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BY ELECTRONIC FILING

July 20, 2011

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

Re: File Number SR-FINRA-2011-028

Dear Ms. Murphy:

T. Rowe Price Investment Services, Inc. ("**T. Rowe Price**") appreciates the opportunity to comment on the proposed consolidated Financial Industry Regulatory Authority ("**FINRA**") supervision rules.

T. Rowe Price is a registered broker/dealer under the Securities Exchange Act of 1934 and a FINRA member firm. It acts as principal distributor of the T. Rowe Price family of funds ("**Price Funds**"). The Price Funds are offered directly to retail investors as well as through financial intermediaries such as broker/dealers, insurance companies, banks and plan recordkeepers. As of March 31, 2011, the Price Funds held assets of $ 300.2 billion. T. Rowe Price also provides brokerage services to Price Fund shareholders and other retail customers as an introducing broker through its Brokerage Division and provides certain services to customers who hold T. Rowe Price's two proprietary no-load variable annuity products. It also serves as the distributor for Section 529 College Savings Plans issued by two states.

T. Rowe Price recognizes the efforts FINRA has made to combine and update the sometimes conflicting current NASD and NYSE supervision rules and agrees with many of the proposed changes. For example, although we believe that all complaints, whether written or oral, deserve careful consideration, we agree that oral complaints should not be included within the scope of proposed Rule 3110(b)(5). As FINRA has noted, oral complaints are difficult to capture and assess and raise competing views as to the substance of the complaint being alleged. *See* 76 FR 38248.

We also support Supplementary Material .10 under proposed Rule 3110(b)(4), which specifically allows a supervisor/principal to delegate certain functions to an unregistered person, while requiring the supervisor/principal to remain ultimately responsible for the performance of all necessary supervisory reviews.

We appreciate FINRA proposing to incorporate the existing guidance in Notice to Members 99-45 (June 1999) that a member can conduct annual compliance meetings by means other than in-person presentations into Supplementary Material .06 under proposed Rule 3110(a). As described below, however, we believe that some of FINRA's other proposed changes need additional clarification or amendment.

Supervision of Communications. Proposed Rule 3110(b)(4) would require supervisory procedures to "include procedures for the review of incoming and outgoing written (including electronic) correspondence with the public *and internal communications* relating to the member's investment banking or securities business." (emphasis added) According to the proposing release, this proposed rule "generally incorporates the substance of NASD Rule 3010(d)." 76 FR 38247. "In addition, the proposed provision and proposed related supplementary material incorporate certain existing guidance regarding the supervision of electronic communications in Regulatory Notice 07-59 (December 2007)" ("**Regulatory Notice**"). *Id.*

We believe that the proposed rule, as written, could easily be read as a blanket requirement to review internal communications. The cited Regulatory Notice is very clear, however, that, "with the exception of the enumerated areas requiring review by a supervisor [only one of which - NASD Rule 2711(b)(3)(A) and presumably its NYSE counterpart - would require a type of review of internal communications by its terms and which would not apply to many firms] ... a firm may use risk-based principles, including an examination of existing review processes, to determine the extent to which review of *any* internal communications is necessary." Regulatory Notice at p. 3 (emphasis added). The rule, if adopted, should be re-worded to make it clear that it is not creating a requirement that internal communications must be reviewed absent a separate regulatory requirement as found, for example, in current NASD Rule 2711, but rather that it gives the member the discretion to decide if any internal communications should be reviewed, based on a risk-management analysis.

Complaint Handling. Proposed Rule 3110(b)(5), which is based on an NYSE rule, would require the firm to have procedures to capture, acknowledge, and respond to *all* written customer complaints. Although it is T. Rowe Price's general policy to record and respond to all complaints, responses may in some instances be made orally, depending upon the circumstances. We believe it is important that a member retain this flexibility as long as the record of the oral response is maintained in a compliant manner. In addition, in those rare instances where a person sends the same complaint multiple times despite receiving appropriate responses or sends threatening, abusive or similar complaints, the member should be able to inform the writer that it will not reply to further correspondence, if a record is made of that communication. Finally, the rule should either acknowledge that a firm cannot respond to a truly anonymous complaint or clarify that a communication of this type does not have to be considered a complaint for purposes of this rule or Rule 4530.

