

**SUPPORTING STATEMENT**  
**Proposed 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. 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.

On June 5, 2013, the Commission issued a release proposing two alternatives as part of a money market reform proposal. Under the first alternative, prime institutional money market funds would be required to float their net asset value. Under the second alternative, money market funds whose weekly liquid assets fell below 15% of total assets would be required to impose a 2% liquidity fee unless the fund's board of directors determines that such a fee would not be in the best interest of the fund, and permit the funds to suspend redemptions temporarily (*i.e.*, "gate" the fund).<sup>1</sup> The proposed amendments to Form N-MFP would make structural changes (*e.g.*, renumbering Form N-MFP into four separate sections), delete or modify items related to amortized cost and shadow prices that would no longer be relevant under our proposed amendments, add new reporting requirements designed to improve the Commission's and others ability to monitor money market funds (*e.g.*, level measurements for security valuations,

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<sup>1</sup> See Money Market Fund Reform; Amendments to Form PF, Investment Company Act Release No. 30551 (June 5, 2013).

shareholder flow, and amounts of daily and weekly liquid assets) and clarify current instructions and other items in Form N-MFP.

## **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. Role of Improved 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. Efforts to Identify 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.

With respect to the proposed amendments, pursuant to 5 U.S.C. section 605(b), the Commission certified that the proposed amendments to rule 30b-7 and Form N-MFP would not, if adopted, have a significant impact on a substantial number of small entities.

#### **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 revision and approval to the Office of Management and Budget. We will consider all comments received on the proposed amendments.

**9. Payment or Gift**

Not applicable.

**10. Confidentiality**

Not applicable.

**11. Sensitive Questions**

Not applicable.

**12. Estimate of Time Burden**

In our most recent Paperwork Reduction Act submission for rule 30b1-7, Commission staff estimated the annual compliance burden to comply with the collection of information

requirement of rule 30b1-7 (and Form N-MFP) is 45,214 hours. The proposed amendments are the same under either alternative proposal and would affect the staff's estimates of the hour burden as described below.

Staff understands that approximately 35% of the 586<sup>2</sup> (for a total of 205<sup>3</sup>) money market funds that report information on Form N-MFP license a software solution from a third party that is used to assist the funds to prepare and file the required information. Staff also understands that approximately 65% of the 586<sup>4</sup> (for a total of 381) money market funds that report information on Form N-MFP 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 behalf of the fund. Staff estimates that, in the first year, each fund (regardless of whether the fund licenses the software or uses a third-party service provider) will incur an additional average annual burden of 85 hours, at a time cost of \$22,045 per fund,<sup>5</sup> to prepare and file the report on Form N-MFP (as proposed) and an average of approximately 60 additional burden hours (five hours per fund, per filing), at a time cost of \$15,562 per fund<sup>6</sup> each year thereafter.

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<sup>2</sup> This estimate is based on staff review of reports on Form N-MFP filed with the Commission for the month ended February 28, 2013.

<sup>3</sup> The staff estimated this 35% in the current burden. This estimate is based on the following calculation: 586 funds x 35% = 205 funds.

<sup>4</sup> The staff estimated this 65% in the current burden. This estimate is based on the following calculation: 586 funds x 65% = 381 funds.

<sup>5</sup> This estimate is based on the following calculations: [30 hours for the initial monthly filing at a total cost of \$7,800 per fund (8 hours x \$243 blended average hourly rate for a financial reporting manager (\$294 per hour) and fund senior accountant (\$192 per hour) = \$1,944 per fund) + (4 hours x \$155 per hour for an intermediate accountant = \$620 per fund) + (6 hours x \$314 per hour for a senior database administrator = \$1,884 per fund) + (4 hours x \$300 for a senior portfolio manager = \$1,200 per fund) + (8 hours x \$269 per hour for a compliance manager = \$2,152 per fund)] + [55 hours (5 hours per fund x 11 monthly filings) at a total cost of \$14,245 per fund (\$259 average cost per fund per burden hour x 55 hours)]. The additional average annual burden per fund for the first year is 85 hours (30 hours (initial monthly filing) + 55 hours (remaining 11 monthly filings)) and the additional average cost burden per fund for the first year is \$22,045 (\$7,800 (initial monthly filing) + \$14,245 (remaining 11 monthly filings) = \$22,045).

