

Filed Electronically

September 23, 2016

Ms. Marcia E. Asquith
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506

P.O. Box 89000
Baltimore, Maryland
21289
4515 Painters Mill Road
Owings Mills, Maryland
21117-4903
Toll Free 800-638-7890
Fax 410-345-6575

Re: Proposed FINRA Rules 3220, 3221, and 3222 Relating to Gifts, Gratuities and Non-Cash Compensation Rules

Dear Ms. Asquith:

T. Rowe Price Investment Services, Inc.¹ appreciates the opportunity to comment on the above-referenced proposal (the “**Proposal**”) by FINRA to amend its gifts, gratuities and non-cash compensation rules. We generally support the comments from the Investment Company Institute (“**ICI**”) and the Proposal, but would like to provide the following additional comments.

Non-Cash Compensation

The proposal would codify the guidance that restricts the payment for entertainment at training and education events. Although we understand the current guidance, we believe that there are legitimate business entertainment events that may occur before or after a training and education event. In addition, the proposal continues to reference “the entertainment or expenses of guests of associated persons or to the entertainment of associated persons” in Rule 3221. We believe that the inclusion of this language in the provision in Rule 3221 related to training and education events will continue to cause confusion related to whether an event should be categorized under Rule 3221 or 3222. Since FINRA is adopting a new Rule 3222 that will govern business entertainment, we believe that it would be more appropriate to delete the reference to entertainment in Rule 3221.

Moreover, we agree with the ICI that FINRA should clarify that if a member has events that involve separate education and entertainment events, the education event should be analyzed under Rule 3221 and the entertainment event should be analyzed under the member’s policies and procedures adopted under Rule 3222. Therefore, member firms would be permitted to contribute to and/or sponsor entertainment held during a training and education event as long as the event is appropriate under the member’s business entertainment policies and procedures. For example, a member firm may host a dinner for attendees at the conclusion of a training and education event.

¹T. Rowe Price Investment Services, Inc. is a registered broker-dealer and acts as the principal distributor of the T. Rowe Price mutual funds.

The proposal also provides location restrictions for training and education events, which include an office of the offeror holding the meeting, a facility located in the vicinity of such office, a US regional location if associated persons work within that region, and other locations with respect to meetings dealing with real estate investment trusts. We note that members may be requested to contribute to or reimburse the expenses of associated persons related to attending an industry training or educational conference that is not sponsored by the offeror or the member (*e.g.*, a Morningstar conference). These conferences may be held in a national location that may not be associated with the location of an offeror or member. We recommend that FINRA permit offerors and members to support attendance of associated persons at such conferences that may occur at a select national location and may not specifically meet the location requirements outlined in the Rule. We agree with the ICI that this accommodation is appropriate due to the training or educational value provided to members and their associated persons by these conferences.

In addition, the supplementary material to Rule 3221 provides that the training and education exception must be used for events that “first and foremost” intend to provide training and education. The supplementary material indicates that the training must occupy substantially all of the work day. However, we agree with the ICI that certain training events may take place over a breakfast or lunch session that should still qualify for the training and education exemption, even if the event does not occupy substantially all of the work day and as long as the focus of the meeting is training and education.

Business Entertainment

T. Rowe Price generally supports the proposal of a separate rule related to business entertainment, which takes a principles-based approach that allows members to develop policies and procedures that take into account the nature and location of the member’s business. We agree with the ICI that a principles-based approach will continue to satisfy FINRA’s goal of protecting against potential conflicts of interest or questions of propriety. We also agree with FINRA’s perspective that the frequency of business entertainment needs to be evaluated in light of all facts and circumstances, which would require the member firm to decide when the frequency has risen too high to be appropriate. We believe that the facts and circumstances could include the size or maturity of the business relationship, as well as the type of business entertainment.

Although we generally support the proposal of Rule 3222, we would like FINRA to provide clarification either in the Rule or in supplementary material regarding the points below. First, the proposed Rule would require members to “define forms of permissible and impermissible business entertainment” based on certain criteria. We believe that instead of defining specific “forms” of permissible entertainment, it would be more appropriate and operationally more expedient to administer a policy that defined general categories of permissible and impermissible business entertainment. We believe that FINRA should provide clarification on this point.

In addition, the proposed Rule requires the offeror or one of the member’s associated persons to “host” the business entertainment. In certain instances, although the member will attend the

business entertainment event, the member may not be the official host or there may be more than one host. We believe that FINRA should clarify that the member must attend the event, but is not necessarily required to "host" the event. Moreover, in the case of larger business entertainment events, we also believe that tracking all of the names of the persons in attendance at the event would be administratively difficult and may not provide any material protection against potential conflicts of interest. Therefore, we believe that a member's policy should only require recordkeeping of the names of the other member firms in attendance and attendees that sign in as registered for the event, if that list is readily available.

Thank you again for the opportunity to comment on the Proposal. Should you have any questions or wish to discuss our letter, please contact Stephanie Mumford at (410) 345-6638 or the undersigned at (410) 345-6601.

Sincerely,



Fran Pollack-Matz

Vice President