

SUPPORTING STATEMENT
Rule 2a-7

A. JUSTIFICATION

1. Necessity for the Collection Information

Money market funds are open-end management investment companies that differ from other open-end management investment companies in that they seek to maintain a stable price per share, usually \$1.00. Rule 2a-7 [17 CFR 270.2a-7] under the Investment Company Act of 1940 [15 U.S.C. 80a] (the “Act”) exempts money market funds from the valuation requirements of the Act, and, subject to certain risk-limiting conditions, permits money market funds to use the “amortized cost method” of asset valuation or the “penny-rounding method” of share pricing.

Rule 2a-7 also imposes certain recordkeeping and reporting obligations on money market funds. The board of directors of a money market fund, in supervising the fund's operations, must establish written procedures designed to stabilize the fund's net asset value (“NAV”). The board must also adopt guidelines and procedures relating to certain responsibilities it delegates to the fund's investment adviser. These procedures and guidelines typically address various aspects of the fund's operations. The fund must maintain and preserve for six years a written copy of both these procedures and guidelines. The fund also must maintain and preserve for six years a written record of the board's considerations and actions taken in connection with the discharge of its responsibilities, to be included in the board's minutes. In addition, the fund must maintain and preserve for three years written records of certain credit risk analyses, evaluations with respect to securities subject to demand features or guarantees, and determinations with respect to adjustable rate securities and asset backed securities. If the board takes action with respect to defaulted securities, events of insolvency, or deviations in share price, the fund must file with the Commission an exhibit to Form N-SAR (OMB Control No. 3235-0330) describing the nature

and circumstances of the action. If any portfolio security fails to meet certain eligibility standards under the rule, the fund also must identify those securities in an exhibit to Form N-SAR. After certain events of default or insolvency relating to a portfolio security, the fund must notify the Commission of the event and the actions the fund intends to take in response to the situation.

In addition, money market fund boards must adopt written procedures that provide for periodic testing (and reporting to the board) of the fund's ability to maintain a stable NAV per share based on certain hypothetical events. Funds must also post monthly portfolio information on their websites and maintain records of creditworthiness evaluations on counterparties to repurchase agreements that the fund intends to "look through" for purposes of rule 2a-7's diversification limitations. Finally, money market funds must promptly notify the Commission of the purchase of any money market fund's portfolio security by an affiliated person in reliance on rule 17a-9 under the Act and explain the reasons for such purchase.

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").¹

Under our floating NAV proposal, money market funds (other than government and retail money market funds) would no longer be permitted to use amortized cost or penny-rounding to

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

maintain a stable price per share; instead, money market funds would be required to compute their share price by rounding the fund's current price per share to the fourth decimal place (in the case of a fund with a \$1.0000 share price). Under the floating NAV alternative, the Commission is proposing to amend rule 2a-7 (and consequently, amend or establish new collection of information burdens) by: (a) requiring that retail money market funds seeking to rely on the exemption from our floating NAV proposal implement policies and procedures reasonably designed to allow the conclusion that Omnibus Account Holders do not permit beneficial owners of the fund from redeeming more than the permissible daily amount; (b) requiring money market funds to be diversified with respect to the sponsors of asset-backed securities by deeming the sponsor to guarantee the asset-backed security unless the fund's board of directors makes a special finding otherwise; (c) replacing the requirement that funds promptly notify the Commission via electronic mail of defaults and other events with disclosure on new Form N-CR (a new collection of information submitted to OMB on June 24th, 2013); (d) eliminating the required procedure that money market funds' boards adopt written procedures that include shadow pricing; (e) amending the stress testing requirements; and (f) amending the disclosures that money market funds are required to post on their websites. Several of the proposed amendments would create new collection of information requirements. Under the liquidity fees and gates proposal, as discussed below, the proposed amendments will add a new collection of information for board reporting and modify or eliminate other collections of information described under our proposed floating NAV alternative.

2. Purpose of the Information Collection

The recordkeeping requirements in rule 2a-7 are designed to enable Commission staff in its examinations of money market funds to determine compliance with the rule, as well as to

ensure that money market funds have established procedures for collecting the information necessary to make adequate credit reviews of securities in their portfolios. The reporting requirements of rule 2a-7 are intended to assist Commission staff in overseeing money market funds, reducing the likelihood that a fund is unable to maintain a stable NAV (where a fund seeks to maintain a stable NAV), mitigating funds' susceptibility to heavy redemptions in times of stress, and increasing the transparency of risk in money market funds.

