

**SUPPORTING STATEMENT**  
**Proposed Rule 30b1-8 and Form N-CR**

**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 30b1-8 under the Act [17 CFR 270.30b1-8], entitled “Current Report for Money Market Funds,” provides that every registered open-end management investment company, or series thereof, that is regulated as a money market fund under rule 2a-7 [17 CFR 270.2a-7], that experiences any of the events specified on Form N-CR [17 CFR 274.222], must file with the Commission a current report on Form N-CR within the time period specified in that form. Similar to Form 8-K under the Securities Exchange Act of 1934 [17 CFR 249.308], proposed Form N-CR requires disclosure of certain specific reportable events. The form must be filed electronically using the Commission’s electronic filing system (“EDGAR”).

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 (“floating NAV proposal”). 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) (“liquidity fees and gates proposal”).<sup>1</sup> Under the floating NAV proposal, the information reported on Form N-CR would include instances of portfolio security default, sponsor support of funds, and certain significant deviations in net asset value. Under the liquidity fees and gates proposal, the information on Form N-CR would include those events described above with respect to our floating NAV proposal, as well as information about the imposition of liquidity fees, suspension of fund redemptions, and removal of liquidity fees and/or resumption of fund redemptions. Compliance with proposed rule 30b1-8 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 30b1-8 and Form N-CR are designed to assist Commission staff in its oversight of money market funds and its ability to respond to market events. It would also provide investors with better and more timely disclosure of potentially important events. Finally, the Commission would be able to use the information provided on Form N-CR in its regulatory, disclosure review, inspection, and policymaking roles.

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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).

### **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. Form N-CR is required to be filed with the Commission electronically on EDGAR. The public may access filings on EDGAR through the Commission's Internet Web site (<http://www.sec.gov>) or at EDGAR terminals located at the Commission's public reference rooms.

### **4. Efforts to Identify Duplication**

The Commission periodically evaluates rule-based reporting and recordkeeping requirements for duplication, and reevaluates them whenever it adopts changes in its rules. The requirements of Form N-CR are not generally duplicated elsewhere.

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

Pursuant to 5 U.S.C. section 605(b), the Commission certified that proposed rule 30b1-8 and Form N-CR would not have a significant effect on small entities.

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

Rule 30b1-8 (and Form N-CR) sets forth the disclosure requirements for current reports filed by money market funds to assist Commission staff in its oversight of money market funds and provide investors with better and more timely disclosure of potentially important events. Less frequent collection would deprive investors of access to information that is important to their investment decisions.

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

Not applicable.

**8. Consultation Outside the Agency**

Before adopting proposed rule 30b1-8 and Form N-CR, 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**

i. Floating NAV Proposal

Under our floating NAV proposal, staff estimates that the Commission would receive, in the aggregate, an average of 20 reports<sup>2</sup> per year filed in response to an event specified on Part B

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<sup>2</sup> Commission staff estimates this figure based in part by reference to our current estimate of an average of 20 notifications to the Commission of an event of default or insolvency that money market funds currently file pursuant to rule 2a-7(c)(7)(iii) each year. *See Submission for OMB Review, Comment Request, Extension: Rule 2a-7, OMB Control No. 3235-0268, Securities and Exchange Commission [77 Fed. Reg. 236 (Dec. 7, 2012)].*

(“Default or Event of Insolvency of Portfolio Security Issuer”), an average of 40 reports<sup>3</sup> per year filed in response to an event specified on Part C (“Provision of Financial Support to Fund”), and an average of 1 report filed every 6 years<sup>4</sup> in response to an event specified on Part D (“Deviation Between Current Net Asset Value Per Share and Intended Stable Price Per Share”) of Form N-CR.

