

**SUPPORTING STATEMENT**  
**Rule 30b1-7 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...” Rule 30b1-7 under the Act [17 CFR 270.30b1-7], 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 [17 CFR 274.201] no later than the fifth business day of each month. Form N-MFP 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.

Form N-MFP requires 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 requires funds to disclose, with respect to each portfolio security held on the last business day of the prior month, among other things: (i) name of the issuer; (ii) the title of the issue, including the coupon or yield; (iii) the CUSIP number; (iv) the category of investment (*e.g.*, Treasury debt, government agency debt, asset backed commercial paper, structured investment vehicle notes, etc.); (v) NRSROs designated by the fund, the credit ratings given by each NRSRO, and whether each security is first tier, second tier, unrated, or no longer eligible;

(vi) the maturity date as determined under rule 2a-7, taking into account the maturity shortening provisions of rule 2a-7(d); (vii) the principal amount; (viii) the current amortized cost value; (ix) whether the instrument has certain enhancement features; (x) whether the security is an illiquid security (as defined in rule 2a-7); and (xi) the market-based value of each security. In addition, the form requires 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 new rule is intended to improve transparency of information about money market funds' portfolio holdings and facilitate oversight of money market funds. Compliance with rule 30b1-7 is mandatory for any fund that holds itself out as a money market fund in reliance on rule 2a-7. Responses to the disclosure requirements will not be kept confidential.

## **2. Purpose of the Information Collection**

Certain provisions of the 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 rule 30b1-7 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 will be available to the public. 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 rule 30b1-7 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 30b1-7 and Form N-MFP will have a significant effect on small entities.

### **6. Consequences of Less Frequent Collection**

Rule 30b1-7 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)

Rule 30b1-7 requires 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 rule 30b1-7 and Form N-MFP, the Commission received and evaluated public comments on the rule and form and their collection of information requirements.<sup>1</sup> 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.

Two commenters asserted that the Commission's estimates did not include time to review the information required in Form N-MFP.<sup>2</sup> While the estimate did include time for the review of the information, we nevertheless have increased our estimate to include an additional 2 hours per filing for review of the information to account for a full and careful review of the information to be filed.

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<sup>1</sup> Rule 30b1-7 was proposed as rule 30b1-6. In September 2009, after rule 30b1-6 was proposed, the Commission adopted interim final temporary rule 30b1-6T. In order to minimize confusion over rule numbering, the Commission adopted proposed rule 30b1-6 as rule 30b1-7.

<sup>2</sup> See Data Communiqué Comment Letter; Comment Letter of Bowne & Co. Inc. (Oct. 29, 2009) ("Bowne Comment Letter"). In addition, one commenter asserted that the Commission's estimate of 128 burden hours per money market fund for the first year (1 filing x 40 hours + 11 filings x 8 hours) is far too low for subadvised funds. See Committee Ann. Insur. Comment Letter. (Sutherland) The commenter, however, did not provide an estimate of the first year burden hour for subadvised funds. As explained below in our discussion of the effect the rule and form will have on competition, we do not believe that the one-time burden for subadvised funds will be much different than the burden on non-subadvised money market funds because the information already should be readily available to the subadviser and the lengthened time for filing Form N-MFP (from the proposed two business days to five business days after the end of each month) should provide subadvisers with sufficient time to send the information to the principal adviser without having to invest in new infrastructure to provide the information on a real-time basis.

**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 719 money market funds will be required by rule 30b1-7 to file, on a monthly basis, a complete Form N-MFP disclosing certain information regarding the fund and its portfolio holdings.<sup>3</sup> For purposes of this Paperwork Reduction Act analysis, the burden associated with the requirements of rule 30b1-7 is included in the collection of information requirements of Form N-MFP, rather than the rule. Based on our experience with other interactive data filings, we estimate that money market funds will require an average of approximately 42 burden hours to compile (including review of the information), tag and electronically file the Form N-MFP for the first time and an average of approximately 10 burden hours for subsequent filings.<sup>4</sup> Based on these estimates, we estimate the average annual burden over a three-year period would be 131 hours per money market fund.<sup>5</sup> Based on an estimate of 719 money market funds submitting Form N-MFP in interactive data format, each incurring 131

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<sup>3</sup> This estimate is based on a review of Commission filings.

<sup>4</sup> 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.

<sup>5</sup> The staff estimates that a fund will make 36 filings in three years. The first filing will require 42 hours and subsequent filings would require 10 hours each, for an average annual burden of 131 hours (1 filing x 42 hours = 42 hours; 35 filings x 10 hours = 350 hours; 42 hours + 350 hours = 392 hours; 392 hours ÷ 3 years = 130.6 hours). Thereafter, filers generally would not incur the start-up burdens applicable to the first filing.

hours per year on average, we estimate that, in the aggregate, Form N-MFP would result in 94,189 burden hours on average, at a cost of \$26,467,109,<sup>6</sup> 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**

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 and form.

**16. Information Collection Planned for Statistical Purposes**

Not applicable.

**17. Approval not to Display Expiration Date**

Not applicable.

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<sup>6</sup> This estimate is based on the following calculation: 94,189 hours x \$281/hour (senior database administrator) = \$26,467,109. 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).

**18. Exceptions to Certification**

Not applicable.

**B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS**

Not applicable.