T. ROWE PRICE INVESTMENT SERVICES, INC.

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February 24, 2010

Ms. Marcia E. Asquith
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 2006-1506

Re: FINRA Regulatory Notice 09-70

Dear Ms. Asquith:

T. Rowe Price Investment Services, Inc. ("**T. Rowe Price**") appreciates the opportunity to comment on the proposed consolidated FINRA Rules governing registration and qualification requirements.

T. Rowe Price is a registered broker/dealer under the Securities Exchange Act of 1934 and a FINRA member firm. It 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 December 31, 2009, the Price Funds held assets of $232.7 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 provides certain services to customers who hold T. Rowe Price's two proprietary no-load variable annuity products. It also serves as the distributor for Section 529 College Savings Plans issued by two states.

We generally support FINRA's proposals. However, we believe that the rules as proposed present several issues that must be considered further before the rules are adopted in final form.

Registration Requirements. Proposed rule 1210, even if revised as proposed below, will require T. Rowe Price's registration staff to expend a great deal of additional effort, especially in connection with personnel tracking, to ensure compliance with FINRA registration requirements. Nevertheless, T. Rowe Price supports the theory behind the new statuses in the proposed rule. We agree with FINRA that this approach will provide a firm that has a foreseeable need to move an associated person among positions that do and do not require registration, as the firm's business changes, with much-needed flexibility. A firm would no longer have to be concerned that an associated person, after two years in a non-registered position, would have to re-register and re-test or obtain a waiver to assume a registered position. In addition, member firms would be able to react

more quickly in the event of unanticipated personnel changes and the approach will encourage greater regulatory literacy.

Permissive Registrations. Although we support the general concept behind proposed rule 1210, we are concerned about the complexity involved in determining each Retained Associate's permissible term under it. Specifically, we believe that the suggested tolling calculations are so complicated that, at least in larger firms where the operations of affiliated financial services entities are very closely related, errors are almost inevitable. In addition, we do not understand the rationale for limiting use of the Retained Associate category to ten consecutive years. As a result, T. Rowe Price strongly urges that the inactive registered personnel of a member firm and the registered personnel of the firm's financial services industry affiliates be treated in the same manner and that the two categories be combined under the same name.

We suggest that each representative be classified in one of two ways. The first classification, of "Active" representatives, would be associated persons of the broker/dealer who are engaged in activities that require registration. The second classification would cover all other individuals who would fall into the proposed categories of "inactive" and "Retained Associate" of rule 1210 as currently proposed. Because the term "inactive" is currently used for representatives who are inactive for Regulatory Element purposes, we believe that for purposes of this rule it makes sense to call all individuals in this second classification by another term, such as "Retained," to avoid confusion.

If this approach is adopted, we think it is reasonable to deem any person with this status as an associated person and to subject each of them to the provisions listed in the proposed rule as applicable to Retained Associates. Personnel of member firms who are currently registered under the permissive registration provisions (*e.g.*, legal, compliance, back- office operations) are already subject to these provisions. We would ask, however, that the list of applicable rules be revised to make it clear that these individuals are subject only to FINRA's NASD Rule 1120(a) and not to the entire rule. As inactive personnel, they should not be performing activities that would make them "Covered Persons" subject to the Firm Element requirements of FINRA's NASD Rule 1120(b).

Non-Required Principal and Representative Registrations. We also strongly support FINRA's proposal to allow a person required to be registered based upon his or her current job function to register or maintain registrations in non-required principal or representative categories. We urge FINRA to extend this flexibility to any person who is registered, even if a registration is not required for his or her current position. If FINRA decides to maintain the distinction between inactive and Retained Associate categories, we believe that this flexibility should be accorded to individuals in either category and not only to individuals with a required active registration as described in the proposed rule.

Notifications to FINRA. In order to gauge more precisely how these proposals, if adopted in any form, will affect the workload of those responsible for registration at our firm, T. Rowe Price requests that FINRA provide information as soon as possible about how and when it expects a firm to give it notification of changes in status. We suggest that these changes be handled as routine amendments to a representative's Form U4 are handled, with notice required within 30 days of status change through the CRD.

Qualification Examination Requirements and Waiver of Requirements. If adopted as proposed, new rule 1220 would impose major changes in the area of principal designation. We support the expansion of the designation period from 90 to 120 calendar days to match the current CRD window for passing an examination. We also agree that designation should not be available for a person registered as an Order Processing Assistant Representative or solely as a Proctor, Securities Lending Representative or Securities Lending Supervisor. However, we are concerned about other aspects of the proposal.

Under current NASD Rule 1021(d) (1), a person can be designated to act in "any principal classification" for a specified number of days (currently 90 calendar days) if he or she is currently associated with the member firm as a registered representative. The current rule does not appear to limit the type of representative registration the designee may hold and has no requirement regarding how long he or she has held that registration. The designated person may not function as a Principal beyond the initial 90 calendar day period following the change in his or her duties without having successfully passed the appropriate principal qualification examination.

