

**SUPPORTING STATEMENT**  
**for the Paperwork Reduction Act Information Collection**  
**“Rule 30b1-7 and Form N-MFP”**

**A. JUSTIFICATION**

**1. Information Collection Necessity**

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. Filers must submit this report 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 rule improves transparency of information about money market funds' portfolio holdings and facilitates 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 reports on 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 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. Consideration Given to Information Technology**

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

### **4. Duplication**

The information provided under rule 30b1-7 and reports on 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, reports on Form N-MFP must be filed in XML-tagged format, which facilitates staff analysis of portfolio holdings information and enhances Commission oversight of money market funds.

### **5. Effect on Small Entities**

The current disclosure requirements for reports filed on Form N-MFP do not distinguish between small entities and other funds. The burden on smaller funds, however, to prepare and file the report may be greater than for larger funds. This burden includes the cost of producing and filing the reports. The Commission believes, however, that imposing different requirements on smaller money market funds would not be consistent with investor protection. The Commission reviews all rules periodically, as required by the Regulatory Flexibility Act, to identify methods to minimize recordkeeping or reporting requirements affecting small businesses.

**6. Consequences of Less Frequent Collection**

Rule 30b1-7 provides that money market funds must file a report on 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**

The Commission and the staff of the Division of Investment Management participate in an ongoing dialogue with representatives of the investment company industry and through public conferences, meetings, and informal exchanges. These various forums provide the Commission and the staff with a means of ascertaining and acting upon paperwork burdens confronting the industry. The Commission requested public comment on the collection of information requirements in Form N-MFP before it submitted this request for extension and approval to the Office of Management and Budget. The Commission received no comments in response to its request.

**9. Payment or Gift**

Not applicable.

**10. Confidentiality**

Not applicable.

**11. Sensitive Questions**

Not applicable.

**12. Time Burden Estimate**

We estimate that 684 money market funds are required by rule 30b1-7 to file, on a monthly basis, a complete report on Form N-MFP disclosing certain information regarding the fund and its portfolio holdings.<sup>1</sup> We further estimate that an additional ten new money market funds will file reports on Form N-MFP each year. 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 conversations with industry participants, we estimate that money market funds prepare and file their reports on Form N-MFP by either (1) licensing a software solution and preparing and filing the report in house, or (2) retaining a service provider to provide data aggregation and validation services as part of the preparation and filing of reports on Form N-MFP on behalf of the fund.

We estimate that 35% of money market funds (239 funds) license a software solution and file reports on Form N-MFP in house; we further estimate that each fund that files reports on Form N-MFP in house requires 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 8 burden hours for subsequent filings.<sup>2</sup> Therefore, we estimate the per fund average annual hour burden is 96 hours<sup>3</sup> for existing funds and 130 hours<sup>4</sup>

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<sup>1</sup> This estimate is based on a review of Commission filings.

<sup>2</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>3</sup> This estimate is based on the following calculation: 12 filings per year x 8 burden hours per filing = 96 burden hours per year.

for new money market funds. Based on an estimate of 239 existing fund filers and 4 new fund filers<sup>5</sup> each year, we estimate that filing reports on Form N-MFP in house takes 23,464 hours and costs funds, in aggregate, \$5,973,136 per year.<sup>6</sup>

We estimate that 65% of money market funds (445 funds) retain the services of a third party to provide data aggregation and validation services as part of the preparation and filing of reports on Form N-MFP on the fund's behalf; we further estimate that each fund requires an average of approximately 21 burden hours to compile and review the information with the service provider prior to electronically filing the report for the first time and an average of approximately 4 burden hours for subsequent filings. Therefore, we estimate the per fund average annual hour burden is 48 hours<sup>7</sup> for existing funds and 65 hours<sup>8</sup> for new money market

<sup>4</sup> This estimate is based on the following calculation: (First month's initial filing x 42 burden hours) + (11 subsequent month filings x 8 burden hours per filing) = 130 burden hours per year.

