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May 21, 2020

Filed Electronically

Vanessa A. Countryman
Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Re: Request for Comments on Fund Names – File No. S7-04-20

Dear Ms. Countryman:

T. Rowe Price[1] appreciates the opportunity to respond to the SEC's request for comments on Rule 35d-1 ("Names Rule") under the Investment Company Act of 1940 ("1940 Act") and the antifraud provisions of the Federal securities laws, regarding names of registered investment companies and business development companies. We strongly support the Commission's ongoing efforts to modernize regulatory approaches for investment companies and improve the overall investor experience, and we appreciate the SEC's recognition that the fund industry has changed considerably since the Names Rule was adopted in 2001. Funds have expanded their investment strategies, increased the use of derivatives and new types of financial instruments, and expanded the diversity of products available to investors. In addition, there is a plethora of information available to investors that analyze and focus on a fund's investments, including third-party analysis of fund performance, performance attribution, and commentary on how funds implement or adhere to their investment mandates. Although the Names Rule has generally been effective in its current form, the significant evolution since the Rule's adoption presents an opportunity to evaluate whether revisions or clarifications to the Names Rule and its related guidance are warranted.

Broadly speaking, we believe the Names Rule continues to serve investors and asset managers well, particularly as applied to fund names that include objective terms to which its standards can be uniformly applied. As the SEC has long recognized, the Rule is much more difficult to apply to subjective concepts, either in fund names (like those incorporating environmental, social, and governance (ESG) considerations) or the use of derivatives in portfolio construction. These areas are not well-served by a rigid, "one-size-fits-all" approach to applying an 80% investment policy, and, as explained below, would be better served by a principles-based approach to regulation.

In general, we support the comments from the Investment Company Institute (ICI) and SIFMA's Asset Management Group in their letters to you dated May 5, 2020.[2] In addition, we would like to emphasize

[1] T. Price Rowe Associates, Inc. ("TRPA"), is a sponsor and investment adviser to over 180 T. Rowe Price mutual funds ("Price Funds"). As of March 31, 2020, TRPA and its affiliates managed approximately $1.01 trillion in assets, and the Price Funds' aggregate assets were approximately $562 billion.
[2] ICI's letter can be found at: https://www.sec.gov/comments/s7-04-20/s70420-7152133-216418.pdf; and SIFMA's letter can be found at: https://www.sec.gov/comments/s7-04-20/s70420-7153852-216454.pdf.

the points set forth below that we believe could benefit from clarification or revision, as well as those points that continue to work well and should not change.

80% Threshold

The SEC requests comments on the appropriateness of the 80% threshold, as well as whether the Names Rule should continue to apply only at the time of purchase or if a fund should be required to maintain 80% of its assets in the type of investment suggested by its name on an ongoing basis. We believe that 80% continues to be a threshold that is reasonable and workable. In our view, it appropriately reflects the focus on the investment types or geographic area indicated by a fund's name, and we believe that it is aligned with shareholders' expectations. It also incorporates an acceptable level of flexibility. Since the 80% test is currently measured at the time of purchase, in the event that there are fluctuations below the 80% threshold, the percentage will still be sufficiently high that even if a fund's exposure to a particular investment type declines, absent extraordinary circumstances, the vast majority of a fund's assets will still be invested according to the fund's name, consistent with shareholder expectations.

We also believe that shareholder interests are best served by continuing to apply the 80% investment requirement only at the time of purchase, and an ongoing maintenance test is neither advisable nor necessary to protect investors. Continuing to apply the Names Rule at the time of purchase is consistent with most other provisions under the 1940 Act. For example, 1940 Act requirements related to diversification, industry concentration, and investments in other investment companies, are monitored at the time of purchase and do not impose maintenance requirements. We see no reason to apply a different standard to the Names Rule. Indeed, requiring a fund to comply with the 80% investment limit at all times could actually do more harm than good, inappropriately constraining a portfolio manager's investment flexibility in ways that could potentially prove harmful to fund shareholders. A continuous requirement to maintain compliance with the 80% investment limit could result in a fund being forced to sell holdings at inopportune times, to the detriment of fund shareholders, or forced to make investments solely for purposes of Names Rule compliance, which may not always be consistent with what the portfolio manager believes to be in the best interests of the fund and its shareholders. Applying the 80% investment requirement at the time of purchase is the better approach, because it allows a fund the limited flexibility to fall below the 80% threshold in certain circumstances beyond the fund's control, such as in the case of large cash inflows or redemptions or solely due to changes in the market value of the fund's portfolio holdings. A fund that passively breaches the 80% investment threshold is required to make future investments in a manner that would bring the fund's portfolio back towards compliance with the 80% requirement; however, the fund would not be required to unnecessarily buy or sell portfolio holdings in order to always maintain the 80% threshold.

