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April 4, 2005

VIA ELECTRONIC DELIVERY

Mr. Jonathan G. Katz
Secretary
U.S. Securities & Exchange Commission
450 Fifth Street, N.W.
Washington, DC 20549

Re: Point of Sale and Confirmation Disclosure Requirements;
SEC Release Nos. 33-8544; 34-51274; IC-26778; File No. S7-06-04

Dear Mr. Katz:

T. Rowe Price Investment Services, Inc. ("T. Rowe Price") appreciates the opportunity to submit its comments on the above-referenced release, the proposed new Rules 15c2-2 and 15c2-3 under the Securities Exchange Act of 1934 (the "Exchange Act"), as well as the proposed amendments to Rule 10b-10 and Form N-1A. T. Rowe Price is a registered broker-dealer under the Securities Exchange Act of 1934, NASD member firm, and acts as principal underwriter to the T. Rowe Price family of funds ("Price Funds"). As of December 31, 2004, the Price Funds held assets of approximately \$145.5 billion, with more than eight million individual and institutional accounts. All Price Funds may be purchased on a direct basis with no front-end or deferred sales loads or 12b-1 fees. Certain Price Funds are distributed through intermediaries via two separate shares classes with 12b-1 fees. Commissions on portfolio securities transactions of the Price Funds have never been used to promote the sale of Price Fund shares. Generally, T. Rowe Price and its other affiliates do not engage in the types of revenue sharing with third parties that the proposed rules are designed to address. T. Rowe Price also provides brokerage services to Price Fund shareholders and other retail customers as an introducing broker through its Brokerage Division. Brokerage customers are able to purchase a variety of unaffiliated load and no-load mutual funds through this service. T. Rowe Price also offers two proprietary no-load variable annuity products. Finally, T. Rowe Price offers several 529 College Savings Plans for two different states. As a result of all these activities, the proposals will significantly impact T. Rowe Price's business, and if not substantially revised, will delay and disrupt the purchase of the investment products we offer without any real benefit to our investors.

We support the concept of requiring a point-of-sale disclosure document and enhancements to the transaction confirmation provided they are designed to make investors

aware of the potential conflicts of interest associated with the purchase of mutual fund shares. This information will help investors understand the distribution costs and assess the broker-dealer's motives for recommending a particular fund. In general, and particularly as it affects directly sold funds like the Price Funds, we believe that the Commission's proposal goes well beyond what is reasonably necessary to regulate conflicts of interest at the point of sale, and in fact, trumps the fundamental purpose of the fund prospectus. Also, we are concerned that, unless directly-sold, no-load funds are exempt from the point-of-sale disclosure requirements, the proposed rules will significantly disrupt and impede the processing of shareholder transactions to the frustration and dissatisfaction of our investors.

A summary of our most significant comments is set forth below:

- **Exemption for No-Load Funds.** The final rules should exempt for no-load, directly marketed funds where no sales-based compensation is paid and no potential conflicts of interest are implicated.
- **Unsolicited Orders.** The point-of-sale disclosure requirements should only apply to transactions solicited or recommended by the broker-dealer. In terms of timing, this would make it crystal clear when delivery of the point-of-sale document is required as other regulatory requirements already apply when broker-dealers make recommendations. Also, it is critical for investors to receive conflict of interest disclosure at the point of sale in order to assess the broker's motives for the recommendation.
- **Exceptions from Point-of-Sale Disclosure.** We agree that there should be exceptions for purchases by institutional investors and subsequent investments by the same investor. The exception for orders received via the mail provided disclosure is made to the investor within the last six months is unworkable for no-load funds and points out the need for an exception for unsolicited orders.
- **Scope of the Disclosures.** The disclosures in the point-of-sale forms and transaction confirmations should be limited to the sales charges and fees directly related to the purchase of fund shares. Management fees and other fund expenses, redemption fees, and other account maintenance fees (i.e., account fees, minimum account charges) are already disclosed in fund prospectuses, shareholder reports and generally available on fund company websites. The fees and expenses relating to the ownership of fund shares have nothing to do with the conflicts of interest cited by the Commission in its rule proposal, and would be better left to a prospectus reform proposal at a later date.
- **Internet Delivery.** We believe the most appropriate and cost-effective mechanism for the delivery of point-of-sale disclosure is the internet, as opposed to the paper form proposed by the Commission. We urge the Commission to adopt the recommendation of the NASD Mutual Fund Task Force in its recent report on Mutual Fund Distribution, which relies on the internet as the primary vehicle for the delivery of point-of-sale