<sup>5</sup> This estimate is based on the following calculation: 10 new money market fund filers each year x 35% (allocation of in-house filers) = 3.5 funds (rounded to 4).

<sup>6</sup> This estimate is based on the following calculations: Existing fund filers: (72 hours x \$249 blended average hourly rate for a Financial Reporting Manager (\$309 per hour) and Fund Senior Accountant (\$188 per hour) = \$17,928 per fund) + (4 hours x \$154 per hour for an Intermediate Accountant = \$616 per fund) + (8 hours x \$297 per hour for a Senior Database Administrator = \$2,376 per fund) + (4 hours x \$322 for a Senior Portfolio Manager = \$1,288 per fund) + (8 hours x \$279 per hour for a Compliance Manager = \$2,232 per fund) = 96 hours (72 + 4 + 8 + 4 + 8) at a total cost of \$24,440 per fund (\$17,928 + \$616 + \$2,376 + \$1,288 + \$2,232). There are 239 existing money market funds who use in house solutions x \$24,440 per fund = \$5,841,160.

New money market fund filers: (98 hours x \$249 blended average hourly rate for a Financial Reporting Manager (\$309 per hour) and Fund Senior Accountant (\$188 per hour) = \$24,278 per fund) + (5 hours x \$154 per hour for an Intermediate Accountant = \$770 per fund) + (11 hours x \$297 per hour for a Senior Database Administrator = \$3,267 per fund) + (5 hours x \$322 for a Senior Portfolio Manager = \$1,610 per fund) + (11 hours x \$279 per hour for a Compliance Manager = \$3,069 per fund) = 130 hours (98 + 5 + 11 + 5 + 11) at a total cost of \$32,994 per fund (\$24,278 + \$770 + \$3,267 + \$1,610 + \$3,069). Four new money market funds x \$32,994 per fund = \$131,976. Aggregate annual costs for all funds filing reports on Form N-MFP in house: \$5,841,160 + \$131,976 = \$5,973,136.

The estimated wage figures are based on published rates have been taken from SIFMA's Management & Professional Earnings in the Securities Industry 2011, modified by Commission staff to account for an 1800-hour work-year and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead.

<sup>7</sup> This estimate is based on the following calculation: 12 filings per year x 4 burden hours per filing = 48 burden hours per year.

<sup>8</sup> This estimate is based on the following calculation: (First month's initial filing x 21 burden hours) + (11 subsequent month filings x 4 burden hours per filing) = 65 burden hours per year.

funds. Based on an estimate of 445 existing fund filers and 6 new fund filers<sup>9</sup> each year, we estimate that filing reports on Form N-MFP using a service provider takes 21,750 hours and costs funds, in aggregate, \$5,537,248 per year.<sup>10</sup> In sum, we estimate that filing reports on Form N-MFP imposes a total annual hour burden of 45,214,<sup>11</sup> at an aggregate cost of \$11,510,384 on all money market funds.<sup>12</sup>

### 13. Total Annual Cost Burden

In addition to the costs associated with the hours burdens discussed in Item 12 above, money market funds incur other external costs. Based on discussions with industry participants, we estimate that money market funds that file reports on Form N-MFP in house license a third-party software solution to assist in filing their reports at an average cost of \$3,360 per fund per

<sup>9</sup> This estimate is based on the following calculation: 10 new money market fund filers each year x 65% (allocation of funds using third-party providers) = 6.5 funds (rounded to 6).

<sup>10</sup> This estimate is based on the following calculations: Existing fund filers: (36 hours x \$249 blended average hourly rate for a Financial Reporting Manager (\$309 per hour) and Fund Senior Accountant (\$188 per hour) = \$8,964 per fund) + (2 hours x \$154 per hour for an Intermediate Accountant = \$308 per fund) + (4 hours x \$297 per hour for a Senior Database Administrator = \$1,188 per fund) + (2 hours x \$322 for a Senior Portfolio Manager = \$644 per fund) + (4 hours x \$279 per hour for a Compliance Manager = \$1,116 per fund) = 48 hours (36 + 2 + 4 + 2 + 4) at a total cost of \$12,220 per fund (\$8,964 + \$308 + \$1,188 + \$644 + \$1,116). 445 existing money market funds x \$12,220 per fund = \$5,437,900.

