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BY ELECTRONIC FILING

Ms. Elizabeth M. Murphy
Secretary
United States Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File Number S7-36-10; Rules Implementing
Amendments to the Investment Advisers Act of 1940

Dear Ms. Murphy:

We are writing on behalf of T. Rowe Price Associates, Inc. ("**T. Rowe Price**")[1], a federally registered investment adviser. We appreciate the opportunity to comment on the SEC's proposals regarding implementing amendments ("**Proposed Amendments**") to the Investment Advisers Act of 1940.

T. Rowe Price generally supports the comments submitted by the Investment Company Institute regarding the Proposed Amendments. However, we are taking this opportunity to comment in detail on one aspect of the Proposed Amendments that we believe is of critical importance to many advisory firms that are part of large complexes that provide integrated services to certain advisory clients. In addition to our comments below, we firmly support the Investment Company Institute's request for clarification of the definitions of "covered associate" and "solicit."

The Commission has asked specifically if it should "amend rule 206(4)-5 to provide that any person that controls, is controlled by, or is under common control with an investment adviser (and, if that person is an entity, its personnel) would be deemed to be a "covered associate" of the investment adviser if the investment adviser pays or agrees to pay such person (or such personnel) to solicit a government entity on its behalf?"[2]

[1] T. Rowe Price Associates, Inc., a wholly-owned subsidiary of T. Rowe Price Group, Inc., together with its advisory affiliates, had more than $439 billion of assets under management as of September 30, 2010. T. Rowe Price has a diverse, global client base, including institutional separate accounts; T. Rowe Price sponsored and sub-advised mutual funds, and high net worth individuals. In addition, T. Rowe Price is the program manager for section 529 College Savings Plans issued by two states; its registered broker/dealer affiliate acts as primary distributor for these Plans and, as a result, is subject to MSRB rules G-37 and G-38.

[2] SEC Release No. IA-3110, pp. 72-73

T. Rowe Price believes that rule 206(4)-5 should be so amended. It is our understanding that the definition of solicitation under rule 206(4)-5 is intended to be very broad. The suggested amendment would align rule 206(4)-5 with current MSRB Rule G-38[3] in this area and would provide the most effective regulation of political contributions while permitting personnel of affiliated entities of an investment adviser to provide the types of information that existing and prospective advisory clients actually request.

Our experience in dealing with 529 plans and other advisory clients has demonstrated to us that clients and prospective clients often demand to speak with personnel of affiliated entities of the adviser, especially when the advisory relationship will also entail functions such as recordkeeping or provision of information to plan participants. In a large complex, the personnel the client or prospective client wants to meet may work in areas as varied as Information Technology, Compliance, and Human Resources and are often employed by affiliates of the adviser, such as a registered transfer agent or a separately incorporated Information Technology entity. They may also be registered or associated with an affiliated broker/dealer.

In addition, there may be no "compensation" received by these affiliated associates in the traditional sense. However, there may be inter-company transfers to recognize their services. Therefore, we believe the purpose behind the SEC's rule will be preserved by adopting the approach suggested by the Commission on this point in the Proposed Amendments.[4]

When the Commission published its draft pay-to-play rules for advisers in Release No. IA-2910 (August 7, 2009), it proposed prohibiting payment to any person to solicit a government entity for investment advisory services unless that person were "(i) A "related person" of the investment adviser or, if the related person is a company, an employee of that related person; or (ii) any of the adviser's employees, ... executive officers (or other person with a similar status or function, as applicable)."[5] Its proposed definition of "related person" – "any person, directly or indirectly, controlling or controlled by the investment adviser, and any person that is under common control with the investment adviser"[6] - is very similar to the one suggested in these Proposed Amendments. The Commission noted in Release IA-2910 that these two proposed

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[3] In MSRB Notice 2011-04 (January 14, 2011), the Municipal Securities Rulemaking Board ("**MSRB**") has requested comment on a draft proposal to establish "pay to play" and related rules relating to municipal advisors and to make certain conforming changes to its existing pay to play rules for brokers, dealers, and municipal securities dealers (**"dealers"**). In the Notice, the MSRB also requested comment on whether Rule G-38 should be eliminated or amended if the draft rules are adopted. We believe that the appropriate action for the MSRB to take on these issues will depend in large part on the decisions that the Commission makes on related issues in these Proposed Amendments. We believe, however, that MSRB Rules G-37 and G-38 have in concert provided effective regulation of pay-to-play issues for dealers and should not be materially amended.

[4] Even if there is compensation in the traditional sense, treating associates of affiliated entities as covered associates addresses the Commission's concerns.

[5] SEC Release No. IA-2910, p. 39852.

[6] *Id.* at p. 39853, n. 139.

exclusions were based on MSRB Rule G-38's exclusions. The Commission stated that it proposed "permitting payments to these persons under the proposed ban on payments to third parties because we recognize that an adviser may rely on them to assist it in seeking government clients."[7] As noted above, we believe the Commission was correct in this assessment.

Despite the Commission's expressed interest in conforming its pay-to-play rules for advisers with the MSRB's pay-to-play rules, however, it eliminated the exception from the solicitation ban for related persons of the adviser in its adopting release.[8]

Revising rule 206(4)-5 to permit any person that controls, is controlled by, or is under common control with an investment adviser (and, if that person is an entity, its personnel) to solicit a government entity on the adviser's behalf, and treating such a person as a "covered associate" of the adviser, will better align the SEC's regulation of adviser pay-to-play practices with the MSRB's current and effective regulation in this area. It will also ensure that conflicts of interest are effectively addressed, because these persons , as "covered associates", will be subject to the same restrictions on political contributions that the adviser and its associates operate under. This will result in regulation precisely targeted to the potential abuses that impelled the Commission to adopt pay-to-play restrictions for investment advisers.

For these reasons, we also believe strongly that adviser-affiliated entities with employees who solicit on behalf of the adviser should not be required to register with the Commission or the MSRB as municipal advisors. Imposing this new registration requirement will simply add complexity and cost without providing any additional protection from the conflicts of interest identified by the Commission.

We would support an amendment that would provide three acceptable paths for solicitation - through a regulated person, through a regulated municipal advisor, and/or through both the investment adviser (and its personnel) and through any person that controls, is controlled by, or is under common control with the investment adviser (and if that person is an entity, its personnel) - as long as those entities and their personnel are treated as covered associates of the investment adviser.

We appreciate this opportunity to comment on the Proposed Amendments. If you have any questions concerning our comments or would like additional information, please contact either of the undersigned.

Very truly yours,

David Oestreicher
Vice President and Chief Legal Counsel

T.RowePrice
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[7] *Id.* at p. 39849.
[8] SEC Release No. IA-3043, n. 258.

Sarah McCafferty
Vice President and Senior Legal Counsel

cc: J. Gilner, Esq.
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