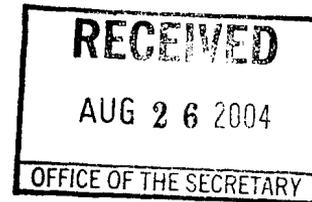


August 24, 2004



Mr. Jonathan G. Katz  
Secretary  
Securities and Exchange Commission  
450 Fifth Street NW  
Washington, D.C. 20549-0609

Re: File No. S7-21-04 – Proposed Rules Regarding Asset-Backed Securities

Dear Mr. Katz:

Fidelity Management & Research Company (“FMR”) thanks the Securities and Exchange Commission (the “Commission”) for the opportunity to comment upon the proposed rules regarding registration, disclosure, and reporting requirements for asset-backed securities (“ABS”) under the Securities Act of 1933 and the Securities Exchange Act of 1934. Funds managed by FMR are very active investors in the ABS markets.

As one of the leading managers of mutual funds and other fiduciary accounts, FMR supports the Commission’s efforts to develop “principles-based” disclosure rules aimed at improving the quality and transparency of ABS disclosure. We particularly applaud the efforts of the Commission designed to improve disclosure regarding transaction parties, especially servicers. The proposed disclosure rules would elicit significant information regarding the function, experience, and servicing practices of servicers and back-up servicers, which, in light of the importance of the servicer in an ABS transaction, would greatly improve the quality of disclosure. FMR also supports the Commission’s efforts to build upon the existing disclosure regime by requiring additional disclosure related to the assets being securitized, particularly static pool data.

The proposed rules reflect extensive research and thoughtful deliberation on the part of the Commission. As stated above, we generally support the Commission's broad-based efforts and have only the following comments, which we ask the Commission to consider in connection with the promulgation of final rules.

A. Timely Delivery of Information to Investors Prior to Sale

Based on a series of staff no-action letters in connection with the offering of shelf-registered ABS, certain dealers are not required to comply with Rule 15c2-8(b) under the Securities Exchange Act, which mandates the delivery of a copy of a preliminary prospectus at least 48 hours prior to a sale. In seeking no-action relief, dealers have cited the use of term sheets and computational materials as substitutes and the difficulty in preparing a preliminary prospectus given that the structure of an ABS transaction often evolves during the offering process. The Commission now proposes to codify the exclusion from Rule 15c2-8(b).

FMR opposes this proposal and recommends that the Securities Exchange Act requirement that dealers deliver a preliminary prospectus at least 48 hours prior to sending a confirmation notice remain applicable to ABS transactions. It is imperative that each investor receive detailed information regarding the structure of an ABS transaction and the characteristics of the assets to be securitized in a timeframe that allows the investor an opportunity to analyze meaningfully the information received and to make an informed investment decision. The need for at least 48 hours to make a reasoned investment decision is heightened by the Commission's proposed rules. First, the proposed principles-based set of disclosure items, Regulation AB, would not only increase the quality and transparency of disclosure, but would also increase the amount of disclosure. Investors would need time to process the additional disclosure. Second, the proposed rules may increase the use of shelf registration statements in ABS offerings and, consequently, increase the number of situations in which investors would be required to make investment decisions with little time for thoughtful deliberation or analysis.

If the Commission is unwilling to require the delivery of preliminary prospectuses at least 48 hours prior to a sale, FMR believes that the Commission should require the delivery of enumerated information via "ABS informational and computational materials" prior to a sale. FMR supports the Commission's proposal to codify the practice, recognized through a series of no-action letters, of delivering ABS informational and computational materials after the effectiveness of a registration statement but before the availability and delivery of a final prospectus, but believes that the Commission should mandate the inclusion of specified disclosures therein. In the absence of a preliminary prospectus, ABS informational and computational materials often represent only written materials delivered to investors prior to the time of an investment decision to purchase ABS. Accordingly, these materials must provide investors with the information necessary to make a fully informed investment decision.

At a minimum, ABS information and computational material should include (1) a summary of the structure of the transaction, including the number of asset classes, seniority of asset classes and all other payment terms, (2) the cash flow waterfall under all scenarios (e.g. as affected by various trigger events), (3) detailed information regarding the characteristics of the asset pool, (4) information with respect to the material terms of the servicing agreement, (5) information regarding any interest rate swap transaction entered into in connection with the ABS offering and the counterparty thereto, (6) disclosure of any existing or potential conflict of interest that a transaction party may have relating to the ABS offering. From a principles-based perspective, the objectives of this disclosure are to allow investors to project cash flows and to discount those cash flows at appropriate rates, considering all credit, legal, cash flow and marketability risks of a security. Investors require an appropriate level of information and a sufficient amount of time in order to perform this analysis.