3. Role of Improved Information Technology

The Commission's Electronic Data Gathering, Analysis and Retrieval System ("EDGAR") is designed to automate the filing, processing and dissemination of full disclosure filings. The system permits publicly-held companies to transmit their filings to the Commission electronically. EDGAR has increased the speed, accuracy and availability of information, generating benefits to investors and financial markets. All funds have been required to use EDGAR for their disclosure filings since November 6, 1995. The exhibit to Form N-SAR required to be filed with the Commission under rule 2a-7 when a money market fund's board takes action with respect to defaults, insolvencies, or share price deviations or when a portfolio security fails to meet certain standards may be filed electronically through EDGAR. Under both the floating NAV proposal and the liquidity fees and gates proposal, new Form N-CR would replace the disclosures currently made in exhibits to Form N-SAR. Form N-CR would also be filed electronically through EDGAR. In addition to electronic filing of the exhibit to Form N-SAR (or, under our proposal, Form N-CR), money market funds are required to post monthly portfolio information on their websites, taking advantage of investors' widespread use of the Internet to obtain investment information.

4. Efforts to Identify Duplication

The Commission periodically evaluates rule-based reporting and recordkeeping requirements for duplication, and reevaluates them whenever it proposes a rule or form, or a change in either. The recordkeeping, reporting, and website posting required by rule 2a-7 are not duplicated elsewhere.

5. Effect on Small Entities

The recordkeeping and reporting requirements of rule 2a-7 are the same for all money market funds, including those that are small entities. A significant portion of the recordkeeping burden involves organizing information that the funds already collect when initially purchasing securities. In addition, when a money market fund analyzes a security, the analysis need not be presented in any particular format. Money market funds therefore have a choice of methods for maintaining these records that vary in technical sophistication and formality (*e.g.*, handwritten notes, computer disks, etc.). Pursuant to 5 U.S.C. section 605(b), the Commission certified that our proposed amendments to rule 2a-7 would not have a significant effect on small entities.

6. Consequences of Less Frequent Collection

As described in section 1, rule 2a-7 requires the fund's board to adopt (i) written procedures designed to stabilize the fund's NAV; (ii) written guidelines regarding the delegation of certain responsibilities; and (iii) written guidelines that provide for periodic stress testing. In addition, rule 2a-7 requires the fund to notify the Commission if the board takes certain actions or if certain events of default or insolvency occur, or there is a purchase of a fund's portfolio security by an affiliated person in reliance on rule 17a-9. None of these is a recurring obligation. They are, however, essential to the Commission's ability to determine compliance with the rule.

The rule also requires money market funds to perform periodic analyses of portfolio securities and reviews of the credit risks associated with those securities, as well as maintain records of creditworthiness determinations specific to counterparties in repurchase agreements. The frequency of these reviews is within a fund's discretion. The reviews are necessary to ensure that securities that remain in a fund's portfolio continue to present minimal credit risks.

Finally, rule 2a-7 requires that money market funds post monthly portfolio information on their websites within five business days after the end of each month. We believe that this monthly frequency allows current and prospective investors in the fund to have timely information about the fund without excessively burdening money market funds. Money market funds voluntarily provide this information on their websites even more frequently than monthly.

Regarding the proposed amendments to rule 2a-7 (under either alternative proposal), most of the proposed amendments that affect collection of information requirements do not change the frequency of collection burdens. The proposed amendments do increase the collection burden frequency for certain new website disclosure requirements, for example, requiring daily website updates for the fund's daily and weekly liquid assets, the fund's net inflows or outflows, and the fund's daily current NAV per share. The proposed website disclosures will provide current and prospective investors with timely information about the fund without excessively burdening money market funds. Many money market funds already voluntarily disclose current NAV per share data daily on their websites and at least one fund plans to begin disclosing on funds' websites the daily and weekly liquid assets on a daily basis.

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

Rule 2a-7 requires money market funds to retain certain written records for more than three years. The fund must maintain and preserve for six years a written copy of the procedures

established by the board of directors designed to stabilize the fund's NAV, records of the reports to the board on stress tests and records of determinations of credit quality of counterparties to repurchase agreements, and a written record of the board's considerations and actions taken in connection with the discharge of its responsibilities. The long-term retention of these records is necessary to allow Commission inspection staff to determine compliance with rule 2a-7. Rule 2a-7 also requires funds to post portfolio information monthly, and as amended, would require funds to post certain portfolio information daily. Given the short-term nature of money market fund portfolio holdings, this increased frequency of information collection is necessary to provide portfolio information that is meaningful to investors.

