COMMITTEE OF INDEPENDENT DIRECTORS
T. ROWE PRICE MUTUAL FUNDS

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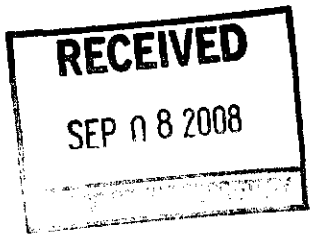

September 2, 2008

Ms. Florence E. Harmon
Acting Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Proposed Rule Regarding References to Ratings of Nationally Reorganized Statistical Rating Organizations, File No. S7-19-08 ("Proposed Rule")

Dear Ms. Harmon:

This letter is submitted on behalf of the independent directors of the T. Rowe Price Mutual Funds. The T. Rowe Price Mutual Funds consist of more than 100 mutual funds of all types, including money market funds, with combined assets in excess of $230 billion. We appreciate the opportunity to comment on the proposed amendments to Rules 2a-7 and 5b-3 under the Investment Company of 1940 that would eliminate references to ratings by nationally recognized statistical rating organizations ("NRSROs").

We recommend that the Proposed Rule not be adopted. We believe that it represents a mistaken view of the role of mutual funds' independent directors; that it would serve no useful purpose; and that it could have negative effects on money market funds and their investors[1]. Our views are set forth in more detail below.

1. The Proposed Rule Represents a Mistaken View of the Role of Mutual Funds' Independent Directors

Independent directors generally are not equipped to manage mutual funds on a day-to-day basis, and should not be expected to do so. Rather, the role of independent directors is to oversee the entity charged with that task, the investment adviser. The Commission, of course, is well aware

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[1] The primary impact of the Proposed Rule on the funds we oversee would be on money market funds. For that reason, this letter addresses the proposed amendment to Rule 2a-7. Many of the views we express, however, apply equally with regard to Rule 5b-3, relating to the treatment of repurchase agreements and refunded securities.

of the difference between the proper functions of a mutual fund's independent directors and those of its investment adviser. As stated by its Division of Investment Management in 1992:

> Rules that impose specific duties and responsibilities on the independent directors should not require them to "micro-manage" operational matters. To the extent possible, operational matters that do not present a conflict between the interests of advisers and the investment companies they advise should be handled primarily or exclusively by the investment adviser.[2]

We respectfully submit that the proposed amendment to Rule 2a-7 represents a departure from this fundamental precept of mutual fund regulation. Such a departure might be justified if it was likely to benefit money market fund shareholders. As explained below however, we believe that the opposite is the case.

2. The Proposed Rule Would Serve No Useful Purpose

We appreciate that recent events in the credit markets have caused the Commission to be concerned about undue reliance on ratings by NRSROs. But we have never viewed such ratings as a substitute for the investment adviser's professional judgment as to credit quality. Rather, the ratings provide an objective standard that supplements, and does not replace, the judgment of the adviser. It is difficult to see how the protection afforded by "belt and suspenders" is increased by removing the suspenders.

We assume that if the Proposed Rule were adopted, most money market fund boards would recognize that they lack the expertise independently to make the judgments contemplated by the proposal. Thus they would rely heavily on the advice of the investment adviser. They might supplement this advice by the use of NRSRO ratings. To this extent, it might be thought that adoption of the amendments would have little practical effect on the operation of money market funds other than to introduce an unwelcome legal ambiguity into the relative roles of the independent directors and the investment adviser. As discussed below however, we believe that the Proposed Rule could have decidedly more negative effects than that.

3. The Proposed Rule Could Have Negative Effects on Money Market Funds and their Investors

Whatever difficulties may have resulted from undue reliance on NRSROs, they nonetheless are staffed by employees who are highly trained in credit analysis. The same is true of advisers to money market funds. It is not true, however, of most independent directors. To the extent that independent directors view an amended Rule 2a-7 as requiring them to substitute their own judgment for that of the adviser (and in some cases to disregard NRSRO ratings) in determining the credit quality of portfolio securities, the consistently, and increasingly, high quality that has

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[2] SEC, Protecting Investors: A Half Century of Investment Company Regulation (1992), at 266.

characterized money market fund portfolios over the years could be undermined by the subjective judgments of independent directors who, however well-meaning, are simply not qualified to make them.

Another potentially negative impact of the Proposed Rule is that it would force investors to make investment decisions on the basis of less reliable information than they have now. At present, an investor choosing among money market funds (or between a money market fund and another type of investment vehicle) might consider such matters as expense ratios, the identity of the investment adviser, and historic yields. He does not, however, have to consider whether the fund has independent directors who evaluate credit quality more or less conservatively than might the directors of other money market funds. If the proposed amendments are adopted such differences in approach could lead to material distinctions among money market funds, especially given that most fund directors lack expertise in credit analysis. This is the type of subjective judgment that does not lend itself to meaningful disclosure. Thus, adoption of the Proposed Rule could introduce an element of uncertainty into investors' decisions that does not now exist.

We hope that the foregoing comments on the Proposed Rule are useful. We would be pleased to respond to any questions the Commission or its staff might have with respect to this letter. Please direct any such questions to the undersigned through our independent counsel, Joel H. Goldberg, Esquire of Willkie Farr & Gallagher LLP at 212.728.8289 or jgoldberg@willkie.com.

Very truly yours,

Anthony W. Deering
Chairman of the Committee of Independent Directors
T. Rowe Price Mutual Funds

cc: Hon. Christopher Cox, Chairman
Hon. Luis A. Aguilar, Commissioner
Hon. Kathleen L. Casey, Commissioner
Hon. Troy A. Paredes, Commissioner
Hon. Elisse B. Walter, Commissioner
Andrew J. Donohue, Director, Division of Investment Management