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February 28, 2008

Ms. Nancy M. Morris
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

Re: ***File No. S7-28-07*** – Proposed Rule Regarding Enhanced Disclosure and New Prospectus Delivery Option for Registered Open-End Management Investment Companies

Dear Ms. Morris:

OppenheimerFunds, Inc.[1] appreciates the opportunity to comment on the proposal by the Securities and Exchange Commission to amend Rule 498 to provide a new prospectus delivery option for mutual funds, as well as certain changes to Form N-1A that would include summary disclosure information at the front of a fund's statutory prospectus meeting the requirements of Section 10(a)(2) of the Securities Act of 1933[2] (the "Proposed Rules"). We particularly commend the staff of the Division of Investment Management of the Commission in pro-actively reaching out to investors, commentators and the fund industry to gather suggestions and assistance to help the Commission draft these Proposed Rules to assure that the needs and concerns of all were fully considered.

We welcome and strongly support the Commission's efforts to enhance investor access to and understanding of key information about a mutual fund by the use of a "layered" disclosure approach, specifically allowing the use of a summary document (a "Summary Prospectus"), together with access to additional information about the fund on the internet and in paper or e-mail upon request. Not only do the Proposed Rules enhance the ability of investors to access key fund information in plain English in a simple, clear and concise format, the Summary Prospectus, but the Proposed Rules also capitalize on advances in technology and use of the internet to afford investors the ability to decide how much information they want and the format in which they receive it. We believe that the availability of the proposed Summary Prospectus will enhance the likelihood that investors will read essential fund disclosure information prior to making an investment decision. We share the view of many in the mutual fund industry that while the current statutory prospectus (and the Statement of Additional Information)

[1] OppenheimerFunds, Inc. is the investment adviser to the more than 100 investment companies that comprise the Oppenheimer family of mutual funds, having more than 6 million shareholder accounts. Including its affiliates, OppenheimerFunds, Inc. manages assets in excess of $250 billion, including approximately $210 billion of mutual fund assets. The Oppenheimer mutual funds are sold to members of the public primarily by financial intermediaries that have selling agreements with our subsidiary, OppenheimerFunds Distributor, Inc., a registered broker-dealer that acts as the general distributor for the Oppenheimer funds.

[2] *See* "Enhanced Disclosure and New Prospectus Delivery Option for Registered Open-End Management Investment Companies," SEC Release Nos. 33-8861; IC-28064 (November 21, 2007), Fed. Reg. 67790 (Nov. 30, 2007) (the "Proposing Release").

used by mutual funds are important disclosure documents, the complexities of a fund's investment strategies, operations and related governance, tax and other business activities make those documents lengthy and challenging for the average investor. While the more detailed additional information found in the current form of prospectus and Statement of Additional Information ("SAI") is important, and should be available to investors and financial advisers who want to dig deeper into the facts about a fund, we believe that before investing investors basically need to know what a fund's objective is, how it invests its assets, the basic risks of those investment strategies, the expenses of investing, and who handles the fund's investments. The Summary Prospectus proposal would enable funds to deliver that information readily and efficiently to investors.

We strongly support the idea of investor education and understanding about mutual fund investing, and therefore strongly support the Commission's Proposed Rules, which we believe are an important step in enhancing those goals. Additionally, we believe that the Commission's approach in proposing to amend Rule 498 to allow the use of a Summary Prospectus is an elegant response to the concerns expressed by some in the fund industry about the importance of having disclosure and delivery requirements in a regulatory framework in which funds, their boards of directors/trustees, and fund investment advisers and distributors can find protection from challenges about the adequacy of information provided in a summary format in connection with the offer and sale of fund shares to the public.

Furthermore, we think that the proposed Summary Prospectus will greatly enhance the ability of financial advisers and other financial intermediaries to provide fund disclosure materials at the point-of-sale, and we hope that retirement plan advisers and fiduciaries may be able to use the Summary Prospectus to support their disclosure obligations for qualified plan participants under rules proposed recently by the Department of Labor.

The comments we provide below are suggestions to refine certain aspects of the Proposed Rules in the spirit of further enhancing readability, investor understanding and ease of use of the Summary Prospectus and to facilitate operational implementation in a manner that maintains the goals of the Proposed Rules while giving due consideration to the challenges that implementation of the requirements may pose for fund companies and financial intermediaries that use the Summary Prospectus to offer mutual funds to their clients.

With a few minor exceptions discussed below, we also join in the comments filed with the Commission by the Investment Company Institute on the Proposed Rules.

I. The Quarterly Updating Requirement

We have great concerns about the proposed requirement that a Summary Prospectus contain average annual total returns and yields as of the end of the most recent calendar quarter and that the information be updated not later than one month after the completion of each succeeding calendar quarter. (The Proposed Rules would also require funds to update the fund's top ten portfolio holdings information on a quarterly basis; we have expressed our objections to including the top ten portfolio holdings in the Summary Prospectus and summary disclosure in Form N-1A, below.) We believe that the burdens and costs of this updating requirement will far exceed any benefits.

