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April 25, 2011

Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

Re: References to Credit Ratings in Certain Investment Company Act Rules and Forms (File No. S7-07-11)

Dear Ms. Murphy:

We are writing on behalf of T. Rowe Price Associates, Inc. ("**Price Associates**"), which together with other affiliates, serves as investment adviser to the T. Rowe Price family of mutual funds ("**Price Funds**") (over 120 funds with approximately $303 billion in assets as of March 31, 2011), and in particular, the Price money market funds, to express our views on the SEC's proposal to remove references to credit ratings in certain Investment Company Act of 1940 (the "**Act**") rules and forms (the "**Proposal**"). Price Associates manages 11 taxable and tax-exempt money market mutual funds, of which eight are sold to retail investors, two are cash management vehicles for the Price Funds and other institutional clients, and one is a variable annuity portfolio, and which held, in total, approximately $31 billion in assets as of March 31, 2011. The Price Funds currently maintain the third largest market share in the direct-marketed retail distribution channel.

We appreciate the opportunity to comment on the Proposal. While we generally agree with the ICI's comments submitted to the SEC on April 25, 2011, we would like to add the following additional comments.

General Comments

We understand that the Proposal seeks to implement the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("**Dodd-Frank**") that direct the amendments of SEC regulations that contain references to or requirements regarding credit ratings that require the use of an assessment of creditworthiness of a security or money market instrument. However, we continue to believe that credit ratings in the context of Rule 2a-7 provide an independent, objective means for shareholders to compare the credit quality of money market portfolios. The objective ratings standard now in Rule 2a-7, while not alone sufficient, is necessary and works in tandem with the subjective standard to provide a well-balanced approach to protect fund shareholders. The minimum rating requirement provides a "floor" that prevents money fund managers,

for whatever reason, from taking greater risks in search of higher yields to gain a competitive advantage. We voiced these same concerns when the SEC proposed to eliminate the references to credit ratings in Rule 2a-7 back in 2008 (*see* T. Rowe Price comment letter dated September 5, 2008 regarding Investment Company Act Rel. No. 28327 (July 1, 2008)).

It is important to emphasize that even if the Commission eliminates the objective minimum ratings requirements, it would not have a significant impact on the way the Price money funds operate. Price Associates has a dedicated credit research group and a strong commitment to fundamental credit research. Every money market security purchased by the Price money funds is rigorously and independently researched to determine its short and long-term creditworthiness and, consistent with Rule 2a-7, whether it presents "minimal credit risks." Credit agency ratings are only one point of reference in our independent evaluation of an issuer's credit quality. However, as noted above, we believe that other investment advisers, who may not have the same dedicated resources, commitment to credit research, or philosophy with respect to the use of ratings or of what constitutes "minimal credit risk," may take advantage of the absence of an objective standard to purchase riskier investments for their money funds in pursuit of higher yields. This would be an unfortunate and unintended consequence of eliminating the current requirements for ratings.

Money market funds were never permitted to rely solely on credit ratings; they were always required to perform a minimal credit risk assessment. However, the requirement in the current Rule that restricts the eligibility of securities to those that meet an objective credit rating standard has provided an important level playing field for money market funds. An unintended consequence of substituting a subjective standard for the existing two-step objective and subjective standard may allow certain money market funds to invest in securities that are not eligible under the existing Rule. Moreover, as the SEC notes in the Proposal, "[t]he minimum credit rating requirement in the current rule provides the Commission with an objective standard to use in examining and enforcing money market fund compliance with rule 2a-7's credit quality conditions." We agree with the SEC that this change could "result in increased risks to money market funds and their shareholders" and could make it "difficult for the Commission to challenge the determination made by a money market fund board (or its delegate)."

