

Kenneth L. Wolfe
Chairman of the Independent Trustees
The Fidelity Fixed-Income and Asset Allocation Funds
P.O. Box 55235
Boston, Massachusetts 02205-5235

September 8, 2009

Ms. Elizabeth Murphy, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Comments on Proposed Money Market Fund Reform, File No. S7-11-09

Dear Ms. Murphy:

I am writing on behalf of the Independent Trustees (the “Independent Trustees”) of the domestic open-end fixed income and asset allocation investment companies (the “Fidelity Fixed Income Funds”) managed by Fidelity Management & Research Company or its affiliates (“FMR”). The Fidelity Fixed Income Funds comprise more than 50 registered investment companies (“funds”) with aggregate assets in excess of \$640 billion, including more than 30 money market funds with aggregate assets in excess of \$500 billion.

The Independent Trustees appreciate the opportunity to comment on the proposed money market fund reforms, including proposed amendments to Rule 2a-7 under the Investment Company Act of 1940.

The Independent Trustees support the Commission’s efforts to address money market funds in the current environment, and believe that, subject to our comments below, the Commission’s money market reforms should be given an opportunity to demonstrate their efficacy before radical or structural changes affecting the industry are introduced.

Trustee Determinations. The Independent Trustees believe that money market funds are mature financial products and that, in light of the significance of money market funds to the financial markets and the economy generally, the continuing and proposed expanded responsibilities of boards of trustees to make specific determinations under Rule 2a-7 are ill-advised and that the fact that many of these responsibilities are delegable does not justify designing the rule on the basis of such determinations. Moreover, because of the dispersion of decision-making among the boards of many money market fund groups ranging from large (like ours) to small, this structural aspect of the Rule may well itself lead to inconsistent responses to similar exigent circumstances which may have adverse consequences to money market funds as a whole. In general, we believe that the rules should specify objective criteria to which money market funds are subject without reference to specific board determinations. For example, there is no reason that a board or its delegee should determine what is an “institutional fund”; this should be a uniform definition established in the rule. Other than the responsibility to determine that it is in the best interests of the fund and its shareholders to maintain a stable net asset value and to approve written policies and procedures reasonably designed to comply with the requirements of the amended rule, substantially all of the determinations currently required or now proposed are within the expertise of the funds’ advisers or could be subject to objective criteria set forth in the rule. Because of the complexity of problems that may pose risks to the maintenance of a stable net asset value and the urgency with which they must be addressed by individual funds or the industry as a whole, if they arise, we believe that the Commission should tread cautiously when assigning specific duties to money market fund boards.

In our letter, dated October 3, 2008,¹ we commented more generally on rule amendments which also would have imposed inappropriate and unnecessary responsibilities on fund boards and noted that in the Division of Investment Management's landmark study of mutual fund regulation, it had identified unnecessary board involvement:

We believe that independent directors are unnecessarily burdened, however, when required to make determinations that call for a high level of involvement in day-to-day activities. Rules that impose specific duties and responsibilities on the independent directors should not require them to "micro-manage" operational matters. To the extent possible, operational matters that do not present a conflict between the interests of advisers and the investment companies they advise should be handled primarily or exclusively by the investment adviser.²

Since 1992, the Commission adopted a number of rule amendments to limit fund board approval requirements in matters that do not involve conflicts of interest. We submit that the proposed amendments to Rule 2a-7 will expand fund board responsibilities in day-to-day matters that do not involve the types of conflicts of interest that fund boards are uniquely qualified to oversee.

Taking into account the underlying purposes of money market reform in response to the current financial and economic environment, the Independent Trustees believe it is

¹ Comments on Proposed Rule Regarding References to Ratings of Nationally Recognized Statistical Rating Organizations, File No. S7-19-08 ("2008 Letter").

² SEC, Protecting Investors: A Half Century of Investment Company Regulation (1992) at 266.

particularly inappropriate that the proposed amendments to Rule 2a-7 continue reliance on boards recognized as unnecessary by the landmark study so many years ago.