While long-term performance information of a fund is important to investors, to illustrate the volatility of returns over time, which is the rationale for including the performance bar chart and table in the current Form N-1A, updating such information quarterly in the selling document appears to place undue emphasis on short-term performance changes. We are also concerned about the disparity in performance information shown in the Summary Prospectus and the summary disclosure in Form N-1A under the Proposed Rules. We believe that disparity will pose risks of litigation.

As proposed, we believe the quarterly updating requirement would impose significant administrative burdens on fund companies. The costs and burdens of that updating requirement may make the use of the Summary Prospectus less attractive to us, as well as other fund companies. Unlike sales materials, which originate among marketing staff, prospectus updates, including updates to the proposed Summary Prospectuses, are handled by our legal department, which oversees the document preparation, updating, Edgarizing and filing with the Commission for our more than 100 funds. While we have staggered the fiscal year ends of our funds specifically to avoid the "traffic congestion" attendant to having to update all registration statements at the same time, the Proposed Rules would require us to update all of the Summary Prospectuses for our funds at the same time, within a month after each calendar quarter end. While we also review the quarterly fact sheets prepared by our marketing staff, those tend to follow a template that does not require the same level of proofreading, preparation and sign-off that a prospectus update would require. The personnel in charge of our web site will have the additional burden of updating the Summary Prospectuses on those sites quarterly. It is not clear to us whether our funds' independent auditors would ask to review these documents prior to filing with the Commission (even though they do not include a fund's Financial Statement data per se). Additionally, we anticipate that fund counsel and counsel for independent directors will want the opportunity to review the updated Summary Prospectuses prior to filing. This additional work flow will undoubtedly require our fund complex to hire additional attorneys, paralegals and staff in the legal, marketing and investor communications departments.

Even as the Summary Prospectus documents are prepared for filing, they must also be formatted and prepared for printing and distribution to selling dealers in our distribution channels, or their fulfillment vendors. Because of the complexities entailed in using supplements, as opposed to reprinting the entire document, many fund companies may incur additional costs in updating inventories for their own use and for use by financial intermediaries that sell their funds. If a label or sticker is "affixed" to the summary prospectus to update it, the fund company will realize significant costs from having mail house personnel affix the sticker onto already-stored prospectuses. The "other reasonable means" that fund companies might use – inserting a supplement into the prospectus – also presents labor costs for funds and fulfillment houses used by dealers selling fund shares. Either method would entail printing costs.

Under the Proposed Rules, fund companies that offer a number of funds in one prospectus and choose to use a Summary Prospectus will be required to limit each Summary Prospectus to a single fund, which will have to updated quarterly, thereby multiplying the work load of those fund companies.

Moreover, we question whether financial intermediaries would be able to adequately manage the flow of, and effectively implement, the quarterly updates and the potential liability issues that could arise if an intermediary is unable to keep pace with the ongoing paper flow, for example, if a broker-dealer inadvertently provides an outdated sticker to a client.

In light of the expected costs from additional printing and work flow requirements to update this data quarterly for the Summary Prospectus and the possible barriers to use of a Summary Prospectus because of the operational complexities and costs that would be imposed on financial intermediaries offering fund shares, we suggest that the Commission consider an alternative that we believe is consistent with the goals of the Proposed Rules and instead of requiring quarterly updating of performance information (and top ten holdings), require a fund's Summary Prospectus to include a statement that (i) directs investors to a fund's website that contains updated performance and portfolio holdings information and (ii) provides a toll-free phone number that investors can call for this information.

II. Liability and Compliance Concerns

Because proposed Rule 498 would allow funds that comply with the conditions of the Rule to satisfy the obligations under Section 5(b)(2) of the Securities Act of 1933 to deliver a prospectus to investors, and because the proposed rule would allow a Summary Prospectus to support the delivery of sales materials, the proposed Summary Prospectus is likelier to have wider use in the fund industry than the Profile document that was implemented when the current version of Rule 498 was adopted. We support the Commission's approach, and in particular, the pains the Commission has taken in crafting the Proposed Rules to ensure that use of the Summary Prospectus does not subject funds to the threat of new or additional legal liability. However, we have some concerns that certain aspects of the Proposed Rules may actually increase risks of liability and the possibility that such litigation claims could survive a motion to dismiss them.

Our concerns mirror those of the Investment Company Institute in its comment letter on the Proposed Rules. In particular, the use in the Proposed Rules of certain words and phrases that suggest a standard of conduct for which no definitional guidance is provided pose certain risks.