<sup>6</sup> This estimate is based on the following calculations: (16 hours x \$243 blended average hourly rate for a financial reporting manager (\$294 per hour) and fund senior accountant (\$192 per hour) = \$3,888 per fund) + (9 hours x \$155 per hour for an intermediate accountant = \$1,395 per fund) + (13 hours x \$314 per hour

Staff therefore estimates that our proposed amendments to Form N-MFP would result in a first-year aggregate additional 49,810 burden hours<sup>7</sup> at a total time cost of \$12.9 million<sup>8</sup> for all funds, and 35,160 burden hours<sup>9</sup> at a total time cost of \$9.1 million<sup>10</sup> for all funds each year hereafter. Amortizing these additional hourly burdens over three years results in an average annual aggregate burden of approximately 40,043 hours at a total time cost of \$10.4 million for all funds.<sup>11</sup> Finally, staff estimates that our proposed amendments to Form N-MFP would result in a total aggregate annual collection of information burden of 85,257 hours.<sup>12</sup>

### 13. Estimate of Total Annual Cost Burden

In addition to the costs associated with the hour burdens discussed in Item 12 above, money market funds incur other external costs. In our most recent Paperwork Reduction Act submission for rule 30b1-7, Commission staff estimated the annual cost burden to comply with the collection of information requirement of rule 30b1-7 (and Form N-MFP) is \$4,424,480. The proposed amendments, under either alternative, would affect the staff's estimates of the cost burden as described below.

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for a senior database administrator = \$4,082 per fund) + (9 hours x \$300 for a senior portfolio manager = \$2,700 per fund) + (13 hours x \$269 per hour for a compliance manager = \$3,497 per fund) = 60 hours (16 + 9 + 13 + 9 + 13) at a total cost of \$15,562 per fund (\$3,888 + \$1,395 + \$4,082 + \$2,700 + \$3,497). Therefore, the additional average cost per fund per burden hour is approximately \$259 (\$15,562 / 60 burden hours).

<sup>7</sup> This estimate is based on the following calculation: 586 funds x 85 hours = 49,810 burden hours in year 1.

<sup>8</sup> This estimate is based on the following calculation: 586 funds x \$22,045 annual cost per fund in the initial year = \$12.9 million.

<sup>9</sup> This estimate is based on the following calculation: 586 funds x 60 hours per fund = 35,160 hours.

<sup>10</sup> This estimate is based on the following calculation: 586 funds x \$15,562 annual cost per fund in subsequent years = \$9.1 million.

<sup>11</sup> This estimate is based on the following calculation: (49,810 hours (year 1) + 35,160 hours (year 2) + 35,160 hours (year 3)) ÷ 3 = 40,043 hours; (\$12.9 million (year 1) + \$9.1 million (year 2) + \$9.1 million (year 3)) ÷ 3 = \$10.4 million in time costs.

<sup>12</sup> This estimate is based on the following calculation: current approved burden of 45,214 hours + 40,043 in additional burden hours as a result of our proposed amendments = 85,257 hours.

Staff understands that software service providers (whether provided by a licensor or third-party service provider) are likely to incur additional external costs to modify their software and may pass those costs down to money market funds in the form of higher annual licensing fees. Although we do not have the information necessary to provide a point estimate of the external costs or the extent to which the software service providers will pass down any external costs to funds, we can estimate a range of costs, from 5% to 10% of current annual licensing fees. Accordingly, staff estimates that 35% of funds (205 funds) would pay \$336 in additional external licensing costs each year and 65% of funds (381 funds) would pay \$800 in additional external licensing costs each year because of our proposed amendments.<sup>13</sup> Staff therefore estimates that our proposed amendments to Form N-MFP would result in an aggregate additional \$373,680 in total external costs for all funds in the first year and each year hereafter.<sup>14</sup> Finally, staff estimates that our proposed amendments to Form N-MFP would result in a total aggregate annual collection of information cost burden of \$4,798,160.<sup>15</sup>

#### **14. Estimate of Cost to the Federal Government**

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 \$19.8 million in fiscal year 2012, based on the Commission's computation of the value of staff time devoted to this activity and related overhead. A portion of

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<sup>13</sup> Staff estimates that the annual licensing fee for 35% of money market funds is \$3,360: a 5% to 10% increase = \$168 - \$336 in increased costs; staff estimates that the annual licensing fee for 65% of money market funds is \$8,000: a 5% to 10% increase = \$400 - \$800 in increased costs.

<sup>14</sup> This estimate is based on the following calculation: (205 funds x \$336 additional external costs) + (381 funds x \$800 additional external costs) = \$373,680.

<sup>15</sup> This estimate is based on the following calculation: current approved burden of \$4,424,480 in external costs + \$373,680 in additional external costs as a result of our proposed amendments = \$4,798,160.



those costs relate to processing and reviewing Form N-MFP filings submitted to the Commission for compliance with rule 30b1-7.

**15. Explanation of Changes in Burden**

The total annual hour burden of 85,257 hours represents an increase of 40,043 hours over the previous burden hour estimate of 45,214 hours. In addition, the annual external cost burden of \$4,798,160 represents an increase of \$373,680 over the previous annual external cost burden estimate of \$4,424,480. The changes in burden hours and external cost burdens are due to the staff's estimates of the time costs and external costs that would result from our proposed amendments.

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

Not applicable.

**17. Approval Omit OMB Expiration Date**

We request authorization to omit the expiration date on the electronic version of the form. Including the expiration date on the electronic version of the form will result in increased costs, because the need to make changes to the form may not follow the application's scheduled version release dates. The OMB control number will be displayed.

**18. Exceptions to Certification**

Not applicable.

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

Not applicable.