

SUPPORTING STATEMENT
Proposed Rule 30b1-6 and Form N-MFP

A. JUSTIFICATION

1. Necessity for the Information Collection

Section 30(b) of the Investment Company Act of 1940 [15 U.S.C. 80a-30(b)] (“Act”) provides that “[e]very registered investment company shall file with the Commission...such information, documents, and reports (other than financial statements), as the Commission may require to keep reasonably current the information and documents contained in the registration statement of such company...” Proposed rule 30b1-6 under the Act [17 CFR 270.30b1-6], entitled “Monthly Report for Money Market Funds,” provides that every registered investment company, or series thereof, that is regulated as a money market fund under rule 2a-7 [17 CFR 270.2a-7] must file with the Commission a monthly report of portfolio holdings on Form N-MFP no later than the second business day of each month. Proposed Form N-MFP [17 CFR 274.201] sets forth the specific disclosure items that money market funds must provide. The form must be filed electronically using the Commission’s electronic filing system (“EDGAR”) in eXtensible Markup Language (“XML”) format.

Proposed Form N-MFP would require money market funds to report certain information that is relevant to an evaluation of the risk characteristics of the fund and its portfolio holdings. Specifically, the form would require funds to disclose, with respect to each portfolio security held on the last business day of the prior month, among other things: the title of the issue; the category of investment (e.g., Treasury debt, government agency debt, corporate commercial paper, structured investment vehicle notes, etc.); the credit rating of the issuer; the principal amount; the current amortized cost value; and the existence and identity of any credit enhancement or liquidity providers. In addition, the form would require funds to disclose

information about the fund itself, such as the fund's dollar weighted average maturity of its portfolio and its 7-day gross yield. The proposed rule is intended to improve transparency of information about money market funds' portfolio holdings and facilitate oversight of money market funds. Compliance with proposed rule 30b1-6 would be mandatory for any fund that holds itself out as a money market fund in reliance on rule 2a-7. Responses to the disclosure requirements would not be kept confidential.

2. Purpose of the Information Collection

Certain provisions of the proposed rule and form contain "collection of information" requirements within the meaning of the Paperwork Reduction Act of 1995 [44 U.S.C. 3501, et seq.], and the Commission is submitting the collection of information to the Office of Management and Budget ("OMB") for review in accordance with 44 U.S.C. 3507(d) and 5 CFR 1320.11. The information collection requirements of proposed rule 30b1-6 and Form N-MFP are designed to assist Commission staff in analyzing the portfolio holdings of money market funds, and thereby augment our understanding of the risk characteristics of individual money market funds and money market funds as a group and industry trends. This information collection could thus enhance our oversight of money market funds and our ability to respond to market events. In addition, although the portfolio reports to the Commission are not primarily designed for individual investors, the information would be available to the public two weeks after filing. Academic researchers, financial analysts and economic research firms may use this information to study money market fund holdings and evaluate their risk information, and their analyses may further help investors and regulators better understand risks in money market funds.

3. Role of Improved Information Technology

EDGAR automates the filing, processing and dissemination of full disclosure filings. The system would permit money market funds to transmit their filings to the Commission electronically, increasing the speed and accuracy of filings. In addition, the XML-tagged format would facilitate efficient and expeditious analysis of portfolio holdings information by Commission staff and other interested persons.

4. Efforts to Identify Duplication

The information provided under proposed rule 30b1-6 and Form N-MFP may duplicate some information included in other filings with the Commission and/or information required to be disclosed on fund websites. Unlike other filings, however, Form N-MFP must be filed in XML-tagged format, which would facilitate staff analysis of portfolio holdings information and enhance Commission oversight of money market funds.

5. Effect on Small Entities

The Commission does not believe that the requirements in rule 30b1-6 and Form N-MFP would have a significant effect on small entities.