A. *The "Greater Prominence" Standard.* First, reliance on using a Summary Prospectus under Rule 498 to satisfy a fund's delivery requirements under Section 5(b)(2) of the Securities Act of 1933 is available only if certain criteria are met. In the case of a Summary Prospectus sent with other materials, the Summary Prospectus must be given "greater prominence than those materials" and is not bound together with them, the Summary Prospectus must meet the requirements of Rule 498 at the time of the carrying or delivery of fund shares, and the conditions in the Rule for providing the statutory prospectus and other required information on the internet in the manner specified in the Rule must be met. There is no standard in the Proposed Rules (or elsewhere in federal securities laws) to which funds (and courts) may look to determine if the requirement has been met. The requirement is particularly challenging when applying it to relative prominence of items not within a single document but in the context of the relative prominence of multiple documents. We support the approach taken in the Proposed Rules that a Summary Prospectus may be sent out with other documents. However, the absence of such guidance as to the meaning of "greater prominence" may preclude us from using the Summary Prospectus with supplemental sales literature, which would undercut a substantial rationale for utilizing the Summary Prospectus in the first instance.

By contrast, the current Instructions to Form N-1A permit a fund to include sales literature in the statutory prospectus "as long as the amount of this information does not add substantial length to the prospectus and its placement does not obscure essential information." The current requirements do not hinge satisfaction of Section 5(b)(2) delivery requirements on satisfaction with these instructions and they do not impose a "greater prominence" requirement for the prospectus but rather a "negative" requirement on the prominence of the accompanying literature. We think that is a better approach than the approach taken in the Proposed Rules. Interestingly, in footnote 85 in the Proposing Release, the Commission compares the proposed "greater prominence" standard in the Proposed Rules to an existing standard in Rule 17a-5(c)(5)(ii) under the Securities Exchange Act of 1934, with respect to financial disclosure documents delivered to customers of a broker-dealer along with other materials: there the standard cited is that the financial disclosure documents be given "prominence" in the materials delivered to customers. Creating a relative standard in the Proposed Rules, without further definition, invites a comparison for which a court might not be willing to exercise judgment to determine that a fund has satisfied it in the context of a motion to dismiss.

If the Commission determines that a "prominence" standard must be incorporated into the Proposed Rules, we suggest use of the term "prominence" alone, as in Rule 17a-5(c)(5)(ii). In the alternative, requiring the use of a bold legend on the Summary Prospectus cover page requiring the attention of the reader to that document would seem to satisfy the underlying goal: not obscuring the Summary Prospectus with other materials sent in the same envelope. That approach could also address the more complex issue of how to assure attention to the Summary Prospectus when delivered online or in an e-mail with other documents. In either case, we suggest that the Commission take the same approach with this requirement as with others contained in the Proposed Rules that were intended not to increase a fund's litigation risks: make satisfaction of the requirement a condition of Rule 498, not a condition of satisfying delivery requirements under Section 5(b)(2).

B. *Support of Delivery of Supplemental Sales Literature.* Secondly, under proposed Rule 498(d), use of the Summary Prospectus to support the delivery of supplemental sales literature subject to the exemption from the definition of a "prospectus" under Section 2(a)(10) of the Securities Act of 1933 also requires compliance with specific conditions, including (a) the "greater prominence" requirement discussed above, (b) the requirements of Rule 498(b) as to the contents of the Summary Prospectus and (c) the requirements of Rule 498(f) as to (1) website accessibility, (2) sufficiency of the legend for any incorporation by reference of other documents, (3) satisfaction of format requirements for documents required to be posted on the fund's website, and (4) the requirement that tables of contents of documents linked to the Summary Prospectus (where direct links to those sections are not used) prominently display sections within those documents that contain additional detailed information concerning the information in the Summary Prospectus.

Unlike the Commission's Rule 34b-1 under the Investment Company Act, governing sales literature for investment companies, which set standards for the content of the sales literature to avoid "misleading" the public, the Proposed Rule 498(d) makes the very exemption of sales literature that accompanies a Summary Prospectus from the definition of a "prospectus" under Section 2(a)(10) of the 1933 Act contingent upon the compliance of the fund's Summary Prospectus with the delivery requirements of proposed Rule 498. In other words, sales literature that otherwise satisfied the requirements of Rule 34b-1 under the Investment Company Act so as not to be, in and of itself "misleading," could itself be deemed to be a "prospectus," and arguably a prospectus that omits material information if the Summary Prospectus accompanying it failed to meet the technical delivery standards for internet posting under Rule 498(b). We do not believe the Commission intended that result, and the Proposed Rules should be modified to de-couple the satisfaction by sales literature of the exemption from the definition of "prospectus" under Section 2(a)(10) of the Securities Act of 1933 from the question whether the Summary Prospectus meets the delivery requirements of Rule 498(b).

C. *Incorporation By Reference.* The proposal to allow the Summary Prospectus to incorporate by reference the contents of certain other fund documents is an important means to help funds that use Summary Prospectuses avoid unnecessary exposure to lawsuits challenging the sufficiency of information contained in the Summary Prospectus (if it otherwise complies with the content requirements of the Proposed Rules). However, under proposed Rule 498(b)(3)(iii), successful incorporation by reference is conditioned upon satisfaction of the requirements of Rule 498(f) as to availability of the fund's statutory prospectus and other documents. Failure to meet the incorporation by reference requirements could subject a fund to litigation claiming material misrepresentations or omissions. This is a different approach than that taken in Form N-1A, instruction D, which merely states what may, and what may not, be incorporated by reference into a fund's statutory prospectus and SAI. We do not believe that meeting the delivery requirements for a Summary Prospectus should determine the effectiveness of incorporation of the statutory prospectus, SAI and financial statements into the Summary Prospectus and suggest that sub-section (b)(3)(ii)(A) be eliminated from proposed Rule 498.