New money market fund filers: (49 hours x \$249 blended average hourly rate for a Financial Reporting Manager (\$309 per hour) and Fund Senior Accountant (\$188 per hour) = \$12,201 per fund) + (2.5 hours x \$154 per hour for an Intermediate Accountant = \$385 per fund) + (5.5 hours x \$297 per hour for a Senior Database Administrator = \$1,633 per fund) + (2.5 hours x \$322 for a Senior Portfolio Manager = \$805 per fund) + (5.5 hours x \$279 per hour for a Compliance Manager = \$1,534 per fund) = 65 hours (49 + 2.5 + 5.5 + 2.5 + 5.5) at a total cost of \$16,558 per fund (\$12,201 + \$385 + \$1,633 + \$805 + \$1,534). Six new money market funds x \$16,558 per fund = \$99,348. Aggregate annual costs for all funds filing reports on Form N-MFP using a service provider: \$5,437,900 + \$99,348 = \$5,537,248.

The estimated wage figures are based on published rates have been taken from SIFMA's Management & Professional Earnings in the Securities Industry 2011, modified by Commission staff to account for an 1800-hour work-year and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead.

<sup>11</sup> This estimate is based on the following calculation: in house filers (239 existing money market funds x 96 burden hours) + (4 new money market funds x 130 burden hours) = 23,464 burden hours; filers using a service provider (445 existing money market funds x 48 burden hours) + (6 new money market funds x 65 burden hours) = 21,750. Total burden hours for all funds = 23,464 + 21,750 = 45,214 burden hours.

<sup>12</sup> This estimate is based on the following calculation: \$5,973,136 (in-house filers) + \$5,537,248 (filers using a service provider) = \$11,510,384.

year. In addition, we estimate that money market funds that use a service provider to prepare and file reports on Form N-MFP pay an average fee of \$8,000 per fund per year. In sum, we estimate that all money market funds incur on average, in the aggregate, external annual costs of \$4,424,480.<sup>13</sup>

#### **14. Federal Government Cost**

The annual cost of reviewing and processing registration statements, post-effective amendments, proxy statements, shareholder reports, and other filings of investment companies amounted to approximately \$20.5 million in fiscal year 2011, based on the Commission's computation of the value of staff time devoted to this activity and related overhead. A portion of those costs relate to processing and reviewing Form N-MFP filings submitted to the Commission for compliance with rule 30b1-7.

#### **15. Changes in Burden**

The total annual hour burden of 45,214 hours represents a decrease of 48,975 hours over the previous burden hour estimate of 94,189 hours. In addition, we now estimate that funds incur an annual cost burden of \$4,424,480. The changes in burden hours and cost burdens are due to a decrease in the number of money market funds filing reports on Form N-MFP (from 719 to 694<sup>14</sup>), as well as discussions with industry participants that informed our understanding as to widespread use of third-party developed software solutions and a reallocation of burden hours to external costs, as described above.

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<sup>13</sup> This estimate is based on the following calculation: (243 money market funds (239 existing funds + 4 new funds) that file reports on Form N-MFP in house x \$3,360 per fund, per year) + (451 money market funds (445 existing funds + 6 new funds) that file reports on Form N-MFP using a service provider x \$8,000 per fund, per year) = \$4,424,480.

<sup>14</sup> We estimate 684 current money market funds are required to file reports on Form N-MFP, based on current Commission filings, plus 10 new money market funds each year, for a total of 694 filers.



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

Not applicable.

**17. Approval to Omit OMB Expiration Date**

We request authorization to omit the expiration date on the electronic version of the form for design and IT project scheduling reasons. The OMB control number will be displayed.

**18. Exceptions to Certification**

Not applicable.

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

Not applicable.