Eligible Securities

We agree with the ICI's analysis regarding the requirements for eligibility and the distinction between first tier and second tier securities. We believe that the elimination of references to credit ratings makes the distinction between first and second tier less meaningful. Moreover, we agree that the proposed standard for a first tier security may be more onerous than the existing standard because of the requirement that an issuer have the "highest capacity to meet its short-term financial obligations;" and the standard for a second tier security may allow for investments beyond the existing Rule. Similar to a rating agency's use of gradations within the highest rating category, our internal ratings process allows for the purchase of securities within gradations of our highest rating level.

We believe that these distinctions are appropriate and should continue to be permissible. Therefore, we believe that the SEC should adopt a uniform minimal credit risk standard that recognizes that there may be a range of issuers that have a "strong capacity to meet short-term obligations." As the ICI notes, this is generally similar to the standard currently used by the rating agencies to rate securities in the highest short-term rating category.

Monitoring Minimal Credit Risks

The Proposal would create a more onerous standard for reassessing minimal credit risk that requires a fund's board or its delegate to reassess a security if it "becomes aware of *any credible* information about a portfolio security or an issuer of a portfolio security that *may suggest* that the security is no longer a First Tier Security or a Second Tier Security, as the case may be." (emphasis added) Although we believe that money market fund boards or their delegates should continue to monitor their securities, we agree with the ICI that the proposed triggering event is overbroad and may create unnecessary burdens in light of the fact that there are numerous sources of daily information about issuers, much of which is not material or relevant to the issuer's ability to meet its short-term obligations. In fact, in addition to monitoring for credit deterioration, our minimal credit risk policies require our credit research teams to update the credit file for an issuer if new information related to the issuer may ***significantly affect*** its ability to repay its short-term obligations. We believe that a standard similar to our internal monitoring standard may be more appropriate. Therefore, we agree with the ICI's recommendation to eliminate paragraph (c)(7)(i) and redraft paragraph (c)(10)(i) to impose a continuing minimal credit risk assessment for money market fund portfolio securities.

Ratings in Shareholder Reports and Fund Disclosure Documents

We agree with the ICI that money market funds should continue to be permitted to publicly reference the credit ratings of their securities in shareholder reports and other fund disclosure documents. We also agree with the ICI that money funds should be permitted to use the credit ratings of more than one NRSRO to categorize the credit quality of the fund's portfolio in shareholder reports provided that the categorization is applied consistently in accordance with a fully disclosed methodology. This disclosure will provide access, comparability, and transparency to shareholders and others related to the independent credit ratings of a money market fund's securities.

Stress Test Reports

Rule 2a-7 currently requires a money fund to stress test for, among other things, ratings downgrades of portfolio securities. The Proposal would replace this reference to ratings downgrades and require a money fund to stress test for adverse credit events affecting issuers of its portfolio securities. We are pleased that the SEC acknowledged that a money fund could still continue to stress test their portfolios by treating a downgrade as an adverse credit event for testing purposes. While the SEC is considering removal of the references to credit ratings in the stress testing provision of Rule 2a-7, we recommend that consideration also be given to changing the board reporting requirement. Currently,

a money fund is required to provide the most current stress test report to the board at "the next regularly scheduled meeting (or sooner, if appropriate in light of the results)." We believe that the board should be able to determine how often they should receive these reports and under what circumstances, with at least a minimal annual review requirement under the Rule. The Rule already provides the board with discretion to determine how often the hypothetical events should be tested, so we believe giving the board the flexibility to determine the reporting requirement would be consistent with this responsibility. We perform stress tests for the Price money Funds on a monthly basis, which means our fund boards are required to receive a report at every meeting. We are concerned that furnishing the report multiple times during the year to match the board cycle diminishes the importance of the report and potentially makes the board's review more routine and perfunctory in nature.

We appreciate the opportunity to comment on the Proposal. If you have any questions concerning our comments or would like additional information, please feel free to contact any of the undersigned.

Sincerely,

David Oestreicher
Chief Legal Counsel

Joseph K. Lynagh
Vice President and Portfolio Manager

Darrell N. Braman
Managing Counsel

Fran Pollack-Matz
Senior Legal Counsel