We have a modest suggestion for clarifying the time-of-purchase test in situations where a fund has temporarily fallen below the 80% threshold. Intra-day market price and currency movements, and/or the impact from foreign market open and close periods, could cause further fluctuations while various buy and sell orders have been placed for the fund's portfolio. We believe that type of deviation from the 80% threshold should not prevent a fund from making any particular investment decisions, provided all of the transactions placed for a given day, on a net basis, are intended to move the fund toward compliance with the 80% test.

Finally, we believe that there should be no change to the Names Rule applying "under normal circumstances." Allowance for a temporary departure from the 80% requirement provides portfolio managers the flexibility to manage their funds in response to adverse market and economic conditions, as well as other unforeseen circumstances, including unusually large cash inflows or redemptions. The importance of this "under normal circumstances" standard was recently highlighted during the period of heightened market volatility and increased shareholder transactions due to the COVID-19 pandemic.

Distinction Between Investment Strategies and Investment Types

We strongly believe that the Names Rule should not be amended to apply to terms that describe a fund's investment strategy. Rather, the regulatory framework should continue to distinguish investment strategies (to which the Names Rule does not apply and accordingly does not require an 80% investment policy) from specific investment types (which are subject to the Names Rule). Where a fund's name describes an investment strategy, the fund's disclosure should adequately describe the terms used in its name in its discussion of the fund's investment objectives, strategies, and risks.

When it adopted the Names Rule, the Commission expressly excluded from the rule subjective terms that suggest an investment strategy, such as growth, value, and income. In doing so, the Commission correctly noted that a reasonable investor could conclude that fund names indicating an investment strategy might suggest a focus on more than one type of investment. For example, funds with terms such as "dividend" or "income" may all seek yield within the limits of their investment program but may do so with significantly different investments and should not be required to commit to invest in any particular asset class. Such funds might appropriately focus on investments in dividend-paying stocks, various fixed-income securities, or a mix of asset classes, depending on the fund's overall investment objectives. Advisers in their reasonable discretion should be afforded the flexibility to implement a fund's investment strategy, provided the strategy is clearly disclosed to shareholders in the fund's prospectus. To the extent the fund's name includes terms indicating an investment strategy and investment type (e.g. "value stock fund"), the Names Rule would continue to apply only with respect to the investment type (e.g. requiring a policy to invest at least 80% of net assets in stocks).

Rule 35d-1 also does not currently apply to the use of the terms "global" and "international" in fund names. In adopting the Names Rule, the Commission observed that the terms "global" and "international" in a fund's name do not reflect a stated intent on the part of the fund to invest in any particular type of investment, but instead connote a strategy of diversifying the fund's portfolio among investments in a number of different countries throughout the world and such terms can reasonably mean different things to different investors. This reasoning remains sound and, particularly in an increasingly globalized economy with multinational corporations having operations and revenue sources in multiple countries, may even be more applicable today than ever before. Accordingly, we see no reason why Rule 35d-1 should be extended to apply to "global" and "international" funds, and we believe the SEC should continue to allow fund advisers to reasonably determine how global and international exposure may be attained. We note, though, that through the disclosure review process, we have received differing staff comments over the years for different Price Funds with the term "global" in their names. This has at times presented challenges for portfolio managers and resulted in varying standards for "global" Price Funds. We believe that "global" funds should not be required to invest a certain percentage of its assets in a minimum number of countries or to invest a minimum percentage of its assets outside the United States. We encourage the Commission to clearly state that any reasonable approach to attaining global or international investment exposure is permissible as long as the approach and specific criteria that a fund uses to determine the exposure is clearly and accurately disclosed in the fund's prospectus.

