

December 14, 2011

VIA ELECTRONIC MAIL

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington, D.C. 20006-2803

RE: PCAOB Rulemaking Docket Matter No. 37; PCAOB Release No. 2011-006; Concept Release on Auditor Independence and Audit Firm Rotation (“Concept Release”)

Ladies and Gentlemen:

On behalf of the Audit Committees of the Fidelity Equity and High Income Funds and Fixed Income and Asset Allocation Funds, we appreciate the opportunity to provide comments to the Public Company Accounting Oversight Board (“PCAOB”) with respect to its Concept Release. We are fully supportive of the existing oversight structure of audit firms by public company audit committees, which are responsible for overseeing auditor independence, objectivity, and professional skepticism. We are concerned, however, with the PCAOB proposing mandatory auditor rotation, particularly in the absence of any empirical evidence linking audit process deficiencies found by the PCAOB, which are briefly discussed in the Concept Release, to the length of the relationship between the audit firm and its client.

The Sarbanes-Oxley Act of 2002 (“SOX”) vested the authority to select and retain an audit firm for a public company to its independent audit committee and we take this responsibility very seriously. Our Audit Committees conduct oversight of the funds’ audit firms in a number of ways, some of which have developed out of the reforms implemented by SOX. Our committees continually assess the audits conducted for the funds to determine whether, on an annual basis, to re-appoint that auditing firm as auditor for a fund for its next fiscal year. This assessment includes (i) reviewing the results of the audit, other attestation work and tax services with the auditing firm and management; (ii) discussing with management its perspective on the quality of the auditor’s services and the performance of the audit team; and (iii) reviewing the composition of the audit team generally. Each committee also regularly meets separately with the funds’ audit teams to discuss matters relating to the audits and evaluates their independence and objectivity based on different types of information requested. We obtain and review formal written statements delineating all relationships between the audit firm and the funds and their service providers, consistent with the rules promulgated by the PCAOB. Annually, each Committee reviews reports from the auditors describing any material issues raised by the most recent internal quality control review, peer review and PCAOB examination of the firms and any steps taken by the auditors to deal with such issues. In short, we review a significant amount of information in considering the independence, objectivity, audit quality and professional skepticism of our auditors.

We believe that changing an audit firm for one of our funds is appropriate when the facts and circumstances warrant the change. Introducing a new auditor, however, is a massive undertaking,

requiring a significant dedication of company management, audit committee oversight and personnel time and resources to support the transition of this work. Before taking this step, we believe there are other, less disruptive measures that an independent audit committee could take to address issues with its audit firm, notably requiring the firm to rotate and replace members of the engagement team or meeting more frequently with senior management of the audit firm to address the committee's concerns. In addition, the PCAOB should consider whether mandatory auditor rotation could have a negative impact on audit quality in the final years of service prior to rotation, resulting from the loss of business to the audit firm, as well as in the early years of the new audit firm's services, when the new firm is gaining an understanding of the client's business model and operations. Rather than forcing companies and their audit committees to bear these risks and costs associated with mandatory auditor rotation, we believe the PCAOB should continue to leverage the framework of existing audit committee oversight of the auditor, which would result in rotation when warranted.

There are also practical limitations of mandatory audit firm rotation for mutual funds. For example, we believe that there are a limited number of audit firms that have the expertise and global resources to audit the financial statements of large mutual fund complexes like the Fidelity funds. In addition, current independence rules are extremely complex for mutual fund auditors because these engagements result in restrictions on benefits that an audit firm may offer to its employees (e.g., investment options for the auditor's retirement savings plans). Because the financial interest and other independence rules are applied to many employees outside of the engagement team, auditors may choose not to audit large mutual fund complexes, resulting in fewer firms willing to provide these services. We note that these practical limitations are discussed in more detail in a comment letter submitted by Fidelity Investments to the PCAOB on the Concept Release.

Finally, we are concerned that other bright line alternatives in the Concept Release, such as a requirement to solicit independent bids after a certain number of years, could result in unintended consequences, including fee pricing pressure, which in some cases may compromise audit quality.

As an alternative to mandatory audit firm rotation, we note that many mutual funds complexes, including the Fidelity funds, use two or more audit firms to audit the funds in the complex. This model provides a number of benefits to the funds and its shareholders, including increased competition between auditing firms, higher auditing firm service levels, and the ability to leverage particular strengths of an auditing firm in selecting an auditor for a particular fund. We also believe that this competitive model fosters increased objectivity and professional skepticism because the audit committee and management of the funds are able to compare the quality of the audits by each of the auditing firms. In light of the unique structure of mutual funds, we recommend that, to the extent that the PCAOB desires to implement some form of mandatory auditor rotation for public companies, mutual fund complexes that utilize two or more auditing firms to audit the funds in the complex be exempt from this requirement.

Instead of mandating auditor rotation for public companies, we encourage the PCAOB to take steps to assist us in fulfilling our oversight responsibility of audit firms. For example, we would

recommend that the PCAOB be more specific and timely with regards to its findings in audit firm inspection reports, which would be useful to our committees in overseeing the auditors. We also encourage the PCAOB to work with the SEC to look into ways to reduce unneeded complexity with the current independence rules to increase the number of audit firms that are willing to provide audit services. We believe it is important for the PCAOB to consider the perspective of audit committees in formulating ways to enhance the independence, objectivity, and professional skepticism of auditing firms.

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In closing, we believe that the PCAOB should take comfort in the work performed by audit committees of public companies in overseeing the independence and professional skepticism of our auditors, particularly in light of the reforms implemented by SOX. We believe that SOX and other federal securities regulations have given us the tools to oversee our auditors and we take this role seriously. We appreciate the opportunity to respond to the Concept Release and would be happy to meet with the Board members to provide our perspective and discuss any of the issues addressed in this letter.

Very truly yours,

/s/ Joseph Mauriello

Joseph Mauriello
Chair of the Audit Committee
Fidelity Equity and High Income Funds Board of Trustees

/s/ Marie L. Knowles

Marie L. Knowles
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