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April 2, 2012

Ronald W. Smith, Corporate Secretary
Municipal Securities Rulemaking Board
1900 Duke Street, Suite 600
Alexandria, VA 22314

Re: *MSRB Notice 2012-10, Electronic Dissemination of 529 Plan Disclosure Documents*

Dear Mr. Smith:

T. Rowe Price Associates, Inc. ("Price Associates") appreciates the opportunity to comment on the Concept Proposal of the Municipal Securities Rulemaking Board ("MSRB") regarding electronic dissemination of 529 college savings plan ("529 plan") disclosure documents.¹ The Concept Proposal also seeks comment on whether 529 plan investors would benefit from a summary disclosure document, similar to the summary prospectus used by mutual funds. Price Associates strongly supports permitting brokers, dealers, and municipal securities dealers (collectively referred to in this letter as "municipal securities dealers") to satisfy their disclosure requirements under MSRB Rule G-32 by notifying investors how they may access their 529 plan disclosure documents electronically. We do not, however, believe that the 529 plan disclosure document lends itself well to a concise, standardized, summary presentation, such as the summary prospectus for mutual funds. Each of these issues is discussed in more detail below.

Overview of Price Associates

Price Associates, and certain of its affiliates, are registered investment advisers under the Investment Advisers Act of 1940, with assets under management of approximately \$ 489.5 billion as of December, 2011. Price Associates is currently the program manager for four separate Section 529 college savings plans for two different state issuers (collectively "Price Managed 529 Plans"). The services provided by a Program Manager to Section 529 plans generally include: (a) assistance in the development and implementation of the program; (b) administrative and recordkeeping services; (c) distribution and marketing services; (d) investment management of the plan's investment options; (e) accounting services; and (f) customer relations services.

¹ See *MSRB Requests Comment on a Concept Proposal for Electronic Dissemination of 529 College Savings Plan Disclosure Documents*, MSRB Notice 2012-10 (March 1, 2012) (the "Concept Proposal").

T. Rowe Price Investment Services, Inc. acts as underwriter and primary distributor for the Price Managed 529 Plans. The Price Managed 529 Plans had over \$6.5 billion in assets as of December 31, 2011. Therefore, Price Associates has a keen interest in the method of delivery of plan disclosure documents and other important 529 disclosure materials.

Electronic Dissemination of a 529 Plan Disclosure Document

Price Associates strongly supports the increased use of electronic media for regulatory disclosure purposes for 529 plans. We are pleased, therefore, that the MSRB has issued a Concept Proposal on this issue.

A. Benefits of Electronic Delivery of Disclosure Documents

The Concept Proposal seeks information on the benefits of electronic delivery. Electronic delivery of 529 plan disclosures has several benefits. For example, it will enable investors to review the information as and when they want to.² It will also facilitate investors' ready access – via search functions within the online version of the document – to the information of greatest interest to them without having to page through the pages of a hard copy document.³ Moreover, a shift to electronic media for delivery of 529 plan disclosures may have a substantial impact on its quality. For example, Internet delivery may enable the disclosure document to link to information that may be pertinent to a discussion in the disclosure document – something that is not possible with hard copy documents. It also could enable companies, like Price Associates, to supplement the disclosures with other information relevant to a customer's investment decisions – e.g., through links to interactive investment and college cost/savings tools, or by making the disclosure available on a website that also provides such tools or other resources for investors.

Permitting the use of the Internet for delivery of plan disclosure documents will also benefit 529 plans through cost savings. It should substantially reduce the need for printing, binding, and mailing hard copy documents.⁴ In doing so, it also should reduce the volume of paper wasted by sending hard copies to all investors regardless of whether they want them. It also will facilitate the ability of municipal securities dealers to provide more ready access to the information.

² Under Rule G-32(d)(iii), disclosures made available in electronic format must be configured to permit the document to be saved, viewed, printed, and retransmitted by electronic means. The rule also requires that files submitted to EMMA on or after January 1, 2010 be “word searchable.”