8. Consultation Outside the Agency

The Commission requested public comment on the collection requirements in rule 2a-7 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.

The Commission and the staff of the Division of Investment Management also 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 and acting upon paperwork burdens confronting the industry.

9. Payment or Gift to Respondents

Not applicable.

10. Assurance of Confidentiality

To the extent that the Commission receives confidential information pursuant to this collection of information, such information would be kept confidential, subject to the provisions of applicable law.

11. Sensitive Questions

Not applicable.

12. Estimates of Hour Burden

In our most recent Paperwork Reduction Act submission for rule 2a-7, Commission staff estimated the annual compliance burden to comply with the collection of information requirements of rule 2a-7 is 517,228 hours. The proposed amendments would affect the staff's estimates of the hour burden as described below.

i. Floating NAV Proposal

a. Retail Exemption from Floating NAV

Under the floating NAV proposal, retail money market funds would be exempt from floating their price per share; instead, retail funds would be permitted to maintain a stable price per share by computing its current price per share using the penny-rounding method. A retail money market fund would mean a money market fund that does not permit any shareholder of record to redeem more than \$1 million each business day. The proposed amendment would permit a shareholder of record to redeem more than \$1 million on any one business day if the shareholder of record is a broker, dealer, bank, or other person that holds securities issued by the money market fund in nominee name ("Omnibus Account Holder") and the fund (or others in the intermediary chain) has policies and procedures reasonably designed to allow the conclusion that the Omnibus Account Holder does not permit any beneficial owner of the fund's shares, directly

or indirectly, to redeem more than the daily permitted amount. This requirement is a collection of information under the PRA and would be mandatory for money market funds that rely on the exemption in proposed rule 2a-7(c)(3), and to the extent that the Commission receives confidential information pursuant to this collection of information, such information would be kept confidential, subject to the provisions of applicable law.

For purposes of the PRA, staff estimates that approximately 100 money market fund complexes would rely on the proposed retail fund exemption and therefore be required to adopt written policies and procedures to ensure that Omnibus Account Holders apply the daily redemption limit to beneficial owners.² Staff estimates that it would take approximately 12 hours of a fund attorney's time to prepare the procedures and one hour for a board to adopt the procedures, at an internal labor cost of approximately \$8,548 per fund complex.³ Therefore, staff estimates the one-time burden to prepare and adopt these procedures would be approximately 1,300 hours⁴ at \$854,800 in total internal labor costs for all fund complexes.⁵ Amortized over a

² For purposes of the PRA, staff estimates that those money market funds that self-reported as "retail" funds as of February 28, 2013 (based on iMoney.net data) would likely rely on the proposed retail exemption from our floating NAV proposal.

³ This estimate is based on the following calculation: $([12 \text{ hours} \times \$379 \text{ per hour for an attorney} = \$4,548] + [1 \text{ hour} \times \$4,000 \text{ per hour for a board of 8 directors} = \$4,000]) = \$8,548$. All estimated wage figures discussed here and throughout section IV of this Release are based on published rates have been taken from SIFMA's Management & Professional Earnings in the Securities Industry 2012, available at <http://www.sifma.org/research/item.aspx?id=8589940603>, 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.

⁴ This estimate is based on the following calculation: 12 burden hours to prepare written procedures + 1 burden hour to adopt procedures = 13 burden hours per money market fund complex; 13 burden hours per fund complex x 100 fund complexes = 1,300 total burden hours for all fund complexes.

⁵ This estimate is based on the following calculation: 100 fund complexes x \$8,548 in total costs per fund complex = \$854,800.

three-year period, this would result in an average annual burden of approximately 433 hours and internal labor costs of \$284,933 for all funds.⁶

b. Asset-Backed Securities

Under the floating NAV proposal, funds would be required to treat the sponsor of an SPE issuing ABS as a guarantor of the ABS subject to rule 2a-7's diversification limitations applicable to guarantors and demand feature providers, unless the fund's board of directors (or its delegate) determines that the fund is not relying on the sponsor's financial strength or its ability or willingness to provide liquidity. The board of directors would be required to adopt written procedures requiring periodic evaluation of this determination. Furthermore, for a period of not less than three years from the date when the evaluation was most recently made, the fund must preserve and maintain in an easily accessible place a written record of the evaluation. This requirement is a collection of information under the PRA and would be mandatory for money market funds that rely on rule 2a-7, and to the extent that the Commission receives confidential information pursuant to this collection of information, such information would be kept confidential, subject to the provisions of applicable law.