6. Consequences of Less Frequent Collection

Rule 30b1-6 provides that money market funds must file a Form N-MFP each month. Given the rapidly changing composition of money market fund portfolios, which consist of only short-term securities, we believe that less frequent collections would render the portfolio information less timely and relevant.

7. Inconsistencies with Guidelines in 5 CFR 1320.5(d)(2)

Proposed rule 30b1-6 would require funds to submit reports on Form N-MFP on a monthly basis. Given the rapidly changing composition of money market fund portfolios, monthly reports are necessary to ensure that the Commission receives more timely and accurate portfolio holdings information.

8. Consultation Outside the Agency

Before adopting proposed rule 30b1-6 and Form N-MFP, the Commission will receive and evaluate public comments on the proposals and their collection of information requirements. Moreover, the Commission and staff of the Division of Investment Management participate in an ongoing dialogue with representatives of the industry through public conferences, meetings, and informal exchanges. These various forums provide the Commission and the staff with a means of ascertaining the magnitude of and acting upon paperwork burdens confronting the industry.

9. Payment or Gift to Respondents

Not applicable.

10. Assurance of Confidentiality

Not applicable.

11. Sensitive Questions

Not applicable.

12. Estimate of Hour Burden

We estimate that 750 money market funds would be required by rule 30b1-6 to file, on a monthly basis, a complete Form N-MFP disclosing certain information regarding the fund and its portfolio holdings.¹ For purposes of this Paperwork Reduction Act analysis, the burden associated with the requirements of Rule 30b1-6 is included in the collection of information

¹

This estimate is based on a review of Commission filings.

requirements of Form N-MFP, rather than the rule. Based on our experience with other interactive data filings, we estimate that money market funds would require an average of approximately 40 burden hours to compile, tag and electronically file the Form N-MFP for the first time and an average of approximately 8 burden hours for subsequent filings.² Based on these estimates, we estimate the average annual burden over a three-year period would be 107 hours per money market fund.³ Based on an estimate of 750 money market funds submitting Form N-MFP in interactive data format, each incurring 107 hours per year on average, we estimate that, in the aggregate, Form N-MFP would result in 80,250 burden hours on average, at a cost of \$22,550,250,⁴ for all money market funds for each of the first three years.

All of the estimates in this section are made solely for the purposes of the PRA and are not derived from a comprehensive or even representative survey or study of the cost of Commission rules.

13. Estimate of Total Annual Cost Burden

Commission staff estimates that the only cost burden of the form is identified in item 12 of this Supporting Statement.

14. Estimate of Cost to the Federal Government

² We understand that the required information is currently maintained by money market funds pursuant to other regulatory requirements or in the ordinary course of business. Accordingly, for the purposes of our analysis, we do not ascribe any time to producing the required information.

³ The staff estimates that a fund would make 36 filings in three years. The first filing would require 40 hours and subsequent filings would require 8 hours each, for an average annual burden of 107 hours (1 filing x 40 hours = 40 hours; 35 filings x 8 hours = 280 hours; 40 hours + 280 hours = 320 hours; 320 hours ÷ 3 years = 107 hours). Thereafter, filers generally would not incur the start-up burdens applicable to the first filing.

⁴ This estimate is based on the following calculation: 80,250 hours x \$281/hour (senior database administrator) = \$22,550,250. The estimated hourly wages used in this PRA analysis were derived from reports prepared by the Securities Industry and Financial Markets Association, modified to account for an 1800-hour work year and multiplied by 5.35 to account for bonuses, firm size, employee benefits and overhead. See Securities Industry and Financial Markets Association, Management & Professional Earnings in the Securities Industry 2008 (Sept. 2008).

The Commission does not expect a material increase in staff time or annual operating costs to review and process these forms due to the rule.

15. Explanation of Changes in Burden

Not applicable. This is the first request for approval of the collection of information for this rule.

16. Information Collection Planned for Statistical Purposes

Not applicable.

17. Approval not to Display Expiration Date

Not applicable.

18. Exceptions to Certification

Not applicable.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.