When filing a report on Form N-CR,<sup>5</sup> staff estimates that a fund would spend on average approximately 4 hours<sup>6</sup> of an in-house attorney’s and one hour of in-house accountant’s time to prepare, review and submit Form N-CR, at a total time cost of \$1,708.<sup>7</sup> Accordingly, in the aggregate, staff estimates that compliance with new rule 30b1-8 and Form N-CR would result in a total annual aggregate burden of approximately 301 burden hours and total annual time costs of approximately \$102,765.<sup>8</sup> While the staff is able to estimate the number of annual reports that would be filed on new Form N-CR (and therefore the annual burden hours and time cost), staff is unable to estimate the number of reports that would be filed by each fund. Although staff

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<sup>3</sup> Commission staff estimates this figure based in part by reference to our current estimate of an average of 25 notifications to the Commission of certain security purchases that money market funds currently file in reliance on rule 17a-9 each year. *See Submission for OMB Review, Comment Request, Extension: Rule 2a-7, OMB Control No. 3235-0268, Securities and Exchange Commission [77 Fed. Reg. 236 (Dec. 7, 2012)]*. Because money market funds would be required to file a report in response to an event specified on Part C of Form N-CR if the fund receives any form of financial support from the fund’s sponsor or other affiliated person (which support includes, but is not limited to, a rule 17a-9 security purchase), the staff estimates that the Commission will receive a greater number of reports on Form N-CR Part C than the number of notifications of rule 17a-9 security purchases that it currently receives.

<sup>4</sup> Staff currently estimates that on average, one money market fund would break the buck and liquidate every six years.

<sup>5</sup> For purposes of this estimate the staff expects that it would take approximately the same amount of time to prepare and file a report on Form N-CR, regardless under which Part of Form N-CR it is filed.

<sup>6</sup> This estimate is derived in part from our current PRA estimate for Form 8-K.

<sup>7</sup> This estimate is based on the following calculations: (4 hours x \$379/hour for an attorney = \$1,516), plus (1 hour x \$192/hour for a fund senior accountant = \$192), for a combined total of 5 hours and total time costs of \$1,708.

<sup>8</sup> This estimate is based on the following calculations: (20 reports filed per year in respect of Part B) + (40 reports filed per year in respect of Part C) + (0.167 reports filed per year in respect of Part D) = 60.167 reports filed per year. 60.167 reports filed per year x 5 hours per report = approximately 301 total annual burden hours. 60.167 reports filed per year x \$1,708 in costs per report = \$102,765 total annual costs.

estimates that the number of affected funds may be significantly fewer, based on a maximum number of 586 money market funds,<sup>9</sup> this would result in an annual burden of approximately 0.51 burden hours and annual time costs of approximately \$175 on a per-fund basis.

ii. Liquidity Fees and Gates Proposal

As noted above, under both alternative proposals, the information reported on Form N-CR would include instances of portfolio security default, sponsor support of funds, and certain significant deviations in net asset value. In addition, under the liquidity fees and gates alternative, we would also require that money market funds file a report on Form N-CR in response to events specified on Part E (“Imposition of Liquidity Fee”), Part F (“Suspension of Fund Redemptions”) and Part G (“Removal of Liquidity Fees and/or Resumption of Fund Redemptions”).

Under the liquidity fees and gates alternative, staff estimates that on average the Commission would receive the same number of reports filed per year in response to the events specified on Parts B, C, and D as under the floating NAV alternative. In addition, staff estimates that on average the Commission would receive an additional 8 reports per year filed in response to events specified on Parts E, F, and G of Form N-CR.<sup>10</sup>

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<sup>9</sup> This estimate is based on a staff review of reports on Form N-MFP filed with the Commission for the month ended February 28, 2013.