ESG

The Commission requests comment on whether the Names Rule should apply to terms such as "ESG" or "sustainable" when used in a fund's name to indicate an adviser's consideration of ESG factors in its investment process. We believe that generally such terms are not indicative of an investment type and, accordingly, should not be subject to the Names Rule.

We view ESG integration as more of an investment capability or investment consideration, as opposed to an investment strategy or investment type. Terms like "sustainable" and "green" are subjective in nature and "ESG investing" is a term used with a wide array of different investment strategies (e.g. socially responsible, exclusion, inclusion, best-in-class, green-conscious, impact strategies, etc.). While we do not believe that these terms should be subject to the Names Rule, we recognize the importance of advisers clearly disclosing to investors how ESG investing is impacting a fund's portfolio selection.

We understand that the SEC is concerned that the use of "ESG" or other related terms may not convey enough information to allow an investor to efficiently compare one fund with another before making an investment decision. This is particularly true with ESG investment strategies, where the process is highly subjective, and the product landscape is still evolving. There is a broad range of non-financial factors and screens that an adviser to an ESG fund might consider, and any ESG-focused assessments the adviser might make would be subjective in nature. A fund name indicating an ESG investment strategy could easily represent a variety of investment objectives. For example, one ESG fund might focus on environmental factors, such as carbon emissions, while another might apply greater weight to social factors, such as board diversity. These varied focuses and applications of ESG factors may result in significantly different investment portfolios, and may create some difference in understanding and expectation as to the nature of an ESG fund for investors.

Therefore, we believe that it would more appropriate to allow funds to define ESG investing through a fund's prospectus disclosure. The Commission currently allows funds to define terms outside of the Names Rule. For example, the Commission has given funds flexibility to reasonably define terms, such as small-cap, mid-cap, or large-cap. This approach would also work well for a fund employing an ESG strategy, which would allow those funds to best determine how to achieve their investment objectives, while providing information to help investors identify which products support their goals and views on ESG. This approach is still subject to Section 35(d)'s general prohibition on misleading names, and the description of the strategy will provide investors with more complete information as to how the fund intends to integrate ESG principles than the Names Rule alone would allow.

Instead of subjecting "ESG" and related terms to the Names Rule, the Commission should confirm that any reasonable methodology for applying ESG considerations to a fund's investment portfolio is permissible so long as such methodology, including the specific ESG factors that the fund assesses, are clearly and accurately disclosed. With respect to ESG and related terms, the Commission should aim its focus on ensuring investors have accurate, meaningful information to enable them to evaluate the strategies and funds that align to their particular goals.

Derivatives

We appreciate the SEC's observation that as funds increasingly use derivatives and employ a greater variety of derivative types, complying with the Names Rule and its asset-based test may raise particular challenges for funds that gain exposure to a "type of investment" through the use of derivatives. The universe of derivatives used by funds is expanding, and funds employ different derivatives for a variety of purposes to achieve their investment objectives. For example, funds may use derivatives to hedge exposures, mitigate portfolio risks or adjust portfolio characteristics, or to obtain indirect economic exposure to issuers, markets, or asset classes where direct exposure is impractical to obtain.

The SEC's request for comments on whether notional values should be permitted to be utilized in calculating compliance with an asset-based test also highlights the sometimes-complex decisions faced by funds in monitoring an 80% investment policy that includes derivative exposure to an investment that satisfies the 80% test. The purpose of the Names Rule is to ensure that the exposures in a fund's portfolio are reasonably aligned with that fund's name, and there is no one way to prescribe the treatment of derivatives that would serve this purpose in all of the varied tactical ways in which funds use derivatives. In certain instances, it may be appropriate to use notional value and, in other instances, it may be appropriate to use market value (or even some other measurement) based on the particular type of derivative and how that instrument is impacting the exposure suggested by the 80% investment policy. For certain derivatives, such as credit derivatives, the notional amount may represent an appropriate measure of economic exposure. For other derivatives, such as interest rate derivatives, the notional amount does not typically reflect the economic exposure of an investing fund.

