T. Rowe Price Associates, Inc.

VIA FACSIMLIE AND FEDERAL EXPRESS

October 31, 2001

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

Henry H. Hopkins
Managing Director and
Chief Legal Counsel

To whom it may concern:

T. Rowe Price Associates, Inc. and T. Rowe Price International, Inc. (collectively hereinafter, "**TRPA**") welcome the opportunity to comment on AIMR's Guidance Statement on the Treatment of Significant Cash Flows. TRPA, employing over 70 Chartered Financial Analysts, commends AIMR's effort to provide a practical implementation structure to address this matter. We endorse the Guidance Statement, except as noted below.

- AIMR proposes that portfolios temporarily removed from composites due to significant flows be returned to their respective composite according to the firm's policy defining the grace period for new portfolios. We believe this guidance to be appropriate for cash in-flows.

  The Guidance Statement does not, however, appear to address client requests to raise cash over extended periods for a cumulative withdrawal. In such a scenario, client direction may be received many months in advance of the cash out-flow. Though less common than significant in-flows, this type of event also significantly restricts the manager's ability to fully implement the intended strategy. In effect, we believe this negates the manager's total discretion to the extent that the portfolio in question is no longer being managed on a fully discretionary basis. Thus, TRPA believes that such an event warrants extended portfolio exclusion – beyond the standard grace period - assuming that written client direction is obtained. We suggest that such a provision be included in the final Guidance Statement.

- The Guidance Statement states that, in theory, cash flows that are relatively small on a composite level - but relatively large on a portfolio level - can distort portfolio performance and skew composite dispersion. TRPA believes it is appropriate to define significance as a percentage of the most recent **portfolio** market value. However, the Guidance Statement proposes documentation of each cash flow as a percentage of **both portfolio and composite** market values. TRPA believes documentation as a percentage of **composite** market value would add little, if any, incremental value to the reader and would place an unreasonable administrative burden on the investment advisor. Therefore, we suggest that this requirement be removed from the Guidance Statement.

Please do not hesitate to contact me if you require any additional information.

Sincerely,

Henry H. Hopkins

T.RowePrice