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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

OMB APPROVAL
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FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/11 AND ENDING 12/31/11
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: T. Rowe Price Investment Services, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

100 East Pratt Street

(No. and Street)

Baltimore

Maryland

21202

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Barbara A. O'Connor

(410) 345-6842

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

KPMG LLP

(Name - if individual, state, last, first, middle name)

1 East Pratt Street

Baltimore

Maryland

21202

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240 17a-5(e)(2)

SEC 1410 (06-02)

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OATH OR AFFIRMATION

I, Barbara A. O'Connor swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of T. Rowe Price Investment Services, Inc. as of December 31, 2011, are true and correct. I further swear (or affirm) that neither the Company, nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer.

Barbara A. O'Connor
Barbara A. O'Connor

Vice President
Title

Tina R. Reynolds
Tina R. Reynolds
Notary Public, Harford County, State of Maryland
My Commission Expires June 18, 2012



This report ** contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Cash Flows
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- (o) Independent Auditor's Report on Internal Control

** For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).



KPMG LLP
1 East Pratt Street
Baltimore, MD 21202-1128

Report of Independent Registered Public Accounting Firm

The Board of Directors
T. Rowe Price Investment Services, Inc.:

We have audited the accompanying statement of financial condition of T. Rowe Price Investment Services, Inc. (the Company) as of December 31, 2011 that is filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit of a statement of financial condition also includes examining, on a test basis, evidence supporting the amounts and disclosures in that statement of financial condition, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe that our audit of the statement of financial condition provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of T. Rowe Price Investment Services, Inc. as of December 31, 2011, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

February 24, 2012

KPMG LLP

T. ROWE PRICE INVESTMENT SERVICES, INC.

STATEMENT OF FINANCIAL CONDITION

December 31, 2011

(in thousands, except share data)

ASSETS

Cash and cash equivalents	\$ 13,383
Receivables	336
Leasehold improvements, furniture, and equipment, net of accumulated depreciation of \$9,421	2,941
Prepaid expenses	3,501
Other assets	1,779
Total assets	<u>\$ 21,940</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Liabilities	
Payable to parent company	\$ 4,738
Accounts payable and accrued liabilities	1,348
Total liabilities	<u>6,086</u>
Stockholder's equity	
Common stock, \$5.00 par value - 20,000 shares authorized; 300 shares issued and outstanding	2
Additional capital in excess of par value	2,288
Retained earnings	13,564
Total stockholder's equity	<u>15,854</u>
Total liabilities and stockholder's equity	<u>\$ 21,940</u>

The accompanying summary of significant accounting policies and notes to financial statement are an integral part of this financial statement.

T. ROWE PRICE INVESTMENT SERVICES, INC.
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

T. Rowe Price Investment Services Inc. (Investment Services), a wholly-owned subsidiary of T. Rowe Price Associates Inc. (Price Associates), provides introducing brokerage services on a fully disclosed basis through Pershing LLC, an affiliate of the Bank of New York Mellon. We also are the underwriter and distributor of the T. Rowe Price mutual funds and the distributor of the Alaska and the Maryland college savings plans for which Price Associates acts as investment adviser. Price Associates is the sponsor of the T. Rowe Price mutual funds and is a wholly-owned subsidiary of T. Rowe Price Group Inc. (T. Rowe Price), a publicly-traded company.

Basis of preparation

These financial statements have been prepared by our management in accordance with accounting principles generally accepted in the United States, which require the use of estimates. Actual results may vary from our estimates.

Cash and cash equivalents

Cash equivalents consist of short-term, highly liquid investments in T. Rowe Price money market mutual funds. The cost of these money funds is equivalent to their fair value of \$1 per share, which is the quoted closing net asset value, or NAV, per share for these funds. These quoted values are considered Level 1 inputs (that is, quoted prices in active markets for identical securities).

Concentration of credit risk

As the introducing broker, we indemnify the clearing broker for losses sustained when customers fail to settle trades or default on margin calls. Our related risk is believed to be minimal in that customer assets held in accounts at Pershing collateralize receivable balances.

Leasehold improvements, furniture, and equipment

Leasehold improvements, furniture, and equipment are stated at cost, net of accumulated depreciation computed using the straight-line method. Provisions for amortization and depreciation are based on estimated weighted average useful lives of 6.9 years for leasehold improvements, 4.8 years for furniture and other equipment and 3.2 years for computer and communications equipment.

T. ROWE PRICE INVESTMENT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NET CAPITAL AND RESERVE REQUIREMENTS

We are subject to the Securities and Exchange Commission Uniform Net Capital Rule 15c3-1, which requires the maintenance of minimum net capital and requires that the ratio of our aggregate indebtedness to net capital, both as defined, not exceed 15 to 1. At December 31, 2011, our statutorily computed net capital of \$7,521,000 was in excess of required net capital of \$570,000. As described in Note 5, we declared a dividend of \$5,000,000 subsequent to December 31, 2011.

Investment Services and Price Associates have entered into an agreement whereby Price Associates will contribute additional capital to Investment Services if necessary to ensure that Investment Services maintains an aggregate indebtedness to net capital ratio of no more than 10 to 1. The aggregate indebtedness to net capital ratio was 1.1 to 1 at the end of 2011. This agreement is automatically renewed in June each year unless terminated with thirty days notice.

Cash of \$200,000 has been segregated in a special reserve bank account for the benefit of customers under Rule 15c3-3 of the Securities and Exchange Commission and is included in other assets.