Instead of creating prescriptive requirements, we believe the SEC should allow for flexibility as to how derivatives should be factored into the 80% investment test depending on how a fund uses derivatives as a part of its specific investment program. As a result, we encourage the Commission to endorse a flexible exposure-based approach for valuing derivatives in measuring compliance with the Names Rule, under which funds could test derivatives for Names Rule purposes consistent with a reasonable exposure metric and a methodology that, in the adviser's discretion, best measures the exposure to the type of investment that the derivative obtains. The methodology used to calculate adherence to the 80% investment policy could be disclosed in a fund's prospectus or Statement of Additional Information or outlined in the fund's program for investment compliance under Rule 38a-1.

Shareholder Notification of Changes to 80% Policy

We support the existing requirement that fund shareholders be provided with notice 60 days prior to any change in a fund's 80% investment policy. However, we believe the Names Rule, which was adopted prior to numerous advancements in technology and changes in shareholder preferences, should be modernized to allow funds alternative methods to deliver the notice to shareholders. The Names Rule currently requires "Important Notice Regarding Change in Investment Policy" to appear prominently in the notice. This statement must also appear in bold on the envelope in which the notice is delivered or, if the notice is delivered separately from other communications to investors, the statement will appear either on the notice or on the envelope in which the notice is delivered. We believe that this envelope legend serves little relevance today, and funds should be permitted to determine a reasonable manner to inform shareholders of a change to a fund's 80% investment policy. In addition, we encourage the Commission to confirm that funds may electronically deliver the change notice required by the Names Rule to any fund shareholders that have affirmatively opted for electronic delivery of their prospectuses, and to consider permitting website postings or electronic delivery to any shareholders with an e-mail address on file to satisfy the notification requirements.

Tax-exempt and Municipal Funds

Tax-exempt and municipal bond funds must currently treat their 80% investment policies required by the Names Rule as fundamental while other types of funds subject to the Names Rule may characterize their 80% investment policies as non-fundamental. We suggest the SEC consider a change to allow any Names Rule requirement to be treated as non-fundamental, which would allow tax-exempt and municipal bond funds to also rely on the shareholder notification approach as opposed to shareholder approval. Obtaining shareholder approval can be unnecessarily costly to shareholders and we believe the 60-day advance notice provision provides shareholders ample opportunity to redeem fund shares and find alternative investment options should they disagree with a change to a tax-exempt or municipal bond fund's 80% investment policy. Furthermore, the Names Rule could require Board approval in order for a fund to change its name or an associated Names Rule policy, which would be consistent with current practice.

Balanced Funds

The adopting release for the Names Rule indicated that the Rule does not codify staff positions with respect to the term "balanced," although footnote 42 in the release states in part that the Division of Investment Management takes the position that an investment company that holds itself out as "balanced" should invest at least 25% of its assets in "fixed income senior securities" and should invest at least 25% of its assets in equities.

There appears to be some ambiguity regarding how balanced funds across the industry are interpreting the application of this footnote to investments in fixed income securities. We believe it is reasonable to interpret this language consistent with the use of "senior security" in Section 18 under the 1940 Act, which are securities senior to equity securities of the same issuer as opposed to fixed income securities that are senior vis-à-vis other subordinated fixed income securities of the same issuer. We suggest that the SEC clarify this position so that a balanced fund is required to invest at least 25% in any fixed income securities as opposed to 25% in fixed income senior securities, which could be inconsistently interpreted as being limited to fixed income securities that rank above any other security in the event of the issuer's bankruptcy or liquidation (or a similar definition).

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We appreciate the opportunity to comment on the Names Rule framework and appreciate your consideration of our feedback. If you have any questions regarding our comments or would like us to provide further information, please feel free to contact Elizabeth Lance at [redacted] or Brian Poole at [redacted].

Respectfully,

/S/ Elizabeth Lance

Elizabeth Lance
Vice President and Legal Counsel
T. Rowe Price Associates, Inc.

/S/ Brian R. Poole

Brian R. Poole
Vice President and Senior Legal Counsel
T. Rowe Price Associates, Inc.

cc: The Honorable Jay Clayton, Chairman
The Honorable Hester M. Peirce, Commissioner
The Honorable Elad L. Roisman, Commissioner
The Honorable Allison H. Lee, Commissioner
Dalia O. Blass, Director, Division of Investment Management