

T. Rowe Price Associates, Inc.

December 21, 2001

VIA FEDERAL EXPRESS and FACSIMILE

Professional Standards and Advocacy
Association for Investment Management and Research ("AIMR")
P.O. Box 3668
Charlottesville, Virginia 22903

Fax: (804) 951-5320

Re: Guidance Statement on Composite Definition

To whom it may concern:

T. Rowe Price Associates, Inc., T. Rowe Price International, Inc., the T. Rowe Price Investment Counsel Group, T. Rowe Price Canada, Inc., and T. Rowe Price Global Asset Management Limited (collectively, the "Price Advisers") welcome the opportunity to comment on the proposed Guidance Statement on Composite Definition. According to the proposed Guidance Statement, "[t]hree of the most fundamental issues a firm must consider to achieve compliance with the GIPS standards are Definition of the Firm, Composite Construction, and Discretion." The Price Advisers, employing over 70 Chartered Financial Analysts, agree with this perspective and commend AIMR's effort to provide clear guidance on these fundamental concepts.

We are, however, concerned by AIMR's imposition of a January 1, 2002 implementation date for the U.S. and Canadian version of GIPS, particularly in light of the fact that AIMR has (1) acknowledged that the 1997 AIMR-PPS handbook is significantly outdated and that a GIPS handbook will not be available until Spring 2002, well *after* the proposed GIPS implementation date; (2) only recently drafted *proposed* guidance for concepts deemed "fundamental" to compliance with GIPS; and (3) placed firms in the position of attempting to formally document policies and procedures to implement the GIPS standards while fundamental guidance remains open for public comment *through* the GIPS implementation date.

We believe that implementation without *clear and final* guidance places an investment adviser in an especially difficult position for the very reasons acknowledged by AIMR on multiple occasions, including the October 2001 AIMR-PPS conference. At that conference, AIMR acknowledged that many interpretive differences have historically existed among AIMR representatives, as well as independent verifiers, and that it is

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necessary to provide clearer guidance on GIPS and accreditation standards to ensure industry-wide consistency. In addition, it was noted that even though certain firms had compliance claims independently verified, the firms were later found non-compliant by the SEC. We believe these concerns pose very real compliance issues for investment advisers.

Turning to the proposed Guidance Statement on Composite Definition, we have the following additional comments.

The guidelines provide that if a firm sets a minimum asset level for portfolios to be included in a composite, no portfolios below that asset level can be included in the composite. At the same time, the guidelines state that if a portfolio falls below the minimum asset level due to market movements, a firm must leave the portfolio in the original composite until there is a documented change in client guidelines or an acknowledgement from the client that the firm considers the portfolio too small to implement the composite strategy.

The AIMR-PPS GIPS standards provide in Section 3.A.5 that portfolios must not be switched from one composite to another unless documented changes in client guidelines or the redefinition of the composite make switching appropriate. We agree that this is an appropriate reason for switching a portfolio to a different composite. However, we believe it is impracticable to seek acknowledgement from a client that the firm considers the portfolio too small to implement the composite strategy. The client is not in a position to make this judgement, nor is there any reason a client should be placed in this position. The decision to include or exclude a client account in a composite should rest with the firm, not with the client. In accordance with the AIMR-PPS standards, the firm will have to justify its decision. Moreover, clients are not particularly concerned about their portfolio's inclusion or exclusion in a firm's composite. They are much more concerned with their respective portfolio values as provided in client account statements. In addition, clients are very reluctant to sign documents other than those absolutely required to manage their account, and in our view, there is no real justification for asking them to do so here.

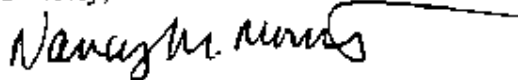
We are also concerned that the reason a portfolio falls below the minimum composite requirement may not always be apparent. In addition, the performance of a portfolio below the minimum may vary considerably from other portfolios managed in accordance with the composite strategy. The inclusion of certain portfolios and exclusion of others below composite minimums seems to contradict directly AIMR's consistency standard. We further believe that it may be difficult to justify in the event of an independent verification. We believe instead that a firm should adopt procedures regarding portfolios that fall below minimum composite requirements that would permit the firm to temporarily remove the portfolio from a composite if the firm determines that portfolio size would significantly impede the firm from fully implementing its intended strategy.

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If the size of the portfolio subsequently meets the minimum for inclusion in the composite, then the portfolio can be returned to the composite.

Please do not hesitate to contact me if you require additional information or clarification regarding our comments.

Sincerely,


Nancy M. Morris

cc: Henry Hopkins
Managing Director and Chief Legal Counsel