

P.O. Box 89000
Baltimore, Maryland
21289

100 East Pratt Street
Baltimore, Maryland
21202-1009

Phone 410-345-2000

Via Electronic Mail

August 11, 2015

Mr. Brent J. Fields, Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Proposed Amendments to Form ADV and Investment Advisers Act Rules, SEC Rel. IA-4091, File No. S7-09-15, RIN 3235-AL75

Dear Mr. Fields:

T. Rowe Price Associates, Inc.¹ appreciates the opportunity to comment on the above-referenced proposal by the Securities and Exchange Commission (the “SEC”) to enhance the reporting requirements of SEC Form ADV (the “ADV Proposal”). The ADV Proposal would require advisers to report additional data about their business and their clients’ investments, particularly in client accounts that are managed individually (referred to herein as “SMAs”).

Overall, we are very supportive of the ADV Proposal. We believe it will help the SEC more effectively carryout risk-based examinations of investment advisers and aggregate more industry data for monitoring trends and emerging areas of potential risk. We also note that, in December 2014, the Financial Stability Oversight Council stated that regulators do not currently collect SMAs’ portfolio positions on a systematic, industry-wide basis for assessment and monitoring purposes. We believe the ADV Proposal also helps address this issue and, given the SEC’s extensive expertise and its role as the asset management industry’s primary regulator, the SEC is the appropriate regulator to collect and analyze this data.

In addition to these general views regarding the ADV Proposal, we offer below some specific recommendations which we think will further enhance its effectiveness:

Definition of Derivatives. In order for advisers to know what to include in the “other derivatives” category, and to help ensure firms interpret this term consistently, it would be useful to have a definition of derivatives. We suggest a definition which mirrors Topic 815 of the Financial Accounting Standards Board’s Accounting Standards Codification (“FASB ASC

¹T. Rowe Price Associates, Inc. and its advisory affiliates provide investment management services to numerous individuals, institutions, and investment funds, including the T. Rowe Price family of mutual funds. As of June 30, 2015, T. Rowe Price Associates, Inc. and its affiliates managed approximately \$773 billion in assets.

815”). FASB ASC 815 defines a “derivative instrument” as a financial instrument or other contract with all three of the following characteristics:

1. It has (a) one or more underlyings; and (b) one or more notional amounts or payment provisions or both. Those terms determine the amount of the settlement or settlements, and, in some cases, whether or not a settlement is required.
2. It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
3. Its terms implicitly or explicitly require or permit net settlement, it can readily be settled net by a means outside the contract, or it provides for delivery of an asset that puts the recipient in a position not substantially different from net settlement.

FASB ASC 815 is a familiar standard for investment firms and the flexible nature of its language would help to capture new derivative products as they develop over time.

Regulatory Assets Under Management (“RAUM”). Most of the new data elements in the ADV Proposal are calculated using RAUM. Many global asset management firms, such as T. Rowe Price, have multiple investment adviser entities. In certain cases, such firms put in place delegation or subadvisory arrangements between affiliated advisers. Typically, the assets associated with these arrangements are reported for RAUM purposes in the Form ADVs of the firm’s “top-level” adviser as well as the affiliated adviser involved in the delegation/subadvisory arrangement, thus leading to distortions of the RAUM data. Although the concept of RAUM is not new, we are taking this opportunity to note our view that the SEC would capture Form ADV data in a more meaningful manner by refining the RAUM definition to expressly state that these arrangements should be reported by either (as opposed to both) such firm’s “top-level” adviser or its affiliated adviser.

* * * * *

Thank you again for the opportunity to express our thoughts on this important topic. Should you have any questions or wish to discuss our letter, please feel free to contact us.

Sincerely,



David Oestreicher, Vice President & Chief Legal Counsel



Jonathan D. Siegel, Vice President & Senior Legal Counsel