disclosure.

While our comments are principally directed to, or mention specifically, the distribution of the Price Funds, many comments apply equally to funds distributed through our Brokerage division, as well as to our directly-marketed no-load variable annuity contracts and 529 college savings plans. We also recommend that due to the unique structure and characteristics of 529 plans and variable annuities, the Commission should await final action on these securities until it finalizes the disclosure requirements for mutual funds.

How we distribute T. Rowe Price investment products.

T. Rowe Price offers directly to investors over 100 Price Funds, as well as two proprietary variable annuity products and three 529 College Savings Plans. Typically, the sale of these products begins when investors respond to an advertisement or other public information, and contact T. Rowe Price directly, usually by telephone or via the web, to learn more about the investment. When an investor telephones T. Rowe Price, he or she speaks to a telephone representative who is randomly routed the call. These telephone representatives are salaried employees and do not receive sales-based commissions. Upon request, T. Rowe Price will send out a standard “fulfillment kit.” This kit contains an application, statutory prospectuses or profile prospectuses for the funds that the investor is interested in, and advertising material. At that point, it is up to the investor to make his or own decision on the appropriate fund for investment and to submit the application, typically through the mail, to the fund’s transfer agent. Rarely are accounts opened in a face-to-face interaction with customers. In February 2005, for example, Price Fund accounts were opened via the following methods: 65% by mail, 13% over the telephone, 20% via the internet and 2% through face-to-face contact in one of T. Rowe Price’s investor centers. This trend is generally consistent across all of our directly-marketed investment products – investors today perform the vast majority of their transactions via the internet, through the mail or over the phone. Indeed, it is possible for an investor to open an account without ever speaking to a telephone representative. Also, for customers who request information over the phone, it is very unlikely that they would speak to a representative again prior to submitting an application. As a result, the great majority of investors who transact with us over the phone or via the internet will have already received a fund prospectus, fund profile, contract and fund prospectus (for variable annuities) or other disclosure document (for 529 plans) either as part of a fulfillment kit or via a hyperlink for transactions placed on the web. Therefore, in the absence of any conflict of interest, it is not necessary to delay the purchase transaction by requiring delivery of a document that repeats information (expense ratio and management fees) that is clearly disclosed in the prospectus and profile.

Adverse impact of the proposed rule on no-load investors.

Under the proposed rule, an order received by the fund complex is to be treated as an “indication of interest” until the required point-of-sale disclosure is made to the investor, and the investor is given the opportunity to determine whether to place the order. Therefore, it

appears that the investor's purchase would not be deemed in "good order" and would not receive the closing NAV of the fund on the day it is received; rather processing of the order must be delayed until the required disclosure is made and investor confirms the order. This would be extremely disruptive to most direct purchasers of no-load mutual funds. We question whether the investing public understands the consequences of the Commission's proposal which would turn on its head more than 50 years of common practice for, in the case of no load funds, virtually no benefit. Since the majority of applications to open new accounts are received by mail, depending on the availability of the investor, it could take several days or longer to contact the investor to provide the required disclosure. One can imagine an investor's frustration when, in a rising market, their purchase order is delayed until T. Rowe Price contacts the investor to provide him or her with the required point-of-sale disclosure. This would be especially frustrating for investors in directly sold funds since the conflict of interest disclosure that delayed the purchase order is not even applicable to their investment. Were the focus groups that reviewed the Commission's proposed disclosure forms asked whether they would be willing to delay the pricing of their purchase order until they received this information?