Dissemination of Written Supervisory Procedures. Supplementary Material .13 to proposed Rule 3110(b)(7) specifically permits a member to distribute its written

supervisory procedures electronically, which we believe is a method already used by many firms. However, if electronic media is used, the Supplementary Material can be read to require that *all* Associated Persons be notified of *any* amendment.

Currently, T. Rowe Price often emails a summary description of material amendments to its Compliance and Supervisory Manual ("**Manual**"), along with a link to the Manual's location on the firm's intranet site, to all principals, who are reminded to inform their reports if the changes are relevant to them. Notices are sent to all registered representatives when we believe that the change has wide-spread applicability. For example, a notification of the new FINRA rule on outside business activities and the revised approval procedure stemming from the rule change was sent to all registered representatives. Registered representatives are reminded in annual compliance training about how the Manual can be accessed and their responsibility for being aware of its contents, knowing where to find it, and abiding by its requirements.

Individual business units may also have unit-specific supervisory procedures that are relevant only to their operations. In some cases, a legitimate reason may exist to limit circulation of specific procedures. For example, a brokerage unit might have supervisory procedures that principals follow when approving options accounts. The management of that unit might decide that these procedures should be kept confidential to ensure that a representative does not inadvertently alert a customer wishing to open an options account about what factors would preclude approval of that account.

If the proposed requirement is requiring notification to all Associated Person of all amendments, it would, in our opinion, simply lead to Associated Persons ignoring notices about updates, since so many of them would be irrelevant to all but a specific group. In some cases, such a requirement might also undermine legitimate efforts to keep certain supervisory procedures out of general circulation. We believe that the proposed Supplementary Material should be revised to make it clear that a firm may distribute some or all amendments only to principals, for their further distribution to the Associated Persons who report to them as appropriate, or only to a specified group or department, if the firm believes that is the most appropriate method of dissemination in a specific situation.

Inspection Procedures. Proposed Rule 3110(c)(3)(B) requires a member to "ensure that the person conducting a [required inspection] … is not an associated person assigned to the location [and] is not directly or indirectly supervised by, or otherwise reporting to, an associated person assigned to the location." Under proposed Rule 3110(c)(3)(C), a member may make a formal, documented determination in the relevant inspection report about why it can not comply with this requirement, but according to related Supplementary Material .16, this determination will "generally arise only" when the member has "only one office" or the member "has a business model where small or single-person offices report directly to an OSJ manager who is also considered the offices' branch office manager."

Under T. Rowe Price's long-standing supervisory structure, the individuals charged with conducting all FINRA-required inspections are physically located in T. Rowe Price's main office in Baltimore, which is an Office of Supervisory Jurisdiction ("**OSJ**"). They report through intermediate managers to the head of Firm-Wide Compliance for the complex to which T. Rowe Price belongs, and through him to the Chief Legal Counsel and ultimately the President of T. Rowe Price. All of these executives are also located in the Baltimore OSJ. We believe this is common type of structure.

The proposing release notes that the "general presumption" described above "does not prohibit a member from relying on the exception in other instances provided it complies with the conditions in proposed FINRA Rule 3110(c)(3)(C)." 76 FR 38258. We believe, however, that requiring a firm to construct documentation about why it uses such a common structure, especially when the documentation will not be in line with FINRA's expressed opinion about when the situation will generally occur, is inappropriate. The Supplementary Material should, at a minimum, be revised to state that the reasons cited are simply examples of situations when such a situation might occur, rather than having them create a possibly irrebuttable presumption.

