T. ROWE PRICE ASSOCIATES, INC.

WWW.TROWEPRICE.COM

HENRY H. HOPKINS
Vice President
Chief Legal Counsel

P.O. Box 89000
Baltimore, Maryland
21289-8220

100 East Pratt Street
Baltimore, Maryland
21202-1009

Phone 410-345-6640
Fax 410-345-6575
Mobile 410-371-8212
henry_hopkins@troweprice.com

23 June 2005

Via Email
Mr. Jonathan G. Katz
Secretary
U.S. Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Re: NASD Rule 2790 (File No. SR-NASD-2004-165)

Dear Mr. Katz:

The T. Rowe Price group of registered investment advisers[1] ("**T. Rowe Price**") welcomes the opportunity to comment on the proposed amendments to NASD Rule 2790 ("Rule"), regarding restrictions on NASD members from selling "new issues" to accounts in which "restricted persons" have a beneficial interest. Although the Rule is applicable to member firms, such firms have required investment advisers to execute certifications to ensure advisory clients will not participate in initial public offerings ("**IPOs**") in violation of the Rule. Therefore, the Rule has a significant, albeit indirect, impact on investment advisers.

T. Rowe Price has a global client base, and serves as investment manager for institutional clients as well as a number of proprietary and sub-advised collective investment schemes. The investment advisers are all wholly-owned subsidiaries of T. Rowe Price Group, Inc., a financial services holding company listed on the Nasdaq Stock Market and included in the S&P 500. T. Rowe Price had over $235 billion of assets under management as of 31 March 2005.

T. Rowe Price supports the comment letter filed by the Investment Company Institute. In particular, we believe it is very important for the Rule to be amended in order to ensure fair treatment of advisory clients, whether such clients are U.S. or non-U.S. entities.

We understand the importance of the NASD's goal of protecting the integrity of the public offering process. The Rule is meant to ensure that member firms or other "restricted persons" do not abuse this process or receive benefits at the expense of the general public. Although the Rule contains prohibitions on the ability of "restricted persons" to participate in IPOs (directly or indirectly), there are also exemptions to the restrictions for a number of U.S.-based entities. However, we believe the current restrictions do not go far enough to ensure advisers can purchase IPOs on behalf of similarly situated non-U.S. clients.

[1] The T. Rowe Price group of registered investment advisers includes T. Rowe Price Associates, Inc.; T. Rowe Price International, Inc.; T. Rowe Price Global Investment Services Limited; and T. Rowe Price Global Asset Management Limited.

The exemptions to the Rule include IPO purchases on behalf of U.S. registered mutual funds; ERISA plans; state or municipal government benefit plans; and tax exempt charitable organizations. The problem with the exemptions is that they impact legitimate participation in the capital markets and the provision of investment advisory services on a global scale.

Although there is an exemption for non-U.S. investment companies, this exemption requires advisers to determine that no person owning more than 5% of the shares is a restricted person. As such funds are often sold via distribution arrangements with broker-dealers or their affiliates, many advisers are left with trying to utilize the "de minimis" exemption instead. The "de minimis" exemption applies if the beneficial interests of restricted persons in a particular account do not exceed 10% in the aggregate.

The problem with the "de minimis" exemption is that it is often difficult, if not impossible, to identify beneficial owners and, therefore, advisers cannot certify that the 10% beneficial interest test is met. Further, even if identified, non-U.S. clients may have difficulty understanding the "restricted person" definition. Rather than amend this exemption as proposed by the NASD, we believe the 5% test should be eliminated. Further, for purposes of the non-U.S. investment company exemption, we believe the NASD should amend the exemption by using the SEC's definition of a private fund pursuant to Advisers Act Rule 203(b)(3)-1. Subsection (d)(3) of the definition spells out the elements of non-U.S. public funds. It is a more detailed definition that could help prevent the creation of funds to circumvent the Rule, and would also foster regulatory consistency.

As for non-U.S. pension plans, non-U.S. government benefit plans, and non-U.S. tax charitable institutions or foundations, advisers are left only with the "de minimis" exemption referenced above. The exemption is unworkable for the same reasons. Although it is extremely unlikely that the beneficial interests of "restricted persons" in such accounts would exceed 10% in the aggregate, firms are hesitant to make certifications. Without such certifications, underwriters of IPOs will not permit participation. Therefore, we propose that the NASD adopt exemptions for these types of non-U.S. entities as well, commensurate with those already in existence for similarly situated U.S. entities.

We believe the Rule must be amended to address the issues above. Advisers have a fiduciary duty to treat their clients fairly; this includes the requirement to allocate investment opportunities on a fair and equitable basis. The Rule, in its current form, works against this fundamental principle. We can appreciate the NASD's concern that restricted persons may seek to set up offshore funds or other accounts to circumvent the Rule. However, we believe the elimination of burdensome restrictions on capital market participation and the fair treatment of advisory clients are more real and serious threats to the integrity of the industry. Further, both the NASD and the SEC have broad investigative and enforcement authority to find and punish those persons attempting to thwart the rule and its intent. Amending the Rule to contain an express provision prohibiting the creation of pooled or other vehicles for the purpose of circumventing the Rule would only strengthen such enforcement power.

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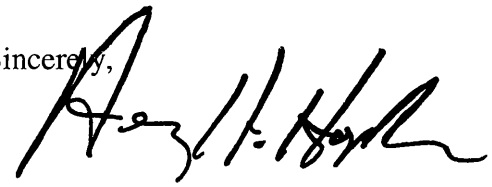
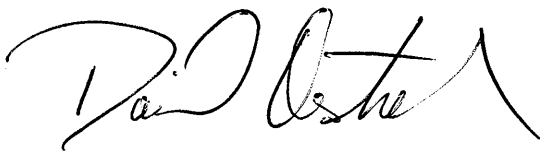
T. Rowe Price appreciates the opportunity to comment on the proposal. We understand that the general focus of our comments go beyond the NASD's specific proposed amendments to the Rule. However, we feel that these issues must be addressed in order to ensure the fair treatment of advisory clients. Please do not hesitate to contact us if you have any questions regarding our comments, or need any additional information or assistance from us.

Sincerely,



Henry H. Hopkins
Vice President and Chief Legal Counsel



David Oestreicher
Vice President and Associate Legal Counsel