An unintended result under the proposed rule for orders received in the mail is that the investment would need to be returned if the investor were unreachable after a period of time. This would further infuriate our direct investors, and potentially complicate the management of fund cash flows. How is the fund transfer agent supposed to treat these orders pending the delivery of point-of-sale disclosure? What if the fund complex was finally able to make contact with the customer, but the customer decides to cancel the order since the market had moved against him or her? What if the same situation occurred with respect to an order received by an intermediary on trade date, sent by the intermediary to the fund transfer agent on T+1 but eligible for "as of" pricing on trade date? The proposed rules assume that most purchase orders are received by phone or in-person, and fail to address the fact that directly marketed funds and other covered securities are sold mostly via the mail. Accordingly, the Commission must reevaluate the proposed point-of-sale rule with respect to directly-sold covered securities in light of the above disruptive effects. We find it interesting that the Commission does not discuss the effect of its proposal on Rule 22c-1 under the Investment Company Act of 1940, which requires the forward pricing of fund orders and is widely regarded as one of the bedrock rules for the protection of fund investors.

Exception for no-load funds and other investment products.

Because there is limited contact with investors prior to investing and there are no conflict of interests to be disclosed, applying the point of sale disclosure to no-load, directly sold funds is unnecessary for the protection of investors and would disadvantage them. With the exception of the fund management fees and expense information, none of the disclosure requirements of the proposed point-of-sale disclosure form would be applicable to the share classes of the Price Funds offered on a no-load basis. As discussed above, delivery of the document to our investors would offer little if any benefits, would disrupt investor

expectations for the timely processing of their orders, disadvantage no-load investors and impede the processing of the transaction. There is no significant policy reason for applying point-of-sale disclosure requirements to sales of such funds. We strongly recommend that the Commission incorporate an exception for no load funds and other directly marketed “covered securities” in any final point-of-sale disclosure rules. We support the definition of a no-load fund as set forth in the comment letter of the Investment Company Institute. Without this exception, there will be delays in accepting mail-in orders from our no-load investors, the result of which will be to discourage them from transacting through the mail. Given that all Price Funds have expense ratios at or below their median Lipper peer group, and many no-load funds are similarly at the low end of the expense range, it is highly ironic that the effect of the proposals would be to favor broker-sold funds which rely more on direct human interaction with a salesperson for the sale of fund shares. The bottom line is that if there is no material transaction-based compensation or other revenue sharing paid to the broker for the sale of fund shares, there should be no requirement to deliver point-of-sale disclosure.

Point-of-sale disclosure should be triggered by a recommended transaction.

The point-of-sale disclosure requirements should only apply to transactions which are solicited or recommended by the broker-dealer. It is the recommendation to purchase a covered security that places the sales-based compensation, revenue sharing arrangements and other conflict of interests directly at issue. Tying the point-of-sale disclosure requirement to a recommendation would also make it crystal clear as to when delivery of the point of sale document is required as other regulatory requirements already apply when broker-dealers make recommendations. For example, brokers who make recommendations are already required to collect certain “know your customer” information under SRO rules and to maintain and send this information to customers, among other requirements, under Rule 17a-3(a)(17) under the 1934 Act. Brokers should know when a recommendation is made under current SRO and SEC rules, and inappropriate characterization of orders to avoid compliance with the point-of-sale rule can be monitored and enforced through SEC and NASD inspections. Also, it is more critical for investors to receive conflict of interest disclosure at the point of sale in order to assess a broker’s motives for the recommendation, as opposed to unsolicited transactions. Any sales loads and other distribution fees or expenses associated with unsolicited transactions in covered securities can be made available to investors on the broker-dealer’s website. We recommend that the Commission modify the final rule so that point-of-sale information is triggered by recommendations to purchase covered securities.