---

B. Static Pool Data

FMR supports the Commission's proposals to require the disclosure of static pool data. As the Commission noted, static pool data are extremely valuable tools with which to analyze asset performance. A analysis of this information would help investors detect patterns in asset performance or sponsor underwriting standards that may not be evident from overall portfolio numbers. Furthermore, rating agencies typically request and receive static pool data, believing such data to be vital to their transaction analyses.

Static pool data for several different data groups are material for an ABS offering. Static pool data for the sponsor's overall portfolio can indicate origination trends relevant to how the currently offered pool may be expected to perform. Static pool data on a pool-level basis with respect to prior securitized pools of the same sponsor provide valuable information on both the quality and experience of pool selection as well as additional insight into asset performance. Also, if the static pool is seasoned, static pool data based on originations in the pool itself may reveal trends that may not be evident by aggregate pool level data.

FMR concurs that static pool data should be presented for delinquency and loss information and recommends that prepayment data also be included. In addition, FMR recommends five (as opposed to three) years of static pool data be provided for every ABS offering.

C. Dealer Models

As stated above, FMR supports the Commission's proposal of Regulation AB and firmly believes that adoption of the rules would improve significantly the quality and transparency of disclosure in ABS offerings. One form of disclosure that an investor in an ABS offering would find helpful is access to a sponsor's or dealer's transaction-specific cash flow model. With advances in technology, it has become common practice in certain segments of the ABS market, in particular the commercial mortgage-backed securities segment, for sponsors and dealers to provide to potential investors access to computer files that contain deal analytics. This practice enables investors to perform their own scenario analysis by adjusting various assumptions contained in the sponsor's or dealer's model, such as prepayments, defaults, loss severities, or interest rates. In other market segments, sponsors and dealers do not provide investors with the tools and loan data to perform their own analysis. We encourage the Commission to consider the benefits of rules designed to (1) require the provision of deal analytics to potential investors in all segments of the ABS market and (2) clarify the securities law liability of sponsors and dealers that provide materially misleading deal analytics.

D. Ongoing Reporting and Fair Disclosure

Ongoing reporting of asset performance is essential for investors to conduct surveillance and meaningfully consider whether to buy, hold or sell ABS. Because most ABS are not listed on an exchange and have less than 300 holders of record, issuers of such ABS typically suspend

---

Mr. Jonathan G. Katz  
August 24, 2004  
Page 4

their ongoing periodic reporting requirements once they qualify for the automatic suspension under Section 15(d) of the Securities Exchange Act. Suspension of the periodic disclosure requirements defeats the proposals set forth by the Commission to improve the periodic disclosure requirements relating to ABS. FMR recommends that the Commission adopt rules by which ABS issuers must waive their right to voluntarily suspend their periodic reporting requirements as a condition of registration of the ABS.

Transaction documents usually require continued reporting of asset performance to investors, sometimes via postings on the servicer's website. A copy of the form of the report should be filed as an exhibit to the registration statement, along with a listing of websites at which the information may be accessed and the issuer's intended policy regarding the archiving of historical reports. This practice would allow investors to factor into their investment decision their access to, and the quality and transparency of, ongoing information.

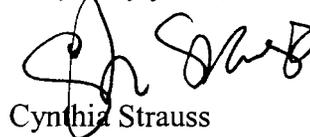
Rating agencies also require that ABS issuers provide periodic surveillance information so that the rating agencies can monitor the performance of the asset pool and the parties to the transaction. This same information should be disseminated publicly to investors via a filing with the Commission. The filing would result in minimal increased costs to ABS issuers as the ABS issuer typically must prepare these reports in the ordinary course, and would provide valuable surveillance information to all investors simultaneously.

FMR supports the proposed introduction of Form 10-D, which would take the place of Form 8-K. FMR agrees that Form 10-D would distinguish periodic reporting regarding distributions from disclosure of important events, and would thereby increase the quality and transparency of disclosure.

\* \* \* \* \*

Once again, FMR appreciates the opportunity to comment on the proposed rules regarding registration, disclosure, and reporting requirements for ABS. If you or your staff have any questions with regard to our views, please contact me at 603-791-7740 or Nancy Prior, Assistant General Counsel, at 603-791-6308.

Very truly yours,



Cynthia Strauss  
Vice President, Director of  
Taxable Bond Research