

SUPPORTING STATEMENT

Rule 30b1-7 and Form N-MFP Under the Investment Company Act of 1940

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)) (“Investment Company 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 Investment Company 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) under the Investment Company Act 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) the 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) nationally recognized statistical ratings organizations (“NRSROs”) designated by the fund (“Designated NRSROs”), the credit ratings given by each Designated 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 rule is intended to improve transparency of information about money market funds’ portfolio holdings and facilitate Commission oversight of money market funds.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”) was enacted on July 21, 2010.¹ Section 939A of the Dodd-Frank Act requires the Securities and Exchange Commission to review its regulations for any references to or requirements regarding credit ratings that require the use of an assessment of the credit-worthiness of a security or money market instrument, remove these references or requirements and substitute in those regulations other standards of credit-worthiness in place of the credit ratings that we determine to be appropriate.²

On March 2, 2011, to implement section 939A of the Dodd-Frank Act, the Commission issued a release proposing amendments, including amendments to Form N-MFP, to remove credit rating references from certain rules and forms under the Investment Company Act.³ The

¹ Pub. L. No. 111-203, 124 Stat. 1376 (2010).

² Section 939A(a)-(b).

³ [Cite proposing release]

proposed amendments to Form N-MFP would eliminate the following items requiring disclosure of ratings information from the form: (1) disclosure for each portfolio security (and any guarantee, demand feature or enhancement associated with the portfolio security) of the Designated NRSROs for the security and the rating assigned to the security in Items 34, 37, 38 and 39 of the Form; and (2) disclosure of whether a portfolio security is a rated security or an unrated security in Item 33 of the Form.

Form N-MFP constitutes a collection of information under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501, *et seq.*). 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. For purposes of the PRA analysis, the current burden associated with the requirements of rule 30b1-7 is included in the collection of information requirements of Form N-MFP. Responses to the disclosure requirements are not 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. 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 enhances 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 is available to the public 60 days after filing with the Commission. 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. Form N-MFP is required to be filed with the Commission electronically on EDGAR, increasing the speed and accuracy of filings. The public may access filings on EDGAR through the Commission's Internet website (<http://www.sec.gov>) or at EDGAR terminals located in the Commission's public reference rooms. In addition, the XML-tagged format of Form N-MFP facilitates 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 facilitates staff analysis of portfolio holdings information and 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. In the proposing release, the Commission certifies that the proposed amendments to Form N-MFP would not, if adopted, have a significant economic impact on a substantial number of small entities.⁴ Based on information in filings submitted to the Commission, the Commission believes that there are no money market funds

⁴ See Proposing Release, *supra* note 2. An investment company is a small entity if it, together with other investment companies in the same group of related investment companies, has net assets of \$50 million or less as of the end of its most recent fiscal year. See 17 CFR 270.10(a).

that are 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

In the release proposing amendments to Form N-MFP, the Commission requests public comment on the effect of information collections under these proposed amendments. The Commission will consider all comments received on the proposal. In addition, the Commission and staff of the Division of Investment Management participate in an ongoing dialogue with representatives of the investment company 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

In our most recent Paperwork Reduction Act submission for Form N-MFP, Commission staff estimated the annual compliance burden to comply with the collection of information requirement of the form as 94,189 hours.

Because the proposed amendments would eliminate certain disclosure items from the form, the staff estimates that the proposed amendments would reduce the time it takes a money market fund to complete each Form N-MFP by 0.5 hours. Because Form N-MFP is completed 12 times a year, the staff estimates that each respondent would save 6 hours annually. The staff therefore estimates that our proposed amendments to Form N-MFP would result in total incremental time savings of approximately 3912 hours (and \$1,177,512) annually.⁵

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

⁵ The estimate is based on the following calculation: (652 money market funds x 6 hours = 3912 hours); (3912 hours x \$301 per hour = \$1,177,512). The staff estimates that, as of December 31, 2010, there are 652 money market funds that are required to file Form N-MFP. This estimate is based on the Investment Company Institute, Trends in Mutual Fund Investing, December 2010 (Jan. 27, 2011), available at http://www.ici.org/research/stats/trends/trends_12_10. The staff estimates that the internal cost for time spent by a senior database administrator is \$301 per hour. This estimate is derived from SIFMA's Management and Professional Earnings in the Securities Industry 2010, modified by Commission staff to account for an 1800-hour work week and multiplied by 5.35 to account for bonuses, firm size, employee benefits and overhead.

identified in item 12 of this Supporting Statement.

14. Estimate of Cost to the Federal Government

The Commission does not expect any change in staff time or annual operating costs to review and process these forms due to the proposed amendments.

15. Explanation of Changes in Burden

Currently, the approved annual hour burden for preparing and filing Form N-MFP is 94,189 hours. The new estimate of the total annual hour burden is 90,277 hours. The decrease in hours is due to the staff's estimate of the time savings that would result from our proposed amendments and a reduction in the estimated number of respondents (i.e., money market funds) from 719 to 652.

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.