Disclosure of management fees and other fund expenses is duplicative, unnecessary and burdensome.

The proposed point-of-sale forms and transaction confirmation enhancements would require disclosure of management fees and other fund expenses, including redemption fees (and state fees for 529 plans). This is a significant change to what the Commission initially proposed and, in our view, goes well beyond the intent of the rule, which is to elicit disclosure

of payments to brokers which create a conflict of interest in the sale of fund shares and other covered securities. If such information is included in point-of-sale documents and transaction confirmations, the Commission will have effectively trumped the purpose of the prospectus and turned the important policies underlying the Securities Act of 1933 on their head. The prospectus is the rightful home for disclosures regarding management fees, fund expenses and other costs attributable to the ownership of the issuer's securities – the transaction confirmation is not a document produced by the issuer, and, it undoubtedly will be costly for brokers, who should not be obligated to collect this information, to validate and update it, and incorporate it into confirmations or point-of-sale documents. Expense ratio information is currently available to investors not only in prospectuses and shareholder reports, but also publicly available through and analyzed by a multitude of sources, including Lipper, Morningstar, and other financial media.

As indicated above, most direct investors will have already received or have been given access to a prospectus when they send in an application via the mail or transact on the web with T. Rowe Price. Mutual funds are required under Form N-1A to provide clear and precise information on management fees and other fund fees and expenses in the prospectus, and the Commission recently required the same type of information to be presented to investors on an ongoing basis in shareholder reports. Redemption fees, account maintenance fees and similar fees must also be disclosed. These fees are not related to distribution, nor do they raise possible conflicts of interests that might be associated with a purchase of fund shares. We believe this information in a point-of-sale disclosure document is duplicative and provides little value to investors, especially if it is disclosure that could delay the investor's purchase order.

The Commission repeatedly cites in its release research based on focus groups for the proposition that “investors wanted point-of-sale disclosure to provide comprehensive information about all costs of owning covered securities, not just distribution-related costs.” This research may suggest, more importantly, that such investors are ignoring the fund prospectus or that they fail to appreciate the information in the prospectus about the costs of ownership of fund shares. It appears that the Commission needs to address this issue head-on in the overhaul of the fund prospectus and profile prospectus, as well as the timing and mechanism for delivery of these important documents to investors. The Commission needs to simplify the point-of-sale disclosure document, not make it potentially more obtuse to investors by including these other fees and expenses. A reference in the point-of-sale document and confirmation to the information regarding fund fees and expenses in the prospectus should be sufficient to alert investors that management fees and other expenses will apply.

Exceptions for institutional orders, subsequent purchases and orders received via the mail.

We support exceptions to the requirement to deliver point-of-sale documents for

institutional orders, subsequent purchases and exchanges within the same share class for funds in the same fund family, and orders received via the mail. Institutional investors are capable of fending for themselves, and an exception for them would be consistent with how they are treated for other purposes under the federal securities laws. We would encourage the Commission to incorporate the definition of “institutional investor” in NASD Conduct Rule 2110(a)(3) for purposes of the rule, and also include within the exception investment advisers and other persons who act on behalf of an institutional investor.

We also support an exception for subsequent purchases of the same covered security or class of a covered security, even if such purchases are non-periodic. Fund investors receive annual prospectus updates with disclosure of distribution expenses so they are able to monitor any changes to these fees and expenses since the time of their initial purchase. We also recommend an exception from the point-of-sale disclosure rule for exchanges between funds in the same fund family so long as the shares are of the same class with the same distribution expenses. If the distribution fees and expenses are the same for the new fund as the shares purchased in the initial transaction, these transactions should be treated as “subsequent purchases” for purposes of the exception.