Supervision of Accounts. Proposed Rule 3110(d), which is based on a current NYSE rule, would require a member to have supervisory procedures for the review of securities transactions to identify trades that might violate laws and rules that prohibit insider trading and manipulative and deceptive devices. This review would be required for transactions that are effected for the accounts of the member and/or Associated Persons of the member as well as for accounts in which an Associated Person has a beneficial interest or control, **and** for any account held by a spouse, child, son-in-law or daughter-in-law of an Associated Person where the account is introduced or carried by the member.

We believe that this proposed rule is overbroad. T. Rowe Price has two U.S.-based investment adviser affiliates that are registered with the SEC. In order to ensure compliance with the relevant rules of the Investment Advisers Act of 1940, all employees of all affiliated entities are required to report (and in some cases prior clear) securities transactions in any accounts over which they have beneficial ownership or control. These transactions are then reviewed as appropriate pursuant to our Code of Ethics and Conduct to, among other things, eliminate the possibility of a transaction occurring that the SEC or other regulatory bodies would view as illegal and prevent, as well as detect, the misuse of material, non-public information.

We do not understand the reason for extending the requirements of proposed Rule 3110(d) to the accounts of family members not otherwise covered by the SEC rules for investment advisers, which would typically be accounts of independent adult children and their spouses who do not reside with or receive support from the Associated Person, and we do not believe that FINRA has provided a compelling rationale for doing so. Extending this review requirement to this additional class of accounts will require us to add an unnecessary and burdensome layer of filtering to an existing robust and carefully constructed system of compliance without adding any perceivable benefit.

The proposed rule would impose additional requirements on members engaged in "investment banking services." The term "investment banking services" is defined in the proposed rule to "include, without limitation, acting as an underwriter." We would appreciate confirmation that the distribution activities undertaken by firms like TRPIS in connection with investment companies and 529 plans do not fall under this definition as long as those firms do not engage in any of the functions typically viewed as traditional underwriting activities, such as those otherwise described in the proposed rule.

If a member engaged in investment banking services identifies any trade that might violate the cited laws and rules, it must not only conduct an internal investigation, but also file a variety of reports with FINRA, signed by a senior officer. This proposed reporting requirement is far more onerous than the reporting requirement under recently adopted FINRA Rule 4530, which we believe provides FINRA with the ability to receive notice of any violative conduct like insider trading. As a result, we do not believe that the proposed additional reporting requirement currently found in the draft rule is necessary.

Although not clear from the text of the proposed rule, the proposing release indicates that the reports described in the proposed rule must be provided to FINRA "even if a member's investigation does not uncover violations in association with the suspected securities transactions." 76 FR 38260. If the additional reporting requirement under the proposed rule is adopted, we do not believe that FINRA has provided a compelling reason for this apparent requirement to report to it even if the member's investigation does not reveal any violations.

Reports to Senior Management. The current rule that requires in part the preparation and submission of a report to senior management at least annually detailing the member's supervisory controls and summarizing testing and verification of the member's supervisory procedures would be moved to proposed Rule 3120. If a member reports gross revenues of $150 million or more, the report would have to include both specific information about customer complaint and internal investigation reports made to FINRA in the preceding year and a discussion of the firm's compliance efforts in several specific areas, including supervision, anti-money laundering, and risk management.

Unless the rule provides that this gross revenue figure will be adjusted for inflation or other appropriate measure, it is likely this requirement will, over the years, grow to apply to many more firms than currently covered without a corresponding justification for that expansion. In addition, we believe that each firm is in the best position to judge which activities should be covered in these reports. Therefore, firms, regardless of their size, should not be required to cover specific topics in these reports. If FINRA wishes to keep these items in the rule as adopted, they should be provided as examples of the types of subjects that the designated principals might consider including in the reports.

If you have any questions about T. Rowe Price's comments, please do not hesitate to contact me.

Very truly yours,

Sarah McCafferty

cc: J. Gilner, Esq.
D. Oestreicher, Esq.