

T. ROWE PRICE INVESTMENT SERVICES, INC.

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January 23, 2008

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



Re: Proposed Rule Change to Delay Implementation of Certain
FINRA Rule Changes Approved in SR-NASD-2004-183
(File No. SR-FINRA-2007-040)

Dear Ms. Morris:

T. Rowe Price Investment Services, Inc. ("TRPIS") appreciates the opportunity to comment on the above-referenced proposed rule change. TRPIS is a registered broker/dealer under the Securities Exchange Act of 1934 and a FINRA member firm, and acts as principal distributor of the T. Rowe Price family of funds ("Price Funds"). The Price Funds are offered directly to retail investors as well as through financial intermediaries such as broker/dealers, insurance companies, banks and plan recordkeepers. As of September 30, 2007, the Price Funds held assets of \$246.3 billion. T. Rowe Price also provides brokerage services to Price Fund shareholders and other retail customers as an introducing broker through its Brokerage Division and offers two proprietary no-load variable annuity products (a deferred and an immediate payout variable annuity) and Section 529 College Savings Plans for two different states. TRPIS does not make recommendations to its customers regarding its proprietary deferred variable annuity. TRPIS does not offer variable annuity products to its customers other than the T. Rowe Price no-load variable annuities.

TRPIS supports the proposed delay of the effective date for the "Principal Review and Approval" requirements of new Rule 2821. Although supportive of the goal of FINRA's Rule 2821 - to address problems relating to sales practices in the area of deferred variable annuities - we remain concerned about the principal review requirements, especially as applied to our business model. In our comment letters dated July 19, 2006 and September 19, 2005 ("TRPIS Comment Letters") on proposed Rule 2821, we explained our objections to the principal review requirements as applied to annuity transactions which have not been recommended.



We commend FINRA for its willingness to delay the effective date for the principal review requirements from May 5 until August 4, 2008, and its willingness to reconsider certain facets of the new principal review requirements, including the requirement to review transactions that are not recommended and the principal review timing requirements.

We agree with and support the comments of the Investment Company Institute ("ICI") in its letter dated January 24, 2008.

Transactions That Are Not Recommended

The principal review requirements should not apply where the broker-dealer is not making a recommendation. We continue to believe that principals should not second-guess an investor who is relying on the broker-dealer only to effect a transaction.

We do not believe it is the intent of FINRA to limit investor access to deferred variable annuities and we support its goals to educate investors about these products, ensure that investors are provided with information to make an informed investment decision, and require broker-dealers to evaluate whether such an investment is suitable for their customers where such products have been recommended by the broker-dealer. Yet, the principal review requirements in Rule 2821 adversely impact certain broker-dealers whose business models do not include making customer recommendations about deferred variable annuities. The Rule contemplates a traditional platform where full service broker-dealers and their customers transact business on a recommended basis, often in a face-to-face environment. Many firms today offer platforms that permit investors to make their own informed investment decisions without a recommendation from a broker-dealer. Some of these firms, including TRPIS, offer a single type of variable annuity contract with limited investment options and contract features. TRPIS's platforms, for example, allow investors direct access to conduct transactions by telephone, mail, or via the Internet and involve limited or even no interaction between the investor and a registered representative. Our representatives do not receive commissions from the sale of a deferred variable annuity product. As we explained in the TRPIS Comment Letters, the detailed customer information required to be collected in order to conduct a principal review under Rule 2821 would be extremely burdensome and unnecessary from an investor protection standpoint for transactions in our no-load deferred annuity. In the case of an exchange, our firm will not have any information about the contract being exchanged and must rely entirely on the customer for any such information. It is unreasonable to impose a principal review requirement in situations where the broker has neither recommended the annuity the customer currently holds nor the annuity the customer is receiving in exchange.

Firms that do not make any recommendations to customers regarding deferred variable annuities should not be required to build an infrastructure for approval of deferred variable annuities. They should not be subject to the principal review or other

related requirements in Rule 2821 because their business model does not raise the same supervisory concerns as the business model of firms that recommend transactions.¹ Rule 2821 could require broker-dealers that do not make recommendations regarding variable annuities to maintain adequate policies and procedures to supervise and monitor customer interactions to ensure that registered representatives are acting appropriately -- thereby ensuring that the broker-dealer qualifies for the exception from principal review requirements.

Timing Requirement

If the rule will continue to require a broker/dealer that does not make recommendations about any deferred variable annuity product to nevertheless have a principal review the purchase or exchange of each deferred variable annuity and each initial subaccount allocation, then the timing requirement continues to present practical problems for our firm. New Rule 2821 requires principal review “[p]rior to transmitting a customer’s application for a deferred variable annuity to the issuing insurance company for processing, but no later than seven business days after the customer signs the application.” As the ICI pointed out in its letter, the Rule does not provide adequate time to account for circumstances when a principal cannot complete the review during this time period.

Examples of situations where a principal could not complete the required review within the allotted time include when a customer inadvertently omits information from the application, when information provided by a customer on the application needs clarification, when a customer signs the application but does not mail it for several days after signature, and when a customer mails the application by regular U.S. mail. Any of these situations may result in customer harm because suitable transactions are rejected, unnecessarily delaying pricing of the contract, or because the principal is forced to put a premium on the speed of the review over the quality of the review. Further, these possible outcomes in conjunction with the new principal review requirements may have the unintended consequence of placing deferred variable annuities at a competitive disadvantage to other products.

A more workable trigger for completion of the principal review would be the date of receipt of the completed and signed application (“in good order”). The seven-business day time period would begin after this date and would be sufficient to permit a principal to conduct an appropriate review, building in time for readily foreseeable delays without

¹ For example, we believe that a customer of a broker-dealer that does not make recommendations should be permitted to continue to send his or her check directly to the insurance company because the transaction would be exempt from the principal review requirements in Rule 2821. This would include the principal review requirements that do not permit the depositing of a customer’s funds in an account at the insurance company prior to completion of the principal review. See FINRA Regulatory Notice 07-53, *Deferred Variable Annuities: SEC Approves New NASD Rule 2821 Governing Deferred Variable Annuity Transactions* (November 2007).

Ms. Nancy Morris

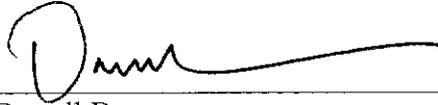
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compromising investor protection because the principal review could realistically be completed prior to issuance of the contract.

We appreciate the opportunity to comment on the proposal. If you have any questions about our comments or need additional information, please do not hesitate to contact either of us at the telephone numbers listed below.

Sincerely,



Darrell Braman

Vice President and Associate Legal Counsel

410-345-2013



Sarah McCafferty

Vice President and Chief Compliance Officer

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cc: Thomas M. Selman, Executive Vice President
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