III. Format and Content of Summary Prospectus and Summary Content of Form N-1A

We agree that it is appropriate for the Commission to prescribe the content and order of information included in the Summary Prospectus and the summary content of Form N-1A. Not only does that concept of standardization promote the ability of investors to compare mutual funds, but we believe it may also provide a measure of protection against potential litigation risk for funds, their boards and advisers, by limiting what can be included in the Summary Prospectus to what the Commission's rules say must be included. In effect, requiring a Summary Prospectus to contain only these specific items of disclosure indicates that they are adequate to support a sale of fund shares, and that additional disclosure items are neither permitted nor needed to support a sale. In this approach, the Commission's Proposed Rules may help remove the basis of claims that a Summary Prospectus omits material information if the issuing fund has complied with the Proposed Rules as to content and delivery. Allowing registrants to decide whether to include additional items might create greater uncertainty among funds and their boards as to what is essential to include in a Summary Prospectus, and could lead to longer, non-standardized documents that would defeat the concept behind the Proposed Rules.

We also agree that the information the Commission proposes to require in the Summary Prospectus and summary disclosure in Form N-1A by and large is the basic, key information that investors want and should consider before investing in a mutual fund: information about a fund's investment objective and investment strategies, risks, costs and historical performance, as well as the identity of the investment adviser, and information about how to buy and redeem shares, dividends, capital gains and taxes, and, where applicable, payments to intermediaries.

However, we do have concerns about the inclusion and presentation of certain information which the Proposed Rules include as one of the essential items in the Summary Prospectus and summary disclosure in Form N-1A. As noted below, we do not believe that the inclusion of a fund's top ten holdings is essential information of the same character as a fund's investment objectives, policies, risks and costs, and we offer a few suggestions below on the format of the document and the order of certain of the disclosures.

We agree with the Commission's proposal for the summary disclosure section of Form N-1A that a multiple fund prospectus should be required to present all of the summary information for each fund separately and not integrate the information for more than one fund. We also agree with the proposal that a Summary Prospectus would be permitted to describe only one fund (although it could include multiple classes of a single fund). We believe that these proposals enhance the Commission's goals of keeping the summary information brief and easy to understand and will promote investors' ability to compare a fund to other funds. Including multiple fund fee tables at the beginning of a document would pose a substantial visual barrier to an investor reading the document. Pages of fee tables for different funds will not encourage a reader to read on. Having disclosures about investment strategies that apply to some but not all funds in the summary disclosure with cross references to the applicable funds in our view might be confusing or at least pose significant hurdles to the average investor seeking to understand what the fund he or she proposes to buy invests in.

We support the Commission's proposal not to impose a page limit or format requirements (such as font size or layout) either in the summary disclosure section of Form N-1A or in the Summary Prospectus. At OppenheimerFunds, for example, we use a proprietary type face that we developed to promote readability and identity of our fund family. We agree that the paramount goal for disclosure documents in this regard is that they be legible and clear. Allowing funds the opportunity to find ways to accomplish those goals may stimulate better approaches that other funds can adopt.

A. Fee Table

We Suggest That The Fee Table Be Located After the Discussion of a Fund's Investment Objective, Strategies And Risks

We support the Commission's efforts to promote investor understanding of the costs of investing in a fund and the fund's own operating costs by providing greater prominence and clarity to the fee table. However, we also believe that after reading what a fund's objective is, the next logical thing an investor should understand about a fund is what it invests in to try to achieve that objective and what the risks of those investment strategies are. Investment goals are the primary reason for selecting a mutual fund. We believe that to make the document clear and effective, it is more logical to follow the statement of the fund's objective with the explanation of what it invests in to try to seek that objective, and the risks of those strategies, rather than separating the latter two items from the objective by the fee table. We believe the readability of the document will be enhanced if those items are grouped together at the beginning of the document, as is done in the current prospectus format under Form N-1A.

Placing information about goals, strategies and risks together at the beginning of a Summary Prospectus also will assist financial advisers in assessing the suitability of a fund as an investment for a particular client and investors investing directly to understand the nature of the proposed investment. An investor (and financial adviser) needs to know how a fund will invest his or her money before he or she can have a reasonable context in which to evaluate the costs he or she might incur directly and the fund might bear in operating its investment program so that he or she can use that information effectively in comparing that fund to a fund with similar goals and strategies.

We believe that locating the fee table before a discussion of a fund's strategies and risks could have the effect of over-emphasizing a fund's fees and expenses at the expense of understanding of the fund's investment strategy and risks. We do not intend to imply that understanding of fund costs is unimportant, but we do believe that an investor cannot meaningfully evaluate a fund's costs without first understanding how the fund invests and what risks are entailed in those strategies. Two funds that invest in equity securities might have very different cost structures: a fund investing in multi-cap growth stocks and using hedging techniques might incur greater management fees and operational costs than a fund emphasizing large-cap stocks. Costs are important but we believe that they should not be an investor's most important focus. In a Summary Prospectus, which will be a brief document, the fee table will necessarily have prominence in any event.

