than changes to the primary financial statements.



Question 2—Do you agree with the proposed requirement to present non-controlling interests in the consolidated statement of financial position within equity, separately from the parent shareholders' equity? If not, what alternative do you propose and why?

We do not agree. We believe that items that are not equity (see our response to question 1) and therefore should not be presented as such. We propose the existing treatment as a mezzanine balance sheet item for the reasons stated in (1).

Question 3—Attributing Consolidated Net Income and Consolidated Comprehensive Income to the Controlling and Noncontrolling Interests

Question 3—Do you agree with the proposed requirements for attributing net income or loss and the components of other comprehensive income to the controlling and noncontrolling interests? If not, what alternative do you propose and why?

If the 'economic unit' model of consolidation were adopted we would agree that such disclosure is vital for holding company stakeholders to perform meaningful analysis on the accounts. As stated in our response to Question (1), however, we do not support the 'economic unit' model.

The proposal for this disclosure requirement is a tacit admission that the most important group of stakeholders will need to adjust the reported figures to make use of them.

Question 4—Changes in Ownership Interests in a Subsidiary

Question 4—Do you agree that changes in ownership interests in a subsidiary after control is obtained that do not result in a loss of control should be accounted for as equity transactions? If not, what alternative do you propose and why?

We do not agree. Consider a 100% acquisition carried out in two stages, firstly to 70% and subsequently the remaining 30% at a different price per share. Under this proposal the goodwill recognised would be different to an otherwise identical immediate 100% purchase at the same total price. We believe that the cumulative commercial impact on the group, and on the interests of the holding company shareholders, is the same in each case. Such transactions should be treated as incremental purchases where step by step purchase accounting would be applied.

Questions 5 and 6—Loss of Control of Subsidiaries

Question 5—Do you agree that any gain or loss resulting from the remeasurement of a retained investment in a former subsidiary should be recognised in income of the period? If not, what alternative do you propose and why?

We agree that in the event such a transaction creates a verifiable external value among unrelated parties; however we feel that a gain or loss should be reported in other comprehensive income until the retained interest were sold and the gain is realised to income.

Question 6—Do you agree with the proposed guidance for determining whether multiple arrangements should be accounted for as a single arrangement? If not, what alternative do you propose and why?

We support a provision where the accounting result for multiple transactions is the same as a single transaction.



Question 7—Reporting Earnings per Share

Question 7—Do you agree that earnings per share amounts should be calculated using only amounts attributable to the controlling interest? If not, what alternative do you propose and why?

We agree.

Questions 8-12---Disclosures

Question 8—Do you agree that disclosure of the total amounts of consolidated net income and consolidated comprehensive income, and the amounts of each attributable to the controlling interest and the noncontrolling interest should be required? If not, why?

We continue to believe that net income and other comprehensive income should be measured from the holding company perspective, and therefore have no comment on the disclosure requirements which relate to an economic entity view.

Question 9—Do you agree that disclosure of the amounts attributable to the controlling interest should be required? If not, why?

We continue to believe that net income and other comprehensive income should be measured from the holding company perspective, and therefore have no comment on the disclosure requirements which relate to an economic entity view.

Question 10—Do you agree that a reconciliation of the changes in the noncontrolling interest should be required? If not, why?

We continue to believe that non-controlling interests should be reflected as a mezzanine item between liability and equity of a holding company and that the presentation prescribed above is not meaningful to the users of a holding company set of financial statements.

Question 11—Do you agree that disclosure of a separate schedule that shows the effects of any transactions with the noncontrolling interest on the equity attributable to the controlling interest should be required? Please provide the basis for your position.

Consistent with our reply to question 10, we have no comment on this item.

Question 12—Do you agree that disclosure of the gain or loss recognised on the loss of control of a subsidiary should be required? If not, why?

See our reply to question 5 above, disclosures should be consistent with other amounts included in other comprehensive income.

Question 13—Transition

Question 13—Do you agree with the proposed transition requirements? If not, what alternative do you propose and why?

As we disagree with the premise of this standard we have no comment on this item.