Based on a review of reports on Form N-MFP, Commission staff estimates that approximately 183 money market funds hold asset-backed securities and would be required to adopt written procedures regarding the periodic evaluation of determinations made by the fund as to ABS not subject to guarantees. Staff estimates that it would take approximately eight hours of a fund attorney's time to prepare the procedures and one hour for a board to adopt the procedures. Therefore, staff estimates the one-time burden to prepare and adopt these procedures would be approximately nine hours per money market fund, at an internal labor cost

⁶ This estimate is based on the following calculation: 1,300 burden hours ÷ 3 = 433 average annual burden hours; \$854,800 burden costs ÷ 3 = \$284,933 average annual burden cost.

of approximately \$7,032 per fund.⁷ Therefore, staff estimates the one-time burden to prepare and adopt these procedures would be approximately 1,647 hours⁸ at \$1.2 million in total internal labor costs for all money market funds.⁹ Amortized over a three-year period, this would result in an average annual burden of approximately 549 hours and internal labor costs of \$400,000 for all funds.¹⁰

Commission staff further estimates that the 183 money market funds we estimate would adopt such written procedures would spend, on an annual basis, (i) two hours of a fund attorney's time to prepare materials for the board's review of new and existing determinations, (ii) one hour for the board to review those materials and make the required determinations, and (iii) one hour of a fund attorney's time per year, on average, to prepare the written records of such determinations.¹¹ Therefore, staff estimates that the average annual burden to prepare materials and written records for a board's required review of new and existing determinations would be approximately four hours per fund¹² at an internal labor cost of approximately \$5,137 per fund.¹³

⁷ This estimate is based on the following calculation: [8 hours x \$379 per hour for an attorney = \$3,032] + [1 hour x \$4,000 per hour for a board of 8 directors = \$4,000] = \$7,032.

⁸ This estimate is based on the following calculation: 8 burden hours to prepare written procedures + 1 burden hour to adopt procedures = 9 burden hours per money market fund required to adopt procedures; 9 burden hours per money market fund x 183 funds expected to adopt procedures = 1,647 total burden hours.

⁹ This estimate is based on the following calculation: 183 money market funds x \$7,032 in total costs per fund complex = \$1.2 million.

¹⁰ This estimate is based on the following calculations: 1,647 burden hours ÷ 3 = 549 average annual burden hours; \$1.2 million burden costs ÷ 3 = \$400,000 average annual burden cost.

¹¹ This estimate includes documenting, if applicable, the fund board's determination that the fund is not relying on the fund sponsor's financial strength or its ability or willingness to provide liquidity or other credit support to determine the ABS's quality or liquidity.

¹² This estimate is based on the following calculation: 2 hours to adopt + 1 hour for board review + 1 hour for record preparation = 4 hours per year.

¹³ This estimate is based on the following calculations: [3 hours x \$379 per hour for an attorney = \$1,137] + [1 hour x \$4,000 per hour for a board of 8 directors = \$4,000] = \$5,137.

Therefore, staff estimates the annual burden would be approximately 732 burden hours¹⁴ and \$940,071 in total internal labor costs for all money market funds.¹⁵ Amortized over a three-year period, this would result in an average annual burden of approximately 244 hours and internal labor costs of \$313,357 for all funds.¹⁶

c. Notice to the Commission

Rule 2a-7 currently requires that money market funds promptly notify the Commission by electronic mail of any default or event of insolvency with respect to the issuer of one or more portfolio securities (or any issuer of a demand feature or guarantee) where immediately before the default the securities comprised one half of one percent or more of the fund's total assets.¹⁷ In addition, money market funds must also provide notice to the Commission of any purchase of its securities by an affiliated person in reliance on rule 17a-9 under the Investment Company Act.¹⁸ Based on conversations with individuals in the mutual fund industry, staff has previously estimated that the burden associated with these requirements is (1) .5 burden hours of professional legal time per response for each notification of an event of default or insolvency, and (2) 1.0 burden hours of professional legal time per response for each notification of the purchase of a money market fund's portfolio security by certain affiliated persons in reliance on rule 17a-9.

¹⁴ This estimate is based on the following calculation: 4 burden hours per money market fund x 183 funds = 732 total burden hours.

¹⁵ This estimate is based on the following calculation: 183 money market funds x \$5,137 in total costs per fund complex = \$940,071.