In locating the fee table, the Commission seeks to enhance the table's prominence by preventing it from being buried "fairly deep in the prospectus." That is a laudable goal but another factor to consider is whether a document that has a chart of costs on the front page will induce an investor to open the document and read on. The examples appended to the Proposed Rules have the tables so prominently depicted on the front cover that we believe the resulting Summary Prospectus has little eye appeal for the average investor. We believe that locating the fee table immediately after simple, plain English discussion of the fund's objective, strategies and risks, as the Commission did in its 1998 amendments to Form N-1A, is a well-balanced alternative.

We also support the inclusion of a summary fee table in the Summary Prospectus, rather than the full fee table that appears in the summary disclosure in Form N-1A. That approach seems more consistent with the Commission's concept of the Summary Prospectus as a brief overview of key information. Having the total fees by major categories in the fee table in the Summary Prospectus will provide the most important information about overall costs to investors. The more detailed information will remain available in the full fee table in the summary disclosure in Form N-1A.

Reference to Breakpoint Discounts Could be More Appropriately Placed in the Section Describing How to Buy Shares

We support the Commission's efforts to alert investors to sales charge discounts for volume purchases if they are offered by funds and we think that it makes sense to require reference to this information in the Summary Prospectus. However, we suggest moving that discussion, which relates to sales charges paid directly by the investor, from proximity to the fee table, which relates to expenses paid by the fund, to avoid confusion. We think it is important that investors understand the difference between the expenses they pay directly out of their pocket and the expenses that are paid directly by the fund and which are therefore indirectly borne by *all* shareholders. We think this disclosure is better located in the summary's "Purchase and Sale of Fund Shares" section, with a sentence that directs investors to refer the Fund's prospectus for more complete information.

Additionally, the suggested language, "You may qualify for sales charge discounts if you and your family invest, or agree to invest in the future, at least $[____] in the [name of fund family] funds," appears to be over-broad and possibly may be inaccurate in some cases. "In the future" does not place any limit on the length of certain types of breakpoint offers (such as "Letters of Intent", which typically have a time limit) and could lead to misunderstandings and disputes. The language, by citing a dollar amount, does not capture the breadth of sales charge reduction programs offered by our fund family. We believe that a better approach would be a statement to the following effect: "You may qualify for sales charge discounts and should consult your financial adviser for more information. Details are offered at [link]."

We Suggest Revising The Proposed Parenthetical Explanation of "Annual Fund Operating Expenses" to Avoid Confusion

We believe that the proposed parenthetical explanation that "Annual Fund Operating Expenses" represent "(ongoing expenses that you pay each year as a percentage of the value of your investments)" is inaccurate and confusing. The statement "you pay each year" is the problem. A fund's annual fund operating expenses are expressed as a percentage of a *fund's* average net assets that is deducted from the *fund's* assets, not an individual shareholder's account, before the fund calculates its performance and its earnings that are available for distribution to shareholders. The parenthetical suggests that the expenses would be paid directly by the investor, which would give an inaccurate picture of both the amount of the expenses an investor may actually bear indirectly and the manner in which they are paid. The use of "each year" in the proposed parenthetical also could lead an investor to believe that she or he would pay the same amount of operating expenses annually for as long as she or he invests in the fund. We suggest that the disclosure should clarify that (i) the expense information is historical and not indicative of future results and (ii) the investor may bear expenses that differ from those in the fee table.

An alternative to the proposed parenthetical would be text or a parenthetical to the following effect: "Annual Fund Operating Expenses are expenses deducted from fund assets on an ongoing basis and are therefore borne by shareholders indirectly. They are stated as a percentage of the fund's average daily net assets for the fiscal year ended [date]. Future expenses may vary."

Clarification is Needed Regarding Application of an Expense Waivers/Reimbursement in the Fee Example

The Proposed Rules allow the fee table to include net expenses that result from an expense reimbursement or fee waiver "that will continue to reduce [such expenses] for no less than one year from the effective date of the fund's registration statement." Any such reimbursement or waiver could also be reflected in the fee table example, provided it will continue for no less than a year. The Proposed Rules would require that the Fund disclose the period for which the reimbursement/waiver is expected to continue and describe who can terminate the arrangement and under what circumstances. Because a fund's investment advisory agreement is subject to annual renewal, it may be unclear how long a fee waiver/reimbursement arrangement will be in effect or at what level. Waivers may increase depending on a number of factors, such as changes in the amount of fund assets, fund performance and economies that might be realized in managing the fund.

We request that the Commission clarify how a reimbursement or waiver that is expected to apply for more than a year but is otherwise for an "indefinite" period should be disclosed and applied with regard to the time periods in the fee table example.