Finally, the Commission should re-evaluate the exception for mailed orders in light of our comments above on the disruptive effects of the proposed rule on the purchase of shares in directly-sold funds. The exception was conditioned on the mailing to the customer in the last six months information about the distribution costs and compensation associated with the covered securities sold by the broker. To ensure compliance with this exception, a broker would have to track all contacts with its customers and prospective customers to ensure that it had delivered this information. For T. Rowe Price, this would be a significant recordkeeping undertaking as customers most often contact us on an unsolicited basis, through a variety of media and channels. The Commission’s release has asked whether such an exception should be based on a “no prior contact with the customer” condition. We believe this would be even more unworkable than the original proposed exception. How could a broker-dealer assure itself that it had not had prior contact with a customer unless it systematically recorded all contacts and searched such records prior to accepting a customer’s order? We believe these flaws in the exception expose a critical defect in the structure of the rule – namely, the application of the rule to unsolicited orders or those not involving a recommendation by the broker-dealer. Unsolicited orders, which are most often those orders received through the mail, should clearly be exempted from point-of-sale disclosures.

Make the internet the primary mechanism for delivery of point-of-sale disclosure.

We believe that the appropriate mechanism for the delivery of point-of-sale disclosure should be the internet, as opposed to the paper form proposed by the Commission. As discussed throughout this letter, the vast majority of our investors transact with T. Rowe Price over the phone, by mail or via the internet. Internet delivery would be much less disruptive to the processing of customer purchase orders, more efficient and timely in terms of delivery to investors, enable investors to more easily compare fees and expenses across funds and

products, and much less costly and easier to implement for broker-dealers. Accordingly, we recommend that the Commission adopt the framework advocated by the NASD's Mutual Fund Task Force¹ which relies on the internet as the primary delivery medium for point-of-sale disclosure. For unsolicited transactions, broker-dealers should be able to rely on an "access equals delivery" model for delivery of the point-of-sale information, similar to what the SEC has proposed in its recent 1933 Act reforms. For transactions recommended by the broker-dealer, we agree with the Task Force's proposal that registered representatives be required, contemporaneously with the recommendation, to either refer investors to website disclosure or email a link to the investor. Those investors who do not have internet access can be given the choice of receiving a hard copy via mail or facsimile, but not at the expense of delaying their purchase orders.

T. Rowe Price Brokerage.

The following is a discussion of how T. Rowe Price offers unaffiliated funds through its Brokerage Division, and the impact of the proposed rule on these activities. Many of our comments above would apply equally to our Brokerage business since we do not engage in the types of sales-based compensation practices that the rule is intended to address.

T. Rowe Price and its Brokerage representatives do not make any recommendations regarding what, if any, mutual funds its Brokerage customers should buy. Our brokerage customers make their own decisions regarding what investments best suit their investment needs. Brokerage customers can purchase shares of over 1700 no-load funds on-line, by telephone (either through an automated trading system or by speaking directly with a registered representative), or by mail. Load funds can only be purchased via direct phone contact with a registered representative. In order to comply with NASD best practices regarding disclosures for mutual fund purchases and breakpoint schedules (*e.g.*, NASD Special Notice to Members 02-85), we require Brokerage representatives to handle these trades over the telephone.

Neither load nor no-load funds are ever purchased in an in-person meeting with a Brokerage representative. When a customer visits one of our T. Rowe Price Investor Centers to purchase a load or no-load fund in his or her Brokerage account, the customer would be placed on the telephone with a Brokerage representative located at one of the T. Rowe Price telephone centers.

Before a customer can enter a transaction to purchase shares in either a load or no-load mutual fund, he or she is asked to affirm that he or she has read and understands the prospectus for that fund.

¹ See Report of the Mutual Fund Task Force: Mutual Fund Distribution (March 24, 2005).

Point-of-Sale Disclosure Requirements.