The proposed rule appears to make two changes. The first is that the representative being designated must have fulfilled, *inter alia*, all applicable prerequisite examination requirements before being designated. This language could be read to require the representative to hold the registration or registrations required as prerequisites to taking the principal's examination before being designated (*e.g.*, if the person is being designated as a General Securities Principal, he or she must have already passed the General Securities Representative examination). If this is the intent behind this language, FINRA has not presented any argument either that the current system has caused any abuses or that specifically outlines the need for this change. It is, for example, possible for a Series 6 representative to take and pass the Series 7 and Series 24 examinations within 120 (or 90) days of designation. We do not believe that this change, if intended, is warranted.

Of greater concern is the proposal that only a person who has been registered as a representative (in all but a few limited representative classifications) for at least 18 months within the five-year period immediately preceding the designation is eligible for designation at all. In effect, FINRA would be imposing for the first time an apprenticeship requirement.

T. Rowe Price shares FINRA's belief that prior experience is an important consideration when deciding to designate an individual as a principal. However, we do not believe that registration is necessarily a reliable proxy for experience. We believe that experience in this or a related industry should be acceptable in lieu of registration. For example, experience gained three years ago as an insurance agent, registered with a Series 6 to permit that agent to sell variable annuities, may provide no relevant experience for a person being promoted into a sales management position at a mutual fund complex. In contrast, in-depth managerial experience at a transfer agent two years ago might provide the ideal background for a person who has been registered as a representative at a mutual fund complex for one year and has been identified for promotion into a supervisory position. If the rule is adopted as proposed, a firm will not be able to designate the registered representative in the second situation to fill a position requiring principal registration, even though she may be very well suited by previous experience for that job.

It is the member's responsibility to place only qualified persons in supervisory positions and we believe that the member should be able to exercise its judgment in this area by designating as a principal someone who has passed a registered representative's examination, without regard to how long the person has held a registered representative position.

Registration Categories. T. Rowe Price generally supports FINRA's proposed rule 1230. We do have concerns about some of the rule's specific provisions, however, as described below.

Designation and Registration of Principal Operations Officer. FINRA has proposed to add to its rules the NYSE requirement that a firm designate an individual to act as Chief Operations Officer, a requirement that would be new to former NASD-only members. We believe that the broad definition of Principal Operations Officer in the proposed FINRA rule reflects the business of many NYSE legacy firms, but does not reflect the business of most former NASD members, many of which perform very few, if any, of the functions described for the Principal Operations Officer.

For example, T. Rowe Price's primary business is as distributor of the Price Funds. It also acts as an introducing broker in connection with its Brokerage Division. T. Rowe Price accepts checks and other evidences of indebtedness made payable to itself and is therefore subject to the same $250,000 minimum net capital requirement of the Securities Exchange Act as a broker/dealer that carries customer accounts. However, T. Rowe Price promptly forwards all securities to its clearing broker. Its clearing broker carries the accounts of Brokerage Division customers. T. Rowe Price does not have custody of client funds and securities, does not calculate margin for its customers, and does not process dividend receivables and payables and reorganization redemptions.

Although T. Rowe Price does not object *per se* to this new designation requirement, we believe that the General Securities Principal qualification would be sufficient for this limited role. If FINRA decides the General Securities Principal qualification is not

sufficient, we would urge that the Principal Operations Officers of firms with operations like T. Rowe Price be permitted to qualify for this role by passing either the Limited Principal-Introducing Broker/Dealer Financial and Operations Principal examination or the Financial and Operations Principal examination.

Securities Lending Representative and Securities Lending Supervisor. T. Rowe Price is requesting clarification of the scope of activities that would fall under these proposed requirements, which we understand are based upon NYSE registration requirements. The customers in T. Rowe Price's Brokerage Division are permitted to have margin accounts, which are carried at the clearing broker. As part of margin account activities, the clearing broker may lend securities to and borrow securities from T. Rowe Price Brokerage margin customers. Securities lending and borrowing are not permitted in cash accounts.

Certain officers of T. Rowe Price are authorized to execute agreements with the clearing broker, which may cover margin arrangements. These officers would also have the authority to permit cash accounts to engage in securities lending and borrowing if the firm were to make the business decision to pursue this. We believe that it is not FINRA's intent to include these officers under these requirements, but would like confirmation of this. If this is the intent, we would request more information about why FINRA believes that subjecting personnel of firms whose only current activities that touch upon securities borrowing and lending involve agreements with their clearing brokers about margin accounts is appropriate. We also would like to confirm that, if these individuals are covered, a currently registered representative or principal would have to register separately in one of these categories.

If you have any questions about T. Rowe Price's comments, please do not hesitate to contact me.

Very truly yours,

Sarah McCafferty

cc: Ms. C. Berkenkemper
J. Gilner, Esq.
Mr. J. Gounaris
D. Oestreicher, Esq.
Ms. T. Reynolds