³ The hard copy disclosure documents likely contain a table of contents or index to information in the documents, an electronic version also would enable investors to conduct word searches that would take them directly to the information of interest to them.

⁴ It will also enable municipal securities dealers to print hard copies of the document on demand when requested by an investor rather than having to stockpile copies of the document, which may become out of date.

B. Support for Electronic Delivery

Industry research supports that vast majority of households saving for college regularly access the Internet and regularly utilize it for financial purposes. According to the Investment Company Institute's ("ICI") most current research on this topic⁵ the vast majority of households owning mutual funds (*i.e.*, 91%) have Internet access.⁶ The ICI data further indicates that overall, of those households saving for college, 93% have internet access.⁷ Internet access among those households saving for college is consistently higher than that of mutual fund-owning households regardless of the respondent's age or education level. Further, according to the ICI study, 85% of households saving for college access the Internet at least daily.⁸

Price Associates believes that the available data provides ample evidence that investors of all ages and education and income levels are comfortable utilizing online resources. We believe this data also suggests that many, if not most, investors would welcome electronic delivery of 529 plan disclosure documents. To accommodate any investor who does not want to receive 529 plan disclosure documents electronically, Price Associates supports requiring municipal securities dealers to offer investors the ability to receive their disclosure document in hard copy upon request. This would be consistent with how Rule G-32 currently operates for municipal security disclosure.

Notwithstanding this, MSRB Rule G-32 currently prevents municipal securities dealers from utilizing this medium to satisfy their 529 plan disclosure obligations. We believe that revising Rule G-32 to permit electronic delivery of 529 plan disclosure documents will be in the best interest of those investors who prefer to access information, including financial information, electronically. Moreover, by preserving the ability of those investors who are not interested in Internet delivery to receive a hard copy of the disclosure upon request, there should be no adverse impact to any investor if the MSRB revises Rule G-32.

Accordingly, we strongly recommend that the MSRB revise Rule G-32 to enable municipal securities dealers to satisfy their municipal fund securities disclosure requirements by (1) directing investors to an electronic version of 529 plan disclosure documents and (2) agreeing to provide a hard copy of such document to any investor who requests it. We note that, for municipal security offerings, G-32 currently requires that investors be provided access to the disclosure via the MSRB's EMMA. We strongly recommend that Rule G-32 enable municipal securities dealers to satisfy the disclosure requirements through sites other than EMMA, even if the plan's official statement also is filed with and available through EMMA.⁹

⁵ See ICI, *Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2011*, Research Perspective, Vol. 17, No. 5, Oct. 2011 ("*Perspective*") available at <http://www.ici.org/pdf/per17-05.pdf>.

⁶ See *Perspective* at Figure 18.

⁷ For this purpose, the Institute derived this statistic by overlaying data on households saving for college with data obtained and analyzed to produce *Perspective*.

⁸ See *Perspective* at Figure 20.

⁹ This concept is akin to the use of a "qualified portal" for municipal securities offerings. Unlike municipal security offerings, however, municipal fund securities do not have "primary offering" periods so the current definition of

We further recommend that the revisions to Rule G-32 also permit electronic delivery of any periodic updates to 529 plan disclosure documents for those investors who receive the official statement electronically. In particular, we recommend that the MSRB permit municipal securities dealers to inform a plan's existing investors of how to electronically access any new or revised information concerning the plan. Such notice should be provided at the time of the next account statement sent to the investor unless the information is of a nature that a reasonable investor would need to be aware of it more promptly.

