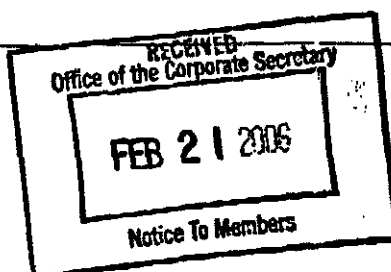


T. ROWE PRICE INVESTMENT SERVICES, INC.

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February 17, 2006



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BY FEDERAL EXPRESS

Ms. Barbara Z. Sweeney
 Office of the Corporate Secretary
 NASD
 1735 K Street
 Washington, DC 20006-1506

Re: NASD NTM 06-06; Proposed IM-3060 Addressing Gifts and Business
 Entertainment

Dear Ms. Sweeney:

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, an NASD member firm, and acts as principal distributor of the T. Rowe Price family of funds ("Price Funds"). As of December 31, 2005, the Price Funds held assets of approximately \$170.2 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 several Section 529 College Savings Plans for two different states.

T. Rowe Price supports the general concept behind NASD's Proposed IM, but believes that changes of the magnitude as proposed should be handled by a formal rule amendment and that the Proposed IM should provide more flexibility and greater clarity to member firms.

The Proposed Changes Should Be Handled By Rule Amendment

We believe that, given the scope of the Proposed IM, NASD should propose an amendment to existing NASD Conduct Rule 3060 rather than attempt to engraft substantive and material changes to the Rule through the use of interpretive material. The Proposed IM adds new and complicated definitions of "customer" and "business entertainment" and would impose substantive requirements for a firm's written policies and procedures. These important definitions and requirements should be part of Rule 3060 itself, rather than confined to interpretive material. Rule amendments would allow

the NASD to clarify specific requirements in further interpretive letters or Notices to Members in the future. The rule amendment process would also give NASD the opportunity to address the issue of "reminder advertising," which has been a matter of real and continuing confusion in the industry and which is addressed in MSRB Rule G-20, the MSRB's rule on gifts, gratuities and non-cash compensation.

We are also concerned about the content of the discussion of Rule 2110 included in the Proposed IM for Rule 3060 in the context of compliance with other laws potentially regulating business entertainment. To state that violations of such laws would be per se violations of NASD Rule 2110 effectively renders the NASD standard in Rule 3060 meaningless. At a minimum, an NASD rule should not be tied to any standard that is not supplied by federal law or federal or self-regulatory organization regulation. Broker/dealers that operate in multiple jurisdictions would otherwise have to craft their compliance programs to satisfy the conflicting standards of the various state and local laws governing such diverse areas as conflict of interest, procurement, and ethics.

The Proposed Written Policies and Procedures Should Be Revised

We believe that the written policies and procedures that the Proposed IM would require in the area of business entertainment both need further clarification and lack the flexibility necessary to allow each member to craft policies and procedures suitable to the nature of its business and customer base.

As a general matter, the interaction between NASD Rule 2830, which governs cash and non-cash compensation, and NASD's more general rule on gifts and gratuities, Rule 3060, should be clarified. We believe that Rule 2830 should exclusively govern issues of business entertainment when a broker/dealer provides business entertainment to the associated persons of another broker/dealer in connection with the offer and sale of mutual fund securities. We have always considered all other business entertainment offered by the broker/dealer to employees of clients or prospective clients that are not broker/dealers, such as endowments and retirement plans, as being subject to the guidance provided to our firm by NASD in the 1999 letter cited in the Proposed IM.

It would be very helpful to the mutual fund industry if NASD would take this opportunity to address and resolve this issue.

Turning to the specific language of the Proposed IM, Section (1) would require a firm to "determine and define forms of business entertainment that are appropriate and inappropriate..." This language can be read to imply the need for each firm to create a list of what is and is not appropriate business entertainment. NASD should clarify that a firm need not produce definitive lists, but may instead provide guidelines to its affected employees that highlight the firm's concerns in this area. This approach will allow employees to act appropriately regardless of the business entertainment involved. In contrast, we believe that posting a list of acceptable and unacceptable entertainment will leave employees without direction when a particular type of entertainment occurs that is not listed.