Portfolio Turnover

The Proposed Rules would require that a fund (except a money market fund) include in the Summary Prospectus the fund's portfolio turnover rate and a brief explanation of its effect on transaction costs and fund performance. This disclosure would be required to be located immediately after the fee table and does not provide ability for the fund to explain what "portfolio turnover rate" is. We think the disclosure of the rate without further explanation has the potential to confuse investors.

A survey conducted by the Investment Company Institute indicates that a majority of investors do not consider portfolio turnover when making an investment decision.[3] To the extent that investors do consider the portfolio turnover rate, it is included in the Financial Highlights table, along with other information, and the SAI typically contains an explanation of how the rate is calculated and what it means. We do not believe that the turnover rate, without further explanation, is a useful proxy for portfolio trading expenses. In addition, the result of portfolio turnover (as is the result of portfolio trading expenses) is included in the fund's performance. We think that portfolio turnover is a relatively complicated concept that may be confusing when reduced to a single number unaccompanied by an explanation of how it is calculated and a discussion of how it may affect a particular fund (for example, in the case of funds that invest in securities for which brokerage commissions are not paid).[5] The amount of information that might be required to explain portfolio turnover may lead to a disproportionate increase in the length of the Summary Prospectus. For these reasons, we think that simplicity and conciseness of the summary are better served if a discussion of portfolio turnover is left to the SAI.

B. Portfolio Holdings

We do not believe that a list of the fund's top ten portfolio holdings is essential information of the same character as the fund's investment objective, strategies, risks, costs and performance, that investors need to know before selecting a fund for investment. When coupled with the requirement for quarterly updating of this information, it becomes an onerous obligation for funds. Additionally, the information may have little relevance for investors in certain types of funds. The fact that certain funds may choose to include such information in advertisements or on the fund's website does not support making this one of the key disclosure items for investors in the Summary Prospectus or in the summary disclosures in Form N-1A. Funds may choose to advertise or not, but they do not have a choice about the contents of their prospectuses. Indeed, the fact that such information may be easily available in ads or on a web site

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[3] *Understanding Investor Preferences for Mutual Fund Information*, Investment Company Institute, at p. 3 (2006) (survey reflecting that only 34% of shareholders typically review a fund's portfolio turnover rate before making a purchase).

[5] *See e.g.* Form N-1A Item 11(e) (requiring an explanation in the SAI of significant variation in a fund's portfolio turnover rate over the two most recent years.).

suggests that it is available for those who want to know it. Reducing the disclosure to the top ten holdings (as opposed to the full disclosure of a fund's holdings in its Statement of Operations in its Financial Statements and Form N-Q) may also not provide meaningful information about certain types of funds. We are also concerned that while the list would be required to be updated in the Summary Prospectus quarterly, it would be updated only annually in the summary disclosure in Form N-1A, creating a "disconnect" between the currency of the data in these two documents.

We share the Commission's view that portfolio holdings information can often provide investors with a greater understanding of how a fund seeks its stated objectives and strategies and can assist investors and their advisers in making informed asset allocation decisions. However, a list of top ten portfolio holdings may become stale very quickly as it is merely a snapshot of the ten largest securities positions a fund holds at a given time and may change rapidly in volatile market conditions or as portfolio managers re-tool the fund's investment strategies and techniques.

A list of top ten portfolio holdings may not always be an accurate indicator of what a fund invests in. For example, in the case of funds that may hold small amounts of many portfolio securities, the top ten holdings may not be representative of the entire portfolio. We question whether the information would be meaningful in the case of a fund holding mortgage-backed securities, since the nature of those securities may be difficult to discern from their titles. For passive index funds, the information might be of little interest. For new funds, the list might well not be representative of how the fund will be fully invested.

As noted above, many fund companies already make portfolio holdings information readily available on their websites, in fund shareholder reports and in supplemental marketing materials, in some cases updating that information more frequently than the Proposed Rules would require.[6]

If the Commission determines to require this type of information, we suggest as an alternative that a fund could be permitted to include its top ten portfolio holdings in the Summary Prospectus, but should not be required to do so. Instead, the fund could include other types of asset holding information that it believes might be more meaningful to investors in certain types of funds. For example the rule could be modified to allow a fund to present its asset allocation instead of including a list of the ten largest holdings, using a pie chart or similar graphic device, showing holdings by industry or sector (e.g., for municipal bond funds); country or region (e.g., for multi-country international funds); credit ratings (e.g., for a bond fund); or asset class allocation (e.g., for certain balanced funds). Providing this option would allow a fund to show its entire portfolio allocation in a manner that investors might find more meaningful. Therefore, we suggest that if the Commission believes that information about portfolio holdings must be included in the Summary Prospectus and summary disclosure in Form N-1A, the Proposed Rules should be modified to give funds flexibility to decide the best way to depict how a fund allocates its assets.

