

September 7, 2006

Ms. Nancy M. Morris  
Secretary  
Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549-1090

Re: **Commission Guidance Regarding Client Commission Practices under Section 28(e) of the Securities Exchange Act of 1934 (File No. S7-13-06)**

Dear Ms. Morris:

T. Rowe Price Associates, Inc., ("**T. Rowe Price**") congratulates the Commission for issuing its final interpretive guidance on the use of soft dollars under Section 28(e) of the Securities Exchange Act of 1934 ("**Section 28(e)**"). We agree with the Investment Company Institute that the final guidance strikes an appropriate balance between the regulation of soft dollar practices and the facilitation of soft dollar arrangements in the interests of the clients of investment advisers.

**Commission-Sharing Arrangements.** We support the flexibility provided by the Commission to permit market participants to structure a variety of arrangements that are consistent with the statute. T. Rowe Price is supportive of the continued viability and use of such arrangements and believes that such arrangements can be beneficial to investors by allowing investment advisers to receive high-quality research from diverse sources without compromising the ability to obtain best execution. We would urge the Commission to monitor the impact of such arrangements on order flow and consolidation within the brokerage industry. The flexible approach taken by the Commission with regard to the monitoring of these arrangements will greatly facilitate the maintenance of effective brokerage and research relationships. Additionally, we concur wholeheartedly with the decision to place the primary obligation for monitoring these sorts of relationships on broker-dealers as opposed to money managers.

**Need to Level the Playing Field.** The interpretive guidance has effectively clarified the regulatory framework for soft dollar practices under Section 28(e). Unfortunately not all advisers are subject to this Section 28(e). Accordingly, we urge the Commission to take steps to level the playing field by prohibiting the use of client commissions outside the safe harbor by *all* investment advisers, including hedge funds, regardless of the type of client account involved. This change would ensure that all advisers treat investors equitably in connection with their use of brokerage, and that broker-dealers do not have

Ms. Nancy M. Morris

Page 2

September 7, 2006

an incentive to favor advisers who are permitted to use client commissions outside the safe harbor. Without such regulatory parity, all advisory clients would not be afforded the same protections relating to their adviser's use of brokerage. Mutual funds and certain advisory accounts could also be subject to regulatory and competitive disadvantages compared to other types of accounts.

We look forward to the Commission's next release regarding the disclosure obligations of advisers under Section 28(e) and to participating in any future discussions relating to appropriate disclosure. The nature of such disclosure, including the parties to receive brokerage and research data, is a matter of significant importance to us.

Sincerely,

Darrell Braman  
Associate Legal Counsel

Christopher Hayes  
Associate Legal Counsel

Henry H. Hopkins  
Chief Legal Counsel

David Oestreicher  
Associate Legal Counsel