Section (1) would also require a firm's written policies and procedures to state specifically "either the dollar amount for business entertainment or specified dollar thresholds requiring advance written supervisory approval." We believe that a blanket requirement for prior approval of any entertainment costing above a specific amount is unnecessarily rigid. A firm should be able to determine that prompt *post* entertainment supervisory review will be sufficient given the nature of its business and business entertainment. As written, employees providing business entertainment could find themselves in a situation where the bill for dinner, for example, unexpectedly exceeds the threshold established by the firm. To avoid these situations, firms might be encouraged to set very high dollar thresholds for advance written approval, which will defeat the apparent purpose of the Proposed IM. Firms may wish to require prior approval for certain types of events, such as meetings and client conferences, but this should be left to the discretion of the member firm based on the nature and expense of such events.

In Section (3) of the Proposed IM, members are expected to have written policies and procedures that "maintain detailed records of the nature and expense of business entertainment and make such information available upon written request to a customer in respect of its employees." Although most firms undoubtedly currently maintain detailed records of both the nature of and expenses associated with business entertainment, it is not clear that most firms maintain this information in a way that would make it easily extractable for production to a customer upon its request. In fact, it is not clear how much detail the Proposed IM would require a firm to produce to a customer in respect to its employees and on what time table. We would request that NASD reconsider the need for this requirement, especially given the burden that it will impose upon many firms without a clear benefit being produced. At a minimum, NASD should provide a more detailed description of the harm the proposed Section (3) is written to address. It should also clarify the sort of information it expects a firm to produce to a customer and state that a firm has a reasonable amount of time to respond to such a customer request.

Section (5) states that a firm's policies and procedures must "establish standards to ensure that persons designated to supervise, approve and document business entertainment expenses are sufficiently qualified..." This phrase raises several concerns. First, it can be read to indicate that the person who, for example, documents business entertainment expenses is also expected to be the person who both supervises and approves them. This is not the structure that many firms would choose to employ or are currently using. We would recommend that this phrase be rewritten to state that a firm must "establish standards to ensure that any person designated to supervise, approve and/or document business entertainment expenses is sufficiently qualified..."


Second, it is unclear what the Proposed IM means in Section (5) by the term "sufficiently qualified." We do not believe, for example, that a principal registration would always be an appropriate requirement, especially for those individuals who document business entertainment expenses. The better approach would require that these persons be "sufficiently qualified in the firm's judgment." Also, member firm should be allowed to designate certain supervisory positions within the firm as eligible to approve business entertainment expenses (*i.e.*, branch managers, division heads), instead of identifying individuals or qualities that such individuals must possess.

Finally, Section (5) requires the adoption of written policies and procedures to ensure that "periodic monitoring for compliance with the written policies and procedures is conducted (by independent reviewer, when practicable)." The term "independent reviewer" is open to interpretation and could be read to require hiring someone from outside the firm to perform this review. We are assuming that NASD's meaning is to require the review to be done by someone who is outside the chain of supervision involved with specific business entertainment expenses, but it is vitally important that this be clarified in the Proposed IM.

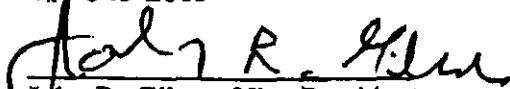
In Section (6), the Proposed IM would require "appropriate training and education to all applicable personnel." We note that the accompanying Notice to Members, however, states that "members should oversee the training and education of *all* personnel concerning the firm's business entertainment policies and procedures." We would like to confirm that this training will be required only for those individuals, such as representatives with client-facing responsibilities, who would have some connection with the business entertainment process and not for other personnel. We believe that registered representatives of a member firm should have the training that is appropriate to their responsibilities. See NASD Membership and Registration Rule 1120.

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

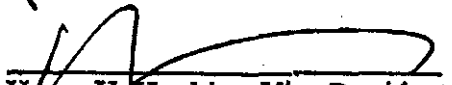
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