C. **Financial Intermediary Compensation**

The Proposed Rules would require the summary section of the prospectus to contain a statement alerting investors to the fact that compensation paid by the fund and its affiliates to financial intermediaries could create conflicts. The legend can be modified, provided the modified version contains "comparable information." We recommend, however, that funds be able to delete the statement entirely if it would not be true because of the way the fund distributes its shares, as in the case of some "no-load" funds or funds included in some variable annuity/insurance products.

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6 In a recent review we conducted of the web sites of 10 large mutual fund companies, we found that eight updated the portfolio holdings on their website monthly; one quarterly and in the case of the other it was not clear how often the information was updated.

IV. Technology Requirements of Proposed Rule 498

We strongly support the Commission's concept of making the statutory prospectus, Summary Prospectus, SAI and shareholder reports available to investors online, in paper and by e-mail upon request. Because technologies change over time, we recognize (and agree with) the Commission's desire not to anchor the Proposed Rules to the use of any specific current technology. However, the types of technologies currently available to fund companies may make some revisions to the Proposed Rules advisable. We believe that these revisions can be accomplished by minor modifications to the Proposed Rules. To post these documents online in an economical and practical manner (from the perspectives of both investor use and ease of updating by the fund company) we suggest that the following changes to the navigation requirements, both within and between documents.

Under the provisions of proposed Rule 498(f)(2), each Summary Prospectus, statutory prospectus and SAI must be posted on the web site specified in the Summary Prospectus and must be presented in formats that:

(i) are convenient for both reading online and printing on paper;

(ii) permit persons accessing the online statutory prospectus or SAI to move directly back and forth between the table of contents in such document and each section referenced in the table of contents ("internal navigation" within a document); and

(iii) permit persons accessing the Summary Prospectus to move directly back and forth between each section of the Summary Prospectus ("navigation between documents") and:

> (A) any section of the statutory prospectus and SAI that provides additional detail concerning that section of the Summary Prospectus, or
>
> (B) tables of contents in the statutory prospectus and the SAI that prominently display the sections within those documents that provide additional detail concerning information contained in the summary prospectus.

Need for Revision of the Requirements for Navigation Within the Summary Prospectus, Statutory Prospectus and SAI

Because of the different levels of sophistication in the commonly-used navigation tools, in light of the requirement of the Proposed Rules that an investor be able to navigate "directly back and forth between" the table of contents of a document and the related sections of the document and be able to retain an electronic version of the materials accessed, we suggest that the Commission revise the Proposed Rules to permit use of either a "bookmarking" function or hard coded links within the table of contents page to accomplish this purpose.

Using current technology, we believe that the internal navigation requirement could be achieved by either using (1) "hyperlinks" (links imbedded in the document from specific words in the table of contents) or (2) "bookmarks" (a document index replicating the table of contents, which is displayed in a separate panel at the side of the document on screen).

For example, PDF technology allows for either (i) "bookmarking" specific sections of a document from within the PDF software's interface (but not directly in the page of the document) or (ii) building links directly into the actual table of contents page of the document (i.e. "tagging"). Both approaches support one-click navigation from the table of contents to its highlighted section both online and as a saved document. The "bookmarking" approach is easy, inexpensive and the tools are user-friendly and built into already existing PDF software. Under this approach, ongoing prospectus and SAI changes are simply re-bookmarked when they happen. However, the "tagging" approach would require that resources be dedicated to design, layout and programming of links both at the initial set-up and as ongoing changes occur.

Although it may not have been intended, the Proposed Rules seem to allow only direct links or "hyperlinks" to be used, and not bookmarks. Bookmarks are not directly embedded "in" the document; they appear on screen at the side of the document. Proposed Rule 498(f)(2)(ii) requires that there be links from the Rule 481(c) table of contents, which by definition must be "in" the document. We believe this could be resolved either by revising Rule 481(c) to allow an electronic table of contents that could be external to the document provided that it was always visible to the viewer on screen when viewing the document, or by eliminating the cross-reference to Rule 481(c) from Rule 498(f)(2)(ii), since a "bookmark" index would replicate the table of contents of a document. We think the latter is the better approach. Additionally, proposed Rule 498(f)(2)(ii) could be revised to require links from "a" table of contents of such document, rather than "the" table of contents. These changes would facilitate the use of either bookmarking formats or hyperlinks.

Cross-linking Between the Summary Prospectus and the Statutory Prospectus and SAI

As discussed below, certain words in proposed Rule 498(f)(2) may create overbroad or ambiguous requirements and thereby pose substantial burdens on funds seeking to comply with the linking requirements implicit in those words. Additionally, the concept of cross-linking among documents set forth in proposed Rule 498(f)(2) may pose insurmountable burdens on funds as drafted.

First, Rule 498(f)(2)(ii) would require that the fund's statutory prospectus and SAI be placed on the fund's web site in a format or formats that would permit persons to move "directly back and forth between the table of contents in such document (including from the table of contents required by Section 230.481(c)) and each section of the document referenced in the table of contents." As worded, that section appears to require a viewer to be able to move from *each* section head in the table of contents to each section of the document referenced in the table. We suggest that ambiguity could be rectified by revising the phrase to read (incorporating our earlier comment on the reference to Section 481(c)): ". . . to move directly back and forth between a section heading in the table of contents in such document and the section of the document referenced in that section heading in the table of contents." That solution would make it clear that the linking would not require navigation from "Investment Objective" in the Table of Contents to "Investment Adviser," for example.