Stable Net Asset Value. Money market funds boards have been required to determine that maintaining a stable net asset value is in the best interests of funds and their shareholders and to continue to use amortized cost only so long as the board believes it fairly reflects the market-based net asset value per share. This determination has been validated as, over almost 30 years, money market funds have grown in size, convenience and accessibility to shareholders, and in importance to the financing of federal, state and local governments, and corporate and other borrowers in the short-term credit markets. The notion that money funds should normally trade at other than a stable net asset value, or that there be public disclosure of their mark-to-market value, or shadow price, creates the significant risk of a substantial disruption of the money market fund industry and the loss of the benefits it has brought to shareholders and borrowers. We believe, as manifestly demonstrated in the massive redemptions in September 2008, that institutional investors particularly will redeem in large numbers and amounts if not assured of the normal course pricing at \$1.00 per share. Moreover, in our view, none of the data assembled in the current rule-making proposal demonstrates that, if priced at net asset value, money market funds would have avoided the large redemptions from institutional money funds at that time. Finally, net asset value pricing does not address the freezing of the credit markets and its attendant illiquidity, for neither of which were money market funds responsible.

Rule 17a-9. The Independent Trustees believe that Rule 17a-9 should be expanded as proposed. We also believe that a further expansion to cover capital support and similar agreements such as have been permitted by staff no action relief would enable advisers and boards more latitude and options in addressing acute and unanticipated credit or liquidity issues. Such broader relief would eliminate the delays necessarily associated with seeking regulatory relief in highly volatile circumstances. The Independent Trustees recommend that sale prices of any securities purchased by the adviser pursuant to Rule 17a-9 be reported to the fund board and the Commission, on a confidential basis, promptly after they occur.

Suspension of Redemptions. The Independent Trustees agree that boards should be authorized to suspend redemptions in circumstances in which the net asset value is materially impaired. In light of the difficult judgments that may be required in determining values in suddenly illiquid markets, we also suggest that boards be permitted to suspend redemptions if net asset values *might* be impaired as a result of illiquidity without being required to determine that net asset value *is* materially impaired. Such a suspension might be limited to a specified number of days absent an order of the Commission. We believe that such an extension of the boards' authority may lessen the confusion created by exigent circumstances, allow dispassionate analysis and planning to occur, and enable money market funds to treat all shareholders equally. The Independent Trustees do not think that limiting the right to suspend redemptions to once every 5 years is meaningful. Even if a particular money market fund and adviser overcome the commercial consequences of an initial suspension, when the need to suspend comes before the expiry of 5 years, shareholders' interests in equal treatment are likely best served by another

suspension. The consequences to the adviser (and the specific fund) of a second suspension should be allowed to play out commercially.

Ratings. The Independent Trustees reiterate their opposition to eliminating ratings criteria from Rule 2a-7, as was discussed in our 2008 Letter. In response to the Commission's request for comment as to whether boards should designate and evaluate the ratings agencies on whose ratings the money market fund should rely for all purposes under Rule 2a-7, the Independent Trustees believe that the level of specialized technical and professional skill necessary and appropriate to evaluate and discriminate among highly complex ratings methodologies and their relative success at predicting future events is rarely present among board members and it is therefore not appropriate to allocate the task to boards. This is consistent with our view that it is inappropriate that Rule 2a-7 depend substantially upon determinations made by money market fund boards. Moreover, we believe that, whatever merit there may be in applying independent judgment on the selection of referent ratings agencies, money fund boards are not the appropriate medium through which to address competition among ratings agencies.

FMR's Comments. The Independent Trustees are fully conversant with the comment letter on Money Market Fund Reform filed by FMR, which, in addressing in detail the anticipated consequences to shareholders of various provisions of the proposed rule amendments, suggests that certain amendments not be made and that different approaches be taken in respect of certain others, all in the best interests of fund shareholders and without material risk. The Independent Trustees urge the Commission favorably to consider FMR's thoughtful proposals.

We appreciate the opportunity to comment on the Commission's proposed reforms. If we can be of any further assistance in this regard, please contact John E. Baumgardner, Jr. at (212) 558-3866 or Donald R. Crawshaw at (212) 558-4016.

Very truly yours,

/s/ Kenneth L. Wolfe

Kenneth L. Wolfe
Chairman, Independent Trustees
Fidelity Fixed Income and Asset Allocation Funds

cc: Chairman Mary Schapiro
Commissioner Luis Aguilar
Commissioner Kathleen L. Casey
Commissioner Troy Paredes
Commissioner Elisse B. Walter
Andrew J. Donohue, Director, Division of Investment Management
Robert E. Plaze, Associate Director, Division of Investment Management