<sup>10</sup> This estimate is based on staff’s analysis of Form N-MFP data that shows that, between March 2011 and October 2012, 4 prime money market funds had weekly liquid assets below 15% at the time of filing. The staff assumes that the Commission would receive 4 reports on Form N-CR filed in response to events specified on Part E (which requires filing when the 15% threshold is crossed, regardless of whether the fund imposes the default liquidity fee) and Part F (which requires filing when the 15% threshold is crossed and the fund imposes a redemption gate). Solely for purposes of this estimate, the staff counts the filings of the initial as well as amended report under Parts E and F as one report. *See* instructions to proposed (Fees & Gates) Form N-CR Parts E, F. Assuming that each time a fund crosses the 15% threshold, it would impose a fee or gate, and that it would eventually remove this fee or gate, the staff assumes that the Commission would additionally receive 4 reports on Form N-CR filed in response to events specified on Part G (which requires filing when a fund that has imposed a liquidity fee and/or suspended the fund’s redemptions determines to remove such fee and/or resume fund redemptions).

As discussed above, staff estimates that a fund would spend on average approximately 5 hours<sup>11</sup> of an in-house attorney's and an accountant's time to prepare, review and submit Form N-CR, at a total time cost of \$1,708.<sup>12</sup> In the aggregate, the staff estimates that compliance with new rule 30b1-8 and Form N-CR would result in a total annual aggregate burden of approximately 341 burden hours and total annual time costs of approximately \$116,429.<sup>13</sup> Given an estimated 586 money market funds that would be required to comply with new rule 30b1-8 and Form N-CR, this would result in an average annual burden of approximately 0.58 burden hours and average annual time costs of approximately \$199 on a per-fund basis.

iii. A Note Regarding the Form 83-I

As noted above, the Commission has proposed two alternative proposals as part of its money market fund reform package and is waiting to receive comment from the industry before making a final determination as to which alternative proposal to adopt. Accordingly, for purposes of the Form 83-I and obtaining pre-approval from OMB, staff is averaging the number of annual responses and the hour burden under each alternative proposal and therefore, the

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However, this is a conservative estimate, because the staff expects that funds would be less likely to cross the 15% threshold if the Commission adopts our proposal, since the staff expects that the funds would increase their risk management around their level of weekly liquid assets in response to the fee and gate requirements.

<sup>11</sup> This estimate is derived in part from our current PRA estimate for Form 8-K. In addition, the staff expects that it would take approximately the same amount of time to prepare and file a report on Form N-CR, regardless under which Part of Form N-CR it is filed.

<sup>12</sup> This estimate is based on the following calculation: (4 hours x \$379/hour for an attorney = \$1,516), plus (1 hour x 192/hour for a fund senior accountant = \$192), for a combined total of 5 hours (4 hours for an attorney + 1 hour for a fund senior accountant) and total time costs of \$1,708.

<sup>13</sup> This estimate is based on the following calculations: (20 reports filed per year in respect of Part B) + (40 reports filed per year in respect of Part C) + (0.167 reports filed per year in respect of Part D (1 report every 6 years divided by 6 years)) + (8 reports filed per year in respect of Parts E, F and G) = 68.167 reports filed per year. 68.167 reports filed per year x 5 hours per report = approximately 341 total annual burden hours. 68.167 reports filed per year x \$1,708 in costs per report = approximately \$116,429 total annual costs.

average annual number of responses and aggregate annual hours burden for purposes of the Form 83-I is 64.167 responses and 321 burden hours, respectively.<sup>14</sup>

### **13. Estimate of Total Annual Cost Burden**

Cost burden is the cost of services purchased to comply with rule 30b1-8 and Form N-CR, such as computer programmers, outside counsel, and third-party service providers. Staff estimates that there will be no external costs associated with this collection of information.

### **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 those costs would relate to processing and reviewing Form N-CR filings submitted to the Commission for compliance with rule 30b1-8.

### **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.

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<sup>14</sup> This estimate is based on the following calculation: 60.167 reports (responses) filed per year (FNAV alternative) + 68.167 reports (responses) filed per year (fees and gates alternative) = 128.334 ÷ 2 = 64.167 reports (responses) filed per year (*See supra* notes 8 and 13); 301 annual aggregate burden hours (FNAV alternative) + 341 annual aggregate burden hours (fees and gates alternative) = 642 ÷ 2 = 321 annual aggregate burden hours.



**18. Exceptions to Certification**

Not applicable.

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

Not applicable.