¹⁶ This estimate is based on the following calculation: 732 burden hours ÷ 3 = 244 average annual burden hours; \$940,071 burden costs ÷ 3 = \$313,357 average annual burden cost.

¹⁷ Rule 2a-7(c)(7)(iii)(A) (requiring that the notice include a description of the actions the money market fund intends to take in response to the event).

¹⁸ Rule 2a-7(c)(7)(iii)(B) (requiring that the notice include identification of the security, its amortized cost, the sale price, and the reasons for the purchase).

Under our floating NAV proposal, rule 2a-7 would no longer require that money market funds provide electronic notice of any event of default or insolvency of a portfolio security and any purchase by a fund of a portfolio security by an affiliate in reliance on rule 17a-9.¹⁹ Staff estimates that elimination of these requirements would reduce the current annual burden by 0.5 hours for notices of default or insolvency and 1 hour for notices of purchases in reliance on rule 17a-9. Based on our prior estimate of 20 money market funds per year that would be required to provide the notification of an event of default or insolvency, staff estimates that the proposed amendment would reduce the current collection of information by approximately 10 hours annually, at a total internal labor savings of \$3,790.²⁰ Based on our prior estimate of 25 money market fund complexes per year that would be required to provide the notification of a purchase of a portfolio security in reliance on rule 17a-9, staff estimates that the proposed amendment would reduce the current collection of information by approximately 25 hours annually, at a total internal labor cost savings of \$9,475.²¹

d. Required Procedures

Rule 2a-7 currently requires that money market funds establish written procedures designed to stabilize the fund's NAV²² and guidelines and procedures relating to the board's delegation of authority.²³ Based on conversations with individuals in the mutual fund industry, staff has previously estimated that the burden associated with these requirements is a one-time

¹⁹ These requirements are being replaced by new disclosure required on proposed Form N-CR. The collection burdens for Form N-CR are a part of a separate PRA submission for proposed new rule 30b1-8.

²⁰ This estimate is based on the following calculations: 20 funds x 0.5 reduction in hours per fund = reduction of 10 hours; 10 burden hours x \$379 per hour for an attorney = \$3,790.

²¹ This estimate is based on the following calculations: 25 fund complexes x 1 reduction in hours per fund = reduction of 25 hours; 25 hours x \$379 per hour for an attorney = 9,475.

²² See rule 2a-7(c)(8)(ii).

²³ See rule 2a-7(e)(1).

15.5 burden hours per response for each new money market fund to formulate and establish these written procedures and guidelines.²⁴

The Commission is proposing to eliminate the requirement that money market funds establish written procedures providing for the board's periodic review of the fund's shadow price, the methods used for calculating the shadow price, and what action, if any, the board should initiate if the fund's shadow price exceeds amortized cost by more than ½ of 1%. Staff estimates that elimination of this requirement would eliminate the current one-time 15.5 burden hours for each new money market fund to formulate and establish these written procedures and guidelines. Based on our prior estimate of 10 new money market funds per year that would be required to formulate and establish these written procedures and guidelines, staff estimates that the proposed amendments would reduce the current collection of information by approximately 155 hours, at a total internal labor cost savings of \$60,940.²⁵

e. Stress Testing

Under the floating NAV proposal, the stress testing provision of rule 2a-7 would be amended to enhance the hypothetical events for which a fund (or its adviser) is required to stress test, including: (i) increases (rather than changes) in the general level of short-term interest rates; (ii) downgrades or defaults of portfolio securities, and the effects these events could have on other securities held by the fund; (iii) "widening or narrowing of spreads among the indexes to which interest rates of portfolio securities are tied"; (iv) other movements in interest rates that may affect the fund's portfolio securities, such as shifts in the yield curve; and (v) combinations

²⁴ The 15.5 hours is comprised of: 0.5 hours of the board of directors' time; 7.2 hours of professional legal time; and 7.8 hours of support staff time.

²⁵ This estimate is based on the following calculations: 10 funds x 15.5 reduction in hours per fund = reduction of 155 hours; 10 funds x ([0.5 hours x \$4,000 per hour for board time] + [7.2 hours x \$379 per hour for an attorney] + [7.8 hours x \$175 for a Paralegal]) = \$60,940.

of these and any other events the adviser deems relevant, assuming a positive correlation of risk factors. Floating NAV money market funds would be required to replace their current stress test for the ability to maintain a stable price per share with a test of the fund's ability to maintain 15% of its total assets in weekly liquid assets. Funds that are exempt from our floating NAV requirement would continue to test the fund's ability to maintain a stable share price as well. A written copy of the procedures, and any modifications thereto, must be maintained and preserved for a period of not less than six years following the replacement of such procedures with new procedures, the first two years in an easily accessible place. This requirement is a collection of information under the PRA, and is designed to address disparities in the quality and comprehensiveness of stress tests. The new collection of information would be mandatory for money market funds that rely on rule 2a-7, and to the extent that the Commission receives confidential information pursuant to this collection of information, such information would be kept confidential, subject to the provisions of applicable law.

