

T. ROWE PRICE ASSOCIATES, INC.

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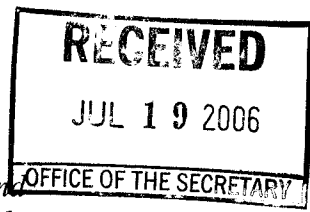
LEGAL DEPARTMENT

P.O. Box 89000
Baltimore, Maryland
21289-8220
100 East Pratt Street
Baltimore, Maryland
21202-1009
Toll Free 800-638-7890
Fax 410-345-6575

VIA ELECTRONIC DELIVERY

July 19, 2006

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



Re: *NASD Proposed Rule Relating to Sales Practice Standards and Supervisory Requirements for Transactions in Deferred Variable Annuities ("Proposal") (File No. SR-NASD-2004-183)*

Dear Ms. Morris:

We are writing on behalf of T. Rowe Price Investment Services, Inc., ("**Investment Services**"), a registered broker-dealer and member of NASD, to offer our views on the above-referenced Proposal. Investment Services is the distributor for the family of T. Rowe Price mutual funds, which as of March 31, 2006 comprised over 100 funds with over \$185.2 billion in assets, including portfolios used in variable insurance products. Investment Services also acts as the exclusive distributor for two directly marketed variable insurance products – the T. Rowe Price No-Load Deferred Variable Annuity and the T. Rowe Price No-Load Immediate Variable Annuity. Both proprietary annuity products are issued by Security Benefit Life Insurance Company (in New York, by First Security Benefit Life Insurance and Annuity Company of New York) ("**SBL**") and offered exclusively by Investment Services to the public through solicitations and advertising in newspapers, magazines, television, the internet and direct mail. We do not collect a sales charge or load or pay commissioned sales agents for distribution of our proprietary annuity contracts. The investment management, mortality and expense charges for these products are well below the industry averages. Investment Services does not offer or distribute any other deferred variable annuity products. We are submitting this comment letter as a supplement to our letter dated September 19, 2005 on the prior NASD rule change filing.

We agree with the comments submitted by the Investment Company Institute ("**ICI**"). While we are generally supportive of the notion of enhanced suitability and sales practice requirements for deferred annuity products, we are concerned that NASD still has not addressed certain deficiencies in the Proposal relating to the principal review requirements. These deficiencies were also cited in our September 2005 comment letter.

First, with respect to the timing of the principal review requirement, NASD has revised the Proposal to require such review no later than two business days following the



date when a member or associated person transmits a customer's application to the insurance company for processing. As explained in our September 2005 letter, as a direct marketer of annuities, our customers send their completed variable annuity applications directly to the insurance company. In our case, a principal could review the application *upon receipt* by the insurance company but not before, as our insurance company partner, SBL, receives the applications in the mail directly from our investors. We suggest that NASD modify the timing requirement to accommodate directly marketed annuity products by requiring the review to take place no later than two business days following the date the member transmits the application *or no later than two business days after receipt by the insurance company of the application* in cases where the application is sent directly to the insurance company by the customer.

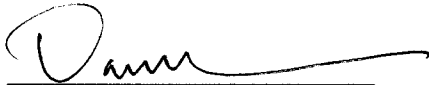
Second, with respect to the principal review requirements, we continue to be concerned that the requirements of subsection (c)(1) are still too rigid and would, in effect, impose a "back-door" customer suitability standard on member firms that do not make recommendations to their customers. For example, subsection (c)(1)(C) would require the principal to assess the extent to which the annuity contract represents an undue concentration in the context of the customer's *overall investment portfolio*. For a new customer, with no accounts at T. Rowe Price, we would need to request this information from the customer. Even for existing customers, since Investment Services does not make securities recommendations to its customers, we do not inquire about nor do we have access to the customer's overall investment portfolio, outside of his or her T. Rowe Price accounts. We question the need for this level of review of a customer's investment portfolio when the member is not recommending the annuity transaction to the customer. Our customers would feel that we are probing into a part of their "wallet" where, given the fact that they made the investment decision to purchase or exchange the variable annuity independently rather than based upon our recommendation, we have no business inquiring.

The information in subsection (c)(1)(D) relating to whether the customer would incur a surrender charge or be subject to increased fees and other charges as a result of an exchange of annuity contracts would also require our securities principal to inquire of the customer and research the features of the customer's existing annuity contract. We would not be at all familiar with the customer's annuity since the only annuities we offer are those of T. Rowe Price. Again, it would be extremely burdensome to collect this information (particularly since the customer is unlikely to know these contract details) and we see no regulatory reason for this requirement if we are not recommending the annuity exchange. This would effectively prevent member firms like Investment Services, which only offer directly marketed, no-load annuities, from accepting unsolicited exchanges of potentially higher cost variable annuity products, to the detriment of investors. The requirement for such a comparison, if retained in the final rule, should only apply to recommended transactions.

As we stated in our September 2005 letter, we believe the Proposal should be revised so that the registered principal would not be required to consider all the factors listed; but only those factors relevant to the member's annuity business. If a member firm offers a single type of deferred annuity product without cafeteria-style features, the principal should not be required to review each of the criteria listed in the Proposal, but only those applicable to the product and relevant to nature of the member's business.

We appreciate the opportunity to comment on the Proposal. Please feel free to call Darrell N. Braman at (410) 345-2013 or Sarah McCafferty at (410) 345-6638 if you have any questions on our comment letter.

Very truly yours,



Darrell N. Braman
Vice President and Associate Legal Counsel



Sarah McCafferty
Vice President and Associate Legal Counsel

Lg11396/wpdata/SEC Comment Letter -- NASD VA Proposal II