As discussed above, we believe that the proposed point-of-sale disclosure requirements do not take into consideration the business model used by T. Rowe Price Brokerage and similar broker-dealers that do not make recommendations to customers.

No Information is Applicable. You have asked for comment about whether it would be appropriate to “permit broker-dealers to omit all point-of-sale information, thereby eliminating all point-of-sale disclosure, in circumstances where there are no distribution-related expenses or conflicts of interest required to be disclosed at the point of sale.” Under its business model, T. Rowe Price Brokerage does not receive payments to promote one fund over another to its customers; Brokerage representatives are not paid more to sell one fund rather than another and do not make recommendations. Accordingly, we strongly believe the omission of this information under such circumstances would be appropriate, protective of investors and would not create an unfair competitive advantage.

Proposal Based on Face-to-Face Meeting Model. The proposed point-of-sale disclosures are designed to accommodate face-to-face customer meetings, which within our business model, simply do not occur. The Commission’s release asks if the forms should “contain a ‘signature line’ for customers to sign to evidence receipt of the “point of sale disclosure” and how this approach would be implemented for “oral [presumably telephonic] point of sale disclosures.” In addition, the proposed rule appears to contemplate at least a two-stage process in connection with the purchase of a mutual fund, beginning with a face-to-face meeting in which the representative makes a recommendation about what fund the customer should purchase and followed by a second meeting in which the customer actually makes the investment decision and possibly provides the investment funds.

Our general experience is that Brokerage customers make decisions about which mutual funds to purchase before calling one of our telephone centers, based upon the information provided in each fund’s prospectus. There is no initial telephone conversation in which one of our representatives provides the customer with a recommendation. Instead, the customer calls knowing which fund he or she wishes to purchase and the order to purchase is placed during that conversation. This purchasing sequence and protocol is not conducive to use of a form, which the representative would be required to read in all cases.

Our comments above with respect to the disruptive and delaying effects on the processing of fund purchase orders apply equally to our customers’ purchase of unaffiliated funds through our Brokerage Division. For example, if a point-of-sale document were required to be delivered personally in written format to our Brokerage customers, when a Brokerage customer, having read the fund’s prospectus and made an independent decision to purchase shares of a particular fund, calls to place the trade, the Brokerage representative would not be permitted to enter it. Instead, the Brokerage representative would have to send the point-of-sale disclosures to the customer. If the customer does not have access to a

facsimile machine or the internet, the delivery process could consume several trading days. If the customer were to have to sign and return the disclosures before the actually placing the trade, that could potentially add several more days to the process, especially if the customer did not have access to a facsimile machine. If the trade were being placed in a joint account, would both account owners have to sign the disclosures before returning them to Brokerage?

We suggest that for phone conversations, the representative be permitted to refer the customer to a website or send the customer an email with a link to the disclosure. Customers without web access could elect to receive the information in writing, but the broker-dealer should be able to accept the purchase order without delay. For customers accustomed to performing their own research, making their own investment decisions, and being able to have their trades entered when they call Brokerage, requiring delivery of a written document would be a substantial inconvenience and, in many cases, would create a disincentive to invest in mutual funds. Such an approach would also place firms that rely on telephonic conversations, rather than in-person meetings, to effect such transactions, at a competitive disadvantage.

Comprehensive Annual Cost Disclosure. For the reasons discussed above, we strongly disagree that point-of-sale disclosures should cover “all the costs of owning the securities subject to disclosure, including investment company costs such as ‘management fees’ and ‘other expenses’ that are disclosed in the prospectus.” Our Brokerage representatives ask each mutual fund investor if he or she has read and understands the prospectus before accepting a mutual fund purchase order. Proceeding as the release suggests by including management fees and fund expenses will serve only to confuse the investor about the various fees and expenses involved at the point-of-sale. We are concerned that most investors, upon hearing this disclosure, may assume that they are being required to write a check to cover or have the amount of the management fee, for example, deducted from his or her Brokerage account, which is not the case.