C. A SUMMARY 529 PLAN DISCLOSURE DOCUMENT

Price Associates welcomes the MSRB's interest in exploring ways to enhance the effectiveness of municipal fund securities disclosures that are provided to investors.¹⁰ However, T. Rowe Price has concerns with the appropriateness of summary disclosure in the context of 529 plans. Many 529 Plans currently include some form of a highlights brochure or highlights section within the Plan Disclosure Documents delivered to each investor. These highlights generally contain high level summary descriptions of the investments available, tax and other implications of an investment and frequently requested topical information about the 529 Plan. An investor is then directed to the more detailed description of the 529 Plan contained in the following pages or an accompanying document.

Given the current practice with respect to the delivery of 529 enrollment and disclosure materials, Price Associates believes that requiring another summary document could be redundant and could cause investor confusion. In addition, a summary prospectus approach may be impractical for a 529 Plan given the differences in the product offerings, including the diverse tax considerations, varying range of investment options available, and dissimilar program structures. Given these complexities and liability concerns that the information does not lend itself to a more concise presentation, a summary document may end up having to be as lengthy as the complete Plan Disclosure Document. Such a document would provide the investor with no additional, meaningful information. If the MSRB decides to move forward with a study, it should take into consideration that most 529 Plans already offer a built-in summary or highlights of plan features discussed above.

Unlike mutual funds, which have relatively consistent basic structures and features from fund to fund and a limited, ascertainable universe of key information, the structures and features of 529 plans may differ significantly from plan to plan and from state to state.¹¹ While we support

"qualified portal" may not accommodate municipal fund security offerings. We recommend the use of other Internet "portals" in addition to EMMA to deliver these documents because it would facilitate investors' ability to take full advantage of the Internet's capabilities as a resource and information tool.

¹⁰ The College Savings Plan Network ("CSPN") should be commended for the "Disclosure Principles" it has adopted and continues to revise as necessary. These Disclosure Principles provide state 529 plans a template for their disclosure in order to ensure some uniformity in the contents and format of these daunting disclosure documents.

¹¹ For instance, the types of investment options in one state's plan may differ significantly from those of another state and a state's tax treatment of contributions may differ significantly depending upon whether the account is an in-state or out-of-state account. Other areas of difference include, for example, limits on contributions and limits on how the accounts may be used without incurring tax penalties. Also, pursuant to Section 529 of the Internal Revenue Code,

exploring additional efforts to increase the efficiency and effectiveness of municipal fund securities disclosure, we suggest that the MSRB more fully evaluate the current best practices. Investors would be better served by the 529 plans focusing their energies on the continuous improvement efforts noted above.

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Price Associates commends the MSRB for pursuing these initiatives to modernize and improve 529 plan disclosures and we look forward to seeing them come to fruition. If you have any questions concerning our comments or if we can be of further assistance to the MSRB in this process, please call Regina Watson at 410-345-2163.

Sincerely,

David Oestreicher/rw

David Oestreicher,
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Regina M. Watson

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there are conditions imposed on 529 plan accountholders (such as limits on changes in beneficiaries, rollovers, etc.) that may warrant a discussion that is more fulsome than summary.

Specific MSRB Questions

1. What 529 plan disclosure documents are delivered by dealers to customers?

Each investor in the Price Managed 529 Plans receives an enrollment kit consisting of the Plan Disclosure Document and an enrollment form.

2. How are such disclosure documents delivered by dealers to customers (e.g., hard copy, electronic delivery of PDFs)?

If accounts are opened online, the investor receives the enrollment kit electronically (PDF file). The investor can also print a hard copy of the Plan Disclosure Documents for their files. Updates to Plan Disclosure Documents are delivered via hard copy. If accounts are opened via a paper application, the investor receives the enrollment kit in hard copy format.

3. When are such disclosure documents delivered by dealers to customers (e.g., at account opening, at or prior to the time of trade, or at settlement)?

If accounts are opened online, the investor receives the enrollment kit electronically (PDF file) prior to initiating the account enrollment. If accounts are opened via a paper application, the investor receives the enrollment kit in hard copy format prior to initiating the account enrollment. Updates to Plan Disclosure Documents are delivered via hard copy upon the effective date of the amendment.