NOTE 2 - RELATED PARTY TRANSACTIONS

Investment Services is a member of the T. Rowe Price group of affiliated companies and has extensive transactions as part of its ordinary course of business with members of the group. We earn revenue from Price Associates to distribute the Price funds and the Alaska and Maryland college savings plans. We also earn administrative revenue for services provided to our parent company and affiliates who perform other administrative services for the Price funds. Expenses that we recognize include fees charged by our affiliates, primarily our parent company, for the use of facilities, technology services, and other administrative services. These costs are allocated among all members of the affiliated group on a consistent basis. Price Associates serves as the paying agent for all subsidiaries, including Investment Services, of Price Group. We periodically settle our intercompany account due to or from Price Associates by cash transfer. Certain of the Price funds offer Advisor, R, and VIP Class shares that are distributed to investors through third-party financial intermediaries. We recognize the related distribution and servicing fee revenue and incur costs from those third-party financial intermediaries that distribute such shares. Because the costs we incur are limited to the fees earned from the Price funds, we have instructed the Price funds to pay the third-party financial intermediaries directly on our behalf. Accordingly, we have not recorded a receivable from the Price funds nor a payable to the third-party financial intermediaries in our statement of financial condition.

T. ROWE PRICE INVESTMENT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 3 – STOCK-BASED COMPENSATION

As part of the employee compensation program for its subsidiaries, T. Rowe Price Group awards stock-based incentives in the form of restricted shares and stock options. Vesting of these awards is based solely on the individual continuing to render service to an affiliated company and occurs over a four- to five-year graded schedule for restricted shares and over a five- to six year graded schedule for stock options. The stock options granted are qualified and nonqualified incentives and have a maximum term of ten years.

We recognize the grant-date fair value of these stock-based awards as compensation expense and additional stockholder's equity in the form of contributed capital over the vesting period. The fair value of the restricted shares on grant-date is based on the closing market price of T. Rowe Price Group common stock. The weighted-average fair value per-share of the 3,800 restricted shares granted to our employees in 2011 was \$60.44. T. Rowe Price Group uses the Black-Scholes option-pricing model to estimate the fair value of each option granted to our employees. The estimated fair value of the 7,000 options granted to our employees in 2011 and the related assumptions used in the option-pricing model is as follows:

Weighted average market price of common stock at the date of grant and exercise price of options granted	\$ 60.44
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Weighted average grant date fair value per option awarded	\$ 18.12
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Weighted average assumptions used:

Expected life in years	7.0
Expected volatility	33%
Dividend yield	1.9%
Risk-free interest rate	2.2%

The expected life assumptions used by Price Group are based on the vesting period for each option grant and historical experience with respect to the average holding period from vesting to option exercise. The assumptions for expected volatility are based on recent historical experience for the same periods as expected lives. Dividend yields are based on recent historical experience and future expectations. Risk-free interest rates are set using grant-date U.S. Treasury yield curves for the same periods as expected lives.

In 2011, we recognized compensation expense and additional stockholder's equity in the form of contributed capital of \$143,000 related to restricted shares, and \$58,000 related to stock options. Our future stock-based compensation expense before income taxes to be recognized over the vesting period of the 7,552 restricted shares and 12,440 nonvested options outstanding at December 31, 2011, is \$391,000. Actual expense will vary as additional stock-based awards are made and employees terminate prior to vesting.

T. ROWE PRICE INVESTMENT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 4 – INCOME TAXES

Our results of operations are included in T. Rowe Price Group’s consolidated U.S. federal tax return and several state combined tax returns. We, as well as each of the other subsidiaries that are included in these returns, separately determine our relative contribution of either tax expense or benefit to the consolidated or combined income tax expenses and, accordingly, recognize our current and deferred tax expense or benefit. Our U.S. federal income tax liability as well as liability for state combined returns is included in our payable to parent company.

Deferred income taxes arise from temporary differences between taxable income for financial statement and income tax return purposes. The net deferred tax asset of \$1,234,000 at December 31, 2011, is included in other assets and arises primarily from temporary differences associated with depreciation of leasehold improvements, furniture and equipment.

There are no uncertain tax positions as of December 31, 2011

NOTE 5 -- CHANGES IN STOCKHOLDER'S EQUITY

The following table presents the changes in stockholder’s equity in thousands:

	Common Stock	Additional Capital in Excess of Par Value	Retained Earnings	Total Stockholder's Equity
Balance at December 31, 2010	\$ 2	\$ 2,087	\$ 13,078	\$ 15,167
Net income			4,986	4,986
Dividend paid to stockholder			(4,500)	(4,500)
Capital contribution arising from T. Rowe Price Group stock based compensation		201		201
Balance at December 31, 2011	\$ 2	\$ 2,288	\$ 13,564	\$ 15,854

On February 13, 2012, the board of directors of the Company declared an aggregate dividend of \$5,000,000 payable on February 29, 2012 to its stockholder of record on February 27, 2012.

NOTE 6 -- OTHER DISCLOSURES

We occupy certain office facilities under noncancelable operating leases. Future minimum rental payments under these leases aggregate \$1,871,000 in 2012, \$1,930,000 in 2013, \$1,931,000 in 2014, \$1,839,000 in 2015, \$1,406,000 in 2016, and \$3,017,000 in later years.

T. ROWE PRICE INVESTMENT SERVICES, INC.

STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2011
(For Public Disclosure)