#14

November 25, 2002

VIA FEDEX and FACSIMILE

Judith R. Starr, Chief Counsel
Office of the Chief Counsel
Financial Crimes Enforcement Network
Department of the Treasury
P.O. Box 39
Vienna, VA 22183-1618

Re: NPRM – Section 352 Unregistered Investment Company Regulations

Dear Ms. Starr:

The T. Rowe Price group of investment advisers[1] ("**T. Rowe Price**") welcomes the opportunity to comment on the proposed rule regarding the application of the U.S. anti-money laundering program to unregistered investment companies (the "**Proposed Rule**"). Although T. Rowe Price fully supports the goal of ensuring the existence and maintenance of strong anti-money laundering procedures within the financial services industry, we are concerned the Proposal, as currently drafted, would impose unnecessary and duplicative burdens on certain unregistered investment companies ("**Funds**").

T. Rowe Price supports the comment letter submitted by the Investment Company Institute. In particular, T. Rowe Price believes that the current scope of the Proposed Rule would force certain Funds that are already subject to strict anti-money laundering policies to comply with the Proposed Rule. This would result in the imposition of both duplicative and inconsistent regulatory requirements, with no tangible improvement in the prevention of money laundering. Therefore, we urge Treasury to include in any final rule an exception to clarify that such Funds would not be subject to the rule.

The definition of "unregistered investment company" in the Proposed Rule includes an issuer that meets the following four criteria:

[1] The T. Rowe Price group of advisers includes T. Rowe Price Associates, Inc.; T. Rowe Price International Inc.; T. Rowe Price Global Investment Services Limited; and T. Rowe Price Global Asset Management Limited. As of September 30, 2002, the aggregated assets under management of the advisers was over $131 billion. T. Rowe Price serves as sponsor for both U.S. registered mutual funds and non-U.S. registered foreign funds.

- The issuer (i) would be an investment company under the 1940 Act but for the exclusions provided for in Sections 3(c)(1) and 3(c)(7) of the 1940 Act;(ii) is a commodity pool; or (iii) invests primarily in real estate and/or interests therein;
- The issuer permits an owner to redeem his or her ownership interest within two years of the purchase of that interest;
- The issuer has total assets (including received subscriptions to invest) as of the end of the most recently completed calendar quarter the value of which is $1,000,000 or more; and
- The issuer is organized under the law of a State or the United States, is organized, operated or sponsored by a U.S. person, or sells ownership interests to a U.S. person.

TRP believes the definition is overly broad, and can be narrowed without impacting the Proposed Rule's effectiveness. T. Rowe Price has two primary concerns with the definition. First, it is not clear what Funds would be considered "organized, operated or sponsored by" a U.S. person. For example, this clause could be interpreted to include all Funds with a U.S. entity somewhere in the chain of ownership or that performs any services on behalf of such Funds. We believe such an interpretation would be too broad. Although reference is made to the definition of "U.S. Person" as found in Regulation S of the Securities Act of 1933 Rules, we request that the definition in the Proposed Rule be clarified on this point. Second, the definition contemplates that sales to one or more U.S. persons is a significant factor in determining whether the Proposed Rule should apply to a particular Fund. Again, we believe this clause is overly broad, and does not take into account that some U.S. parent companies may provide seed capital to its foreign affiliate sponsored Funds. Also, although many of these Funds do not target the U.S. market in soliciting Fund sales, certain unsolicited, incidental transactions may occur with U.S. persons. Such sales would not trigger registration under the 1940 Act and should not, especially for the Funds referenced below, trigger application of the Proposed Rule.

Many Funds are domiciled in jurisdictions which maintain effective anti-money laundering rules. For example, Luxembourg Undertakings for Collective Investment in Transferable Securities (UCITS) must comply with strict rules regarding money laundering prevention. Many European countries and the European Union have been focusing their efforts in this regard for many years. An additional layer of U.S. regulation would be of little to no value but would result in unnecessary hardship on issuers already complying with anti-money laundering regimes. It should also be noted that certain requirements in the Proposed Rule could force an issuer to breach its local law (e.g., privacy laws), putting such issuer in an unreasonable position.

Therefore, T. Rowe Price strongly urges Treasury to adopt an exception for Funds domiciled in jurisdictions with comparable anti-money laundering requirements. Although we believe that there are many such jurisdictions, at a minimum the exception should apply to all Financial Action Task Force (FATF) countries. Failure to adopt such an exception would not only result in burdensome regulation, but also could encourage foreign regulators to impose their rules on U.S. entities with tenuous connections to such jurisdictions.

In conclusion, we appreciate the opportunity to comment on the Proposed Rule. We believe that the Proposal, with the suggestions noted above and in the ICI letter, will be a useful tool in the fight against money laundering. We would be happy to assist you as you continue to work on the Proposed Rule. If you have any questions, please feel free to contact me, David Oestreicher at extension 2628, or Laura Chasney at extension 4882.

Sincerely,

Henry H. Hopkins
Vice President and Chief Legal Counsel

David Oestreicher
Vice President and Associate Legal Counsel

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