We also disagree that flat annual fees, such as account fees, should be included in any point-of-sale disclosures. First, account fees are clearly disclosed to the Brokerage customer when he or she opens a Brokerage account on the commissions and fee schedule. Second, we believe the complexity of making this disclosure has been underestimated. For example, T. Rowe Price Brokerage assesses an annual account fee of \$25.00 at the end of each calendar year, which is automatically waived if the customer had two trades in that year. Would the proposal require that the \$25.00 fee be disclosed on the customer’s third and subsequent mutual fund purchases that year? Wouldn’t most customers, when hearing the annual fee disclosure on their first two trades, assume that the fee has been assessed for each trade, for a total of \$50.00? These annual fees are not hidden from the customer. Again, we do not believe it is asking too much of a customer to read the commissions and fee schedule when opening his or her Brokerage account.

Confirmation Disclosure.

If the point-of-sale disclosure requirement is adopted as proposed, much of the proposed confirmation disclosure will be redundant. We do not agree that a confirmation generated by a broker-dealer should include information about the costs of owning an investment, like management fees, that are not charged or collected by the broker-dealer and that are otherwise disclosed in the prospectus. We also believe that the confirmation should include only fees and charges charged or collected by the broker-dealer in connection with the transaction for which the confirmation is generated. In any case, we believe that if the Commission expands the confirmation to include extraneous fund-related information, the confirmation disclosure will be extremely costly for broker-dealers, who will need to maintain and constantly update this fund-related information, while providing very little true benefit to the investor.

Price Managed 529 Plans.

T. Rowe Price Associates, Inc. is currently the program manager for four separate Section 529 College Savings Plans for two different state issuers ("Price Managed 529 Plans"). T. Rowe Price acts as underwriter and primary distributor for the municipal fund securities of the Price Managed 529 Plans. The Price Managed 529 plans had approximately \$2.2 billion in assets as of December 31, 2004. Many of the comments noted above with respect to the sale and distribution of mutual fund shares apply equally to the sale and distribution of municipal fund securities through our Price Managed 529 Plans. The following is a discussion of several points relating specifically to the distribution of certain municipal fund securities.

Disclosure of Management Fees. As discussed above, the disclosure of management fees is not related to distribution, nor do they raise possible conflicts of interests that might be associated with a purchase of municipal fund securities in the Price Managed 529 Plans. Further, many 529 college savings plans, including the Price 529 Managed Plans, include target-based investment portfolios with ever-changing asset allocations, the management fees are not static, but rather can change significantly over time. Thus, any point-of-sale disclosure would not accurately reflect this expense over the life of the investment. Management fees are better disclosed in the 529 plan disclosure document where this fee can accompany an explanation of the ranges for asset allocation and other relevant points of the investment structure.

Conflicts of Interest. The *Conflicts of Interest* Section of the point-of-sale disclosure for 529 plans asks, "Are we paid extra to promote this college savings plan over others?" In evaluating this question, we note that T. Rowe Price Associates, and many others in the industry who act as 529 plan program managers, receive program management and account fees from 529 plan participants. These fees cover the cost of administration and management of the 529 plans and investment portfolios we manage. Taken literally and given the broad

wording of the question, the answer for every 529 plan distributor might be yes, since no one broker-dealer distributes all available college savings plans. Some broker-dealers, such as T. Rowe Price, however, do not receive any portion of these program management and account fees. Please clarify that if a broker-dealer is not paid any portion of these or other fees, we are not "paid extra" to promote our 529 plans "over others" and thus would accurately answer the question in the negative.

We appreciate the opportunity to submit our comments on the proposed rule. Please feel free to contact Forrest Foss, Darrell Braman, Laura Chasney, Regina Watson (529 college savings plans) or Sarah McCafferty (Brokerage) if you have any questions or need additional information.

Sincerely,



Henry H. Hopkins
Chief Legal Counsel

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