



July 9, 2018

Mr. Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Auditor Independence with Respect to Certain Loans or Debtor-Creditor Relationships (File No. S7-10-18)

Dear Mr. Fields:

T. Rowe Price Associates, Inc. (“**TRPA**”), as a sponsor and investment adviser to over 180 T. Rowe Price mutual funds (“**Price Funds**”), appreciates the opportunity to comment on the above-referenced proposal (“**Proposal**”). As of May 31, 2018, TRPA and its affiliates managed approximately \$1.04 trillion in assets, and the Price Funds’ aggregate assets were approximately \$625 billion. TRPA and our Funds’ Audit Committee have had experience with application of Rule 2-01(C)(1)(ii)(A) of Regulation S-X, otherwise known as the “Loan Provision,” and we believe that its tenets, as applied to investment companies, do not work as intended to identify situations where an auditor’s independence would be potentially impaired.

Concurrence with Comments on Proposal Provided by Investment Company Institute and Independent Directors Council

We strongly agree that the Loan Provision is not functioning as intended and commend the Securities and Exchange Commission (“**Commission**”) for its efforts to refocus the provision on those lending relationships that may present a legitimate threat to an auditor’s independence. As a member of the Investment Company Institute (“**ICI**”) and Independent Directors Council (“**IDC**”), we were provided with and reviewed the comments the trade associations submitted to the Commission and support their position on the Proposal.

Emphasis of Certain Comments on the Proposal from the ICI and IDC

We strongly support the following comments and believe their inclusion in the final rule is critical:

1. **Substitute “significant influence” for the 10 percent bright-line test and maintain the concept of “portfolio management processes” as part of the significant influence test.** It is critical that the Commission provide guidance to allow audit firms to assess the portfolio management process first, and, if a shareholder cannot influence this process, no further analysis of the lending relationships or ownership is required. The analyses of shareholder ownership performed under the current Loan Provision for the Price Funds have required substantial time and resources from the audit firm and TRPA personnel to identify and assess potential instances of noncompliance and have identified technical violations that do

not truly affect the auditor’s objectivity or impartiality. Clarifying that audit firms should first assess the portfolio management process and may conclude, solely based on this analysis, that significant influence does not exist would alleviate the future burden of continuing to perform analyses of shareholder ownership.

2. **Clarify and narrow the scope of “beneficial owners” to exclude shareholders with no economic interest in the audit client.** In particular, guidance should be given that financial intermediaries that hold shares as record owners, with limited authority to vote on behalf of the underlying shareholders of the audit client, should be excluded. To the extent that an analysis of shareholder ownership is still required, this clarification would alleviate some of the burden of time-consuming individual outreach to certain record owners while retaining necessary investor protections.

3. **Provide additional guidance on the ongoing monitoring that must be performed by the audit firm, including confirming that an audit firm does not need to monitor ownership holdings if it initially determines that, based on the audit client’s portfolio management processes, the audit client cannot be subject to significant influence and determines that there are no changes to the fund’s governance structure and governing documents or other indicia to demonstrate significant influence over the audit client by a shareholder.** Clarity regarding the extent of ongoing monitoring of ownership records is needed to ensure that auditors and registrants are held to consistent standards over time. Specifying that, after an initial assessment of the portfolio management process, auditors are required to perform ongoing monitoring of changes to the fund’s governance structure and governing documents would maintain a sufficient level of rigor to ensure that actual relationships impairing auditor independence do not exist and would eliminate unnecessary and burdensome beneficial ownership reviews.

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We appreciate the opportunity to submit our comments on this Proposal. If you have any questions regarding our comment letter or would like additional information, please contact Darrell Braman at [REDACTED] or Catherine Mathews at [REDACTED].

Sincerely,

/s/Catherine Mathews

Catherine Mathews
Treasurer
T. Rowe Price Funds

Cc: The Honorable Jay Clayton
The Honorable Kara M. Stein
The Honorable Robert J. Jackson Jr.
The Honorable Hester M. Peirce

T.RowePrice®

Wesley Bricker, Chief Accountant
Office of Chief Accountant

Dalia O. Blass, Director
Alison Staloch, Chief Accountant
Division of Investment Management