A second difficulty arises in the language of Rule 498(f)(2)(iii) mandating cross-linking between the Summary Prospectus and the statutory prospectus and SAI. First, sub-section (iii)(A) is ambiguous because the language suggests that cross-linking would be required from "each" section of the Summary Prospectus to "any" section of another linked document that provides "additional detail" concerning that section of the Summary Prospectus. However, in many cases there may be more than one section of another document that provides "additional detail" about a section in the Summary Prospectus. For example, the discussion of investment policies in the Summary prospectus may also be colored by discussions of portfolio turnover, taxes, and risks. Each of those sections may cross-reference other sections of the same document. Requiring multiple cross-links would entail a tremendous amount of work for fund companies to parse out *every* specific section of the other linked documents that might provide detail about a section in the Summary Prospectus and could cause a fund not to link "directly" to all relevant details. Failure to capture all of those linked sections could provide exposure to litigation risk as a violation of the requirements of the Rule. For that reason, it is doubtful whether we would ever choose to try to comply with this requirement by following subsection (A). We suggest that that problem could be mitigated by changing the reference from "Any section" to "A section of the Statutory Prospectus and Statement of Additional Information."

Because of ambiguity in the language in the second option in proposed Rule 498(f)(2)(iii)(B), we would ask the Commission to clarify that the requirement to provide links between each section of the Summary Prospectus and tables of contents in the statutory prospectus and SAI that "prominently display the sections within the Statutory Prospectus and SAI that provide additional detail concerning that section of the Summary Prospectus" does not require links to all of the specific sections of the tables of contents of the statutory prospectus and SAI that contain additional detail about the item in the Summary Prospectus, for the same reasons denoted above. Instead, we assume (and would request that the Commission clarify) that a link to the entire table of contents would be sufficient, to avoid the risk of missing a specific section that might contain relevant additional information. If that is the case, then to avoid cluttering the Summary Prospectus with repetitious links to the tables of contents after each section of the Summary Prospectus, we suggest that a single link at the beginning or end of the Summary Prospectus to those tables of contents should be sufficient to accomplish the purpose of this requirement.

For the reasons cited in the paragraph above, we suggest that the Summary Prospectus be allowed to contain only two links: one that directs an investor to the table of contents of the statutory prospectus and one that directs the investor to the table of contents of the SAI. Once an investor is directed to the table of contents of those documents, the investor can swiftly locate specific sections using either bookmarks, direct hyperlinks from the table of contents, or the search capability in their program software to find relevant information.

Thirdly, the requirement that the investor be able to "move directly back and forth" between sections of the Summary Prospectus and other documents poses questions and concerns. Although it is technologically feasible to insert links that permit such back and forth movement, it would be a very complex undertaking that would require significant resources at substantial cost. It would also impose an exceptionally high level of ongoing maintenance and monitoring to assure that the links work in each document and are updated as the documents are updated. We believe that the cited goal of navigational ease could be met by allowing the investor to click onto the link to the statutory prospectus or SAI in a manner that keeps the Summary Prospectus open in a window so that the viewer could return to it when finished in the statutory prospectus or SAI section, rather than pressing a "back" button (which would not work in this scenario). We suggest that the Adopting Release clarify that the movement back and forth between windows complies with the "back and forth" requirement.

As an alternative to section-to-section cross-linking, the Proposed Rules could allow for linking between each section of a summary prospectus to just the table of contents of each of the statutory prospectus and SAI that prominently displays the sections within those documents that provide additional detail. While this alternative utilizes far fewer cross-links, the same design, formatting and technical burdens persist as with the first option.

V. Compliance Date

Fund companies will need at least one, full registration statement update cycle to implement the amendments to the summary disclosure requirements for the statutory prospectus, which will also be a pre-requisite to utilization of amended Rule 498 to permit a fund to rely on that Rule to use a Summary Prospectus. Implementation of procedures to prepare and file Summary Prospectuses in reliance on Rule 498 will require a substantial amount of time to enable funds to implement the adopted technical requirements and configure their processes and workflows to accommodate the adopted rule. We therefore recommend that the Commission provide a transition period that will give funds at least one year from the adoption of the amendments to comply. We believe this approach will encourage more funds to utilize the Summary Prospectus.

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OppenheimerFunds, Inc. greatly appreciates the opportunity to comment on the Proposed Rules. Again, we appreciate the well-thought out proposals and the efforts by the Commission and the Commission staff to find ways to enhance the delivery of essential information about mutual funds to investors.

Sincerely,

Robert G. Zack
Executive Vice President and
General Counsel

cc: The Honorable Christopher Cox, Chairman
The Honorable Paul S. Atkins
The Honorable Kathleen L. Casey

Andrew J. Donohue, Director,
Susan Nash, Associate Director,
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