



LETTER OF COMMENT NO. 15

June 30, 2008

Director of Technical Application and Implementation Activities
Financial Accounting Standards Board
401 Merritt 7, P.O. Box 5116
Norwalk, CT 06856-5116

File Reference: Proposed FASB Staff Position FAS 133-b and FIN 45-c

Fidelity Management and Research Company (“Fidelity”), the investment adviser to the Fidelity Investments group of funds, appreciates the opportunity to provide comments on the proposed FASB Staff Position FAS 113-b and FIN 45-c (the “Proposed FSP”). Fidelity fully supports the staff’s efforts to enhance disclosures about credit derivatives and guarantees for investors, especially in light of recent market developments. Many of the proposals within the FSP are already applicable to mutual funds under existing SEC rules. However, there are certain elements of the FSP that raise issues for investment companies that are further discussed below.

Certain mutual funds transact in credit derivatives (“CDS”) in the normal course of business in accordance with the fund’s stated investment objectives. Although there may be various reasons operating companies transact in CDS, mutual funds primarily enter into these contracts to gain exposure to an underlying bond or bonds that are otherwise not available in the market. While the investment risk to the fund is similar to that of a long bond, the Proposed FSP would call for different presentation and disclosure requirements for credit derivatives than for long bonds, particularly with respect to credit rating disclosure.

The Proposed FSP includes a requirement that the current status of the payment/performance risk of the credit derivative be disclosed and cites that this could be indicated by the current credit rating of the underlying bond. We believe the current fair value of the credit derivative is a better indicator of the current status of the payment/performance risk than the credit rating. We respectfully request the Board to acknowledge the existing requirements of Regulation S-X, Rule 12-13 “Investments Other Than Securities” as appropriate for mutual funds. These requirements include disclosure of detailed information for each CDS in financial statements including the notional amount, expiration date and value, with a description of the contract including the name of the counterparty, the periodic payments and underlying reference obligation.

Further, we believe the provisions within recently issued Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities (FAS 161)*, relating to concentration of credit risk will provide for the appropriate level of context around payment/performance risk. If the Board nevertheless intends to implement the payment/performance risk disclosure requirement, we request further guidance with respect to what credit rating to include for a credit default basket where there may be up to 125 underlying reference obligations.

When considering the events or circumstances that would require a seller to perform under the credit derivative, we are concerned the proposal would require a significant amount of additional detailed information for each contract. Each credit derivative is a separate and unique contract between the counterparties, and there may be subtle differences between contracts. Listing out details of each contract may cause confusion, and we believe users of the information will be better served by enhancing the current disclosure to better define what constitutes a credit event. Fidelity Funds already provide summary information of the events and circumstances for groups of similar contracts in the Notes to the Financial Statements, and we believe this presentation is appropriate.

Included in the Proposed FSP is a requirement to present the maximum potential amount of future payments the seller could be required to make under the credit derivative. Under the provisions of paragraph 44D of FAS 161, it is our interpretation that companies would be required to disclose the aggregate fair value of assets needed to settle the instrument immediately if the credit-risk-related contingent features were triggered at the end of the reporting period. We are concerned that the requirements to present both the maximum future payments and the aggregate amounts needed to settle each credit default swap as of the report date will cause confusion. We respectfully request the Board to consider the measurement requirements of FAS 161 adequate, and to consider excluding this additional disclosure.

Given the concurrent nature of both the proposed FSP and the recently issued FAS 161, we urge the Board to consider modifying the effective date for the Proposed FSP to align with that of FAS 161. In light of the similarities in the Board's goals for both, we believe aligning their implementation would be more beneficial to the users of financial reports and would allow more time to implement each.

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