T. ROWE PRICE INVESTMENT SERVICES, INC.

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June 8, 2007

BY FEDERAL EXPRESS

Ms. Nancy M. Morris
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File Number SR-NASD-2006-044; Proposed IM-3060 Addressing Gifts and Business Entertainment

Dear Ms. Morris:

T. Rowe Price Investment Services, Inc. **("T. Rowe Price")** appreciates the opportunity to submit its comments on the above-referenced proposed interpretive material **("Proposed IM")** to NASD Conduct Rule 3060. T. Rowe Price is a registered broker/dealer under the Securities Exchange Act of 1934 and an NASD 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 March 31, 2007, the Price Funds held assets of $218.8 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 and Section 529 College Savings Plans for two different states.

T. Rowe Price continues to support the general principles-based concept behind NASD's Proposed IM and appreciates the consideration that NASD has given to the comments it received on its initial proposal. We believe, however, that the Proposed IM should provide more flexibility and greater clarity to member firms. We also believe that some of the proposed language should be deleted.

Exigent Post-Approval of Expenses Should Be Permitted

NASD has rejected post-event approval of business entertainment that unexpectedly exceeds the firm's threshold "because there does not appear to be an effective means of rescinding business entertainment that has already been provided." We believe, however, that such a situation does not differ materially from a situation where exigent circumstances arise preventing an associated person of the firm from attending a business entertainment event. The Proposed IM would permit prompt

post-review in very limited situations so that the business entertainment does not have to be treated as a gift. We do not understand why the same limited exception cannot be permitted for business entertainment in a principles-based approach. If a limited exigent circumstances exception is not permitted, we believe that a likely response will be for firms to set much higher dollar limits than would otherwise be set to avoid situations where the bill for a dinner, for example, is unexpectedly higher than the limit the firm has set.

The Term "Administer" Should Be Clarified

We appreciate the clarification that the requirement in subsection (c)(1)(E) that personnel who supervise and administer the written policies and procedures regarding business entertainment be sufficiently qualified is not intended to impose a registration requirement or similar obligation on those personnel. We believe that NASD should also make it clear that activities that are "solely and exclusively clerical or ministerial" (*see* NASD Membership and Registration Rule 1060 (a)(1)) do not fall within the meaning of the term "administer" in subsections (c)(1)(E) and (F).

The Exception to Recordkeeping Should Be Reconsidered or Clarified

Subsections (d)(1)(A) and (B), which except from the recordkeeping requirement business entertainment that does not exceed $50 per day or additional expenses incurred in connection with otherwise recorded business entertainment that do not in the aggregate exceed $50 per day, should be reconsidered in light of subsection (d)(2), which requires provisions reasonably designed to prevent circumvention of the recordkeeping requirements. It is not clear how a member can develop provisions reasonably designed to prevent the circumvention of the recordkeeping requirements as required in subsection (d)(2) without keeping a record of ALL expenditures and monitoring such de minimis expenses.

If the exceptions in subsection (d)(1) are retained, they should be clarified. Is the $50 per day noted in (d)(1)(A) per guest or per event or is there some other meaning? For example, if an employee of a broker/dealer wants to take two representatives of a client out for lunch, can she spend up to $50.00 per guest, or up to $50.00 for both guests, or up to $50.00 for all three of them for the lunch? If the intent is to apply the exception per day in the aggregate, rather than by guest, under (d)(1)(A), that should be stated explicitly, so no confusion arises regarding this provision .

The Provision Regarding Customer Reporting Should Be Omitted

We believe that subsection (d)(3), under which a customer can request information on any business entertainment provided to the customer's representative, should be deleted. Customers already have the ability to ask for this information from a broker/dealer without this provision. We are concerned that the mandate in subsection

(d)(3) could create the unintended consequence that customers will feel an obligation to request this information, even if there is no actual need for it.

If this requirement is to be retained, six months is not sufficient time to build a system that is capable of responding promptly to what could be a very large volume of requests. A minimum of one year should be given for the effective date of this requirement.

If the Provision Regarding Customer Reporting is Not Omitted, It Should Be Clarified

We appreciate the clarification that the Proposed IM, if adopted, will not apply to any non-cash compensation that falls within Rules 2820 (g) or 2830 (l). If subsection (d) (3) is to be retained, we would also ask that it be made clear that only direct customers of the broker/dealer may make a request for business entertainment reporting. For example, if several investment advisers use Price Funds for their clients through a third-party broker/dealer's recordkeeping platform and that broker/dealer has an omnibus relationship with the Price Funds, NASD should state specifically that, although that broker/dealer may have the right to ask about T. Rowe Price's entertainment of its personnel, the investment advisers and the clients of the investment advisers do not have this right. NASD should provide more examples in the interpretive release to illustrate application of this provision of the Proposed IM to various scenarios that are outside of the traditional brokerage relationship (*i.e.*, variable products, institutional trading, wholesalers and other institutional distribution arrangements).

The Language Regarding Improper Conduct Should Be Revised

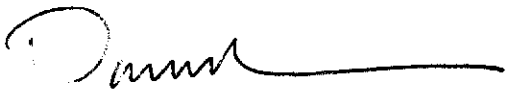
We are concerned with the statement in Section II of the release that, "[w]hile an NASD member is not ultimately responsible for the conduct of its customers' employees or agents, *the member is responsible for ensuring that persons associated with the member do not engage in activities that are designed to, or reasonably likely to, cause the recipient to engage in improper conduct.*" (emphasis added). The member is not in a position to know what activity the customer is likely to find improper. For example, the customer could have an internal rule that an employee cannot accept entertainment at all or cannot accept entertainment with a value of over $25.00. A broker/dealer cannot be responsible for knowing about internal policies of customers that are unusually stringent or that prohibit accepting what is generally accepted as ordinary and usual business entertainment. In fact, the standard in the 1999 letter – that members should not provide entertainment that is so frequent or so extensive as to raise any questions of propriety - is appropriate. The member should only be bound to implement procedures reasonably designed to prohibit entertainment that a *reasonable* person would perceive as "improper."

The NASD and NYSE Proposals Should Be Identical or The Proposal Should Be Reproposed Post-Merger

Finally, in light of the impending merger of the two organizations, we are very concerned that the NYSE and NASD are adopting two similar but not identical rules/IMs on the same topic. The proposed rules/IMs should either be identical in all respects or approval should be reserved until the merger is effective when one proposal, preferably in the form of a rule, can be considered.

We appreciate the opportunity to comment on the Proposed IM. If you have any questions about these comments, please do not hesitate to contact us at the telephone numbers indicated below.

Very truly yours,



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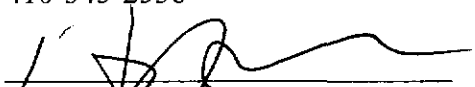

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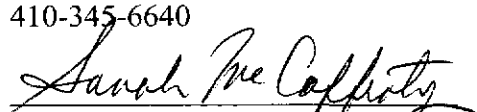

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