4. Should investors in 529 plans receive plan disclosure documents in hard copy prior to making an investment decision?

While we believe it is important for investors to read the plan's disclosure document prior to making an investment decision, we do not believe it should be required to be delivered in hard copy form.

5. Do investors in 529 plans have the requisite sophistication to access plan disclosure documents electronically?

Yes, we believe 529 plan investors have the requisite sophistication required to access documents electronically. Additionally, we would make hard copy documents available upon request.

6. Do investors in 529 plans have the requisite sophistication to review plan disclosure documents online by reference to a URL?

Currently, when investors receive an email regarding Plan Disclosure Document updates, the URL provided is an active link that takes the investor directly to the PDF of the Plan

Disclosure Documents. This process is a simple and intuitive interface that is effective for novice and sophisticated internet users.

7. Have customers expressed a preference for receiving plan disclosure documents in hard copy or online?

Many investors in the Price Managed 529 Plans have expressed an interest in receiving documents electronically.

8. Is there a benefit to customers in receiving the hard copy of the Plan Disclosure Document by settlement of the transaction?

We do not believe that there would be any benefit to investors receiving a hard copy of the Plan Disclosure Documents by settlement. Since 529 Plan industry practice is to deliver Plan Disclosure Documents to 529 Plan investors prior to or at the time of the sale with no distinction between "preliminary" Plan Disclosure Documents delivered prior to or at the time of sale and "final" Plan Disclosure Documents delivered subsequent to sale, an additional delivery in hard copy of the Plan Disclosure Documents would be redundant and unnecessary. By making hard copies of Plan Disclosure Documents available upon request, 529 Plans will continue to serve investors who may not be able to, or prefer not to, access Plan Disclosure Documents electronically.

9. Have customers described any benefits or drawbacks to receiving documents in hard copy?

We believe the availability to receive a hard copy of the documents upon request would satisfy investors interested in receiving hard copy documents. However, we regularly hear from customers expressing a desire to receive less paperwork in hard copy. Additionally, while a paper copy can be easily discarded, lost or damaged, having access via the internet allows access to the materials from anywhere in the world. It also allows customers to search for key terms or language that they are interested in reading about, i.e., "fees" or "performance", etc.

10. Have customers described any benefits or drawbacks to receiving documents electronically?

Many customers have expressed an interest in receiving documents electronically, and feel that electronic delivery provides for a more efficient means of delivery and retention.

11. Although investors who open their accounts online are likely to anticipate receiving electronic delivery of documents through that online process, would it be appropriate for investors that open their accounts through an office visit or by phone to then be expected to receive electronic delivery of documents?

We feel that it is appropriate for investors who open their accounts through an office visit or by phone to receive electronic delivery of documents. If an investor chooses to opt out of electronic delivery, they can request the hard copy of Plan Disclosure Documents in the office during their visit or by phone during the account opening process. They can also request a hard copy of Plan Disclosure Documents at any time by phone, in person, or in writing.

12. Have clients who have established online accounts, whether through direct-sold or advisor-sold programs, expressed concern about delivery of plan disclosure documents electronically?

Generally, no.

13. Could any cost savings achieved through lower mailing or printing costs as a result of implementation of an electronic access program be passed on to customers?

We would anticipate that the cost savings achieved could be passed on to customers, as well as allocated toward marketing initiatives focused on educating investors on the importance of saving for higher education expenses.

14. Have customers expressed confusion about the difference between complete Plan Disclosure Documents and plan disclosure supplements or amendments?

Generally, no

15. Is there a difference in sophistication between individuals who invest in 529 Plans and individuals who purchase traditional municipal securities such that an electronic access program would be inappropriate for 529 Plan customers?

Generally, we feel that the 529 plan customer possesses a level of technological sophistication comparable to mutual fund investors. In fact, many of our 529 plan customers are parents saving for a child's future educational expenses and are accustomed to accessing and receiving necessary information electronically.