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September 19, 2016

Secretariat of the Financial Stability Board
c/o Bank for International Settlements
CH-4002, Basel, Switzerland

Re: Proposed Policy Recommendations to Address Structural Vulnerabilities from Asset Management Activities Published on June 22, 2016

Dear Sirs/Madam:

T. Rowe Price International Ltd[1] appreciates the opportunity to comment on the above-referenced consultation document (the "**Consultation**") published by the Financial Stability Board (the "**FSB**"). This letter outlines some overarching principles we believe are important for the FSB to keep in mind as it continues to evaluate global financial stability in the context of the asset management industry. We also provide some observations regarding specific sections of the Consultation.

Guiding Principles. We have observed an increased awareness by the FSB of the differences between asset management and other financial services firms, such as banks and insurance companies. We are also encouraged by the FSB's shift to a "products and activities" approach in its evaluation of perceived financial stability risks related to asset management from earlier efforts to identify specific funds or managers as systemically important.

We believe that the products and activities approach better reflects the fundamental structure of our industry (for example, investing on behalf of clients as their agent and serving as their fiduciary). Accordingly, we think it is essential that the FSB maintain this mindset to help ensure that any recommendations made to local regulators are suitable and do not burden advisers with onerous data collection requirements and new regulations seeking to address unproven risks. The need for any recommendation must be based on persuasive evidence and data. We believe there continues to be a lack of supporting data and information when reviewing the work of the FSB and other organizations such as the U.S. Financial Stability Oversight Council related to potential systemic risks from asset management.

As part of the FSB's evaluation of the global financial system, the FSB continues to consider how larger asset management firms operate. In this regard, key considerations are that

[1]T. Rowe Price International Ltd. 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, 2016, T. Rowe Price International Ltd and its affiliates managed approximately $776 billion in assets.

large organizations typically operate in multiple jurisdictions and even an individual investment strategy may be available to investors through multiple vehicles (for example, a U.S. mutual fund, "UCITS" fund, Australian Unit Trust, etc.). Because these investment vehicles are regulated by different authorities and the firms sponsoring them are global in nature, we think it is crucial that FSB encourage harmonization to the extent it continues to pursue any of the proposed recommendations. Otherwise, firms will likely be forced to navigate a complex web of conflicting requirements and operate in a more costly and inefficient environment.

Another guiding principle we wish to highlight is the importance of being sensitive to appropriate board responsibility. In our view, boards should not focus on the day-to-day management or operation of funds. However, we have seen some recent examples (such as the U.S. Securities and Exchange Commission's liquidity and derivatives proposals) where boards have been asked to take on responsibilities that are more investment or operational in nature and/or sit more appropriately with the investment manager.

Our remaining comments are observations on the Consultation's liquidity, leverage, and securities lending recommendations:

Liquidity Risks in Open-end Funds. We support the goal of protecting investors by reducing potential dilution resulting from high volume fund flows and support the use of swing pricing. That being said, given the nature of distribution channels for various fund types, many funds often do not have access to timely information on net inflows and outflows and, therefore, will have difficulty accurately assessing when a fund's swing threshold has been exceeded. Accordingly, in many cases regulators would need to first consider ways to require intermediaries to provide more and quicker transparency so that swing pricing initiatives could be implemented.

With regard to any requirements that advisers report to regulators and/or publicly disclose the classification of portfolio assets into liquidity categories, the determinations of liquidity should not be subjective because the results would not be comparable among asset managers. Furthermore, such subjective results could be unfairly questioned using hindsight. Accordingly, we encourage the use of more objective criteria to the extent any classification requirements are recommended and believe advisers should have minimal interpretative latitude in assigning instruments to categories.

Leverage in Investment Funds. We support the Consultation's notion of developing simple and consistent measures of leverage. We believe that incorporating into the calculation appropriate hedging and, at a minimum, netting, will improve the quality of information disclosed to regulators and investors.

To promote consistency and help mitigate the risk of firms introducing subjectivity into their calculations, we think it is important that the calculation methods be sufficiently detailed. A useful illustration of an appropriate level of detail is the Committee of European Securities Regulators' Guidelines on Risk Measurement and the Calculation of Global Exposure and

Counterparty Risk for UCITS published in July 2010 (the "**CESR Guidelines**").[2] For example, the CESR Guidelines discuss the applicability of these calculations to particular instrument types and tailor the calculation methodology based on the particular instrument's attributes. The CESR Guidelines also include explanatory text of netting and hedging arrangements that are relevant for the calculations.

Securities Lending Activities of Managers & Funds. Various regulators already oversee many aspects of securities lending activities and we are not aware of any instances where securities lending jeopardized the global financial system. Therefore, we strongly encourage the FSB to take a measured approach to the gathering and assessment of additional data in this area. Even if there are ultimately no changes to the regulation of securities lending activities, merely imposing data reporting obligations on managers can be burdensome and require extensive resources.

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Thank you again for the opportunity to comment on the Consultation. Although our feedback on the Consultation is focused on broader concepts, we would be happy to make ourselves if available if you would like to discuss our comments in greater detail.

Sincerely,

Christopher W. Edge, Head of Equity Risk and Chair of Investments Derivatives Committee

Jonathan D. Siegel, Senior Legal Counsel

[2] In 2011, the European Securities and Markets Authority (ESMA) assumed the responsibilities of the Committee of European Securities Regulators.