We understand that most money market funds, in their normal course of risk management, include the elements we are proposing in their stress testing. Nevertheless, some smaller funds that perform their own stress testing (rather than use a third party service provider) may incur a one-time internal burden to reprogram an existing system to provide the required reports of stress testing results based on our proposed amendments. Staff estimates that each fund that would have to implement the proposed stress testing changes would incur an average one-time burden of 92 hours at a internal labor cost of \$42,688.²⁶ Based on an estimate of 92

²⁶ Staff estimates that these systems modifications would include the following costs: (i) project planning and systems design (24 hours x \$291 (hourly rate for a senior systems analyst) = \$6,984); (ii) systems modification integration, testing, installation, and deployment (32 hours x \$282 (hourly rate for a senior programmer) = \$9,024); (iii) drafting, integrating, implementing procedures and controls (24 hours x \$327 (blended hourly rate for assistant general counsel (\$467), chief compliance officer (\$441), senior EDP auditor (\$273) and operations specialist (\$126)) = \$7,848); and (iv) preparation of training materials ((8 hours x \$354 (hourly rate for an assistant compliance director)) + (4 hours (4 hour training session for

funds that would incur this one-time burden,²⁷ staff estimates that the aggregate one-time burden for all money market funds to implement the proposed amendments to stress testing would be 8,464 hours at a total internal labor cost of \$3.9 million.²⁸ Amortized over a three-year period, this would result in an average annual burden of 2,821 burden hours and \$1.3 million total internal labor cost for all funds.²⁹

f. Website Disclosure

The floating NAV proposal would amend the information money market funds are required to disclose on their websites. These amendments would promote transparency to investors of money market funds' risks and risk management by:

- Harmonizing the specific portfolio holdings information that rule 2a-7 currently requires funds to disclose on the fund's website with the corresponding portfolio holdings information proposed to be reported on Form N-MFP;
- Requiring that a fund disclose on its website a schedule, chart, graph, or other depiction showing the percentage of the fund's total assets that are invested in daily and weekly liquid assets, as well as the fund's net inflows or outflows, as of the end of each business day during the preceding six months (which depiction must be updated each business day as of the end of the preceding business day);
- Requiring that a fund disclose on its website a schedule, chart, graph, or other

board of directors) x \$4,000 (hourly rate for board of 8 directors)) = \$18,832). Therefore, staff estimates an average one-time burden of 92 hours (24+32+24+8+4), at a total cost per fund of \$42,688 (\$6,984+\$9,024+\$7,848+\$18,832).

²⁷ This estimate is based on staff experience and discussions with industry.

²⁸ This estimate is based on the following calculations: 92 funds x 92 hours per fund = 8,464 hours; 92 funds x \$42,688 = \$3.9 million.

²⁹ This estimate is based on the following calculations: 8,464 hours ÷ 3 = 2,821 burden hours; \$3.9 million ÷ 3 = \$1.3 million burden cost.

depiction showing the fund's daily current NAV per share, as of the end of each business day during the preceding six months (which depiction must be updated each business day as of the end of the preceding business day); and

- Requiring a fund to disclose on its website substantially the same information that the fund is required to report to the Commission on Form N-CR regarding the provision of financial support to the fund.

These new collections of information would be mandatory for money market funds that rely on rule 2a-7, and to the extent that the Commission receives confidential information pursuant to these collections of information, such information would be kept confidential, subject to the provisions of applicable law.

i. Disclosure of Portfolio Holdings Information

Because the new information that a fund would be required to disclose on its website overlaps with the information that a fund would be required to disclose on Form N-MFP, we anticipate that the burden for each fund to draft and finalize the disclosure that would appear on its website would largely be incurred when the fund files Form N-MFP. Commission staff estimates that a fund would incur an additional burden of 1 hour each time that it updates its website to include the new disclosure. Using an estimate of 586 money market funds that would be required to include the proposed new portfolio holdings disclosure on the fund's website,³⁰ staff estimates that each fund would incur 12 additional hours of internal staff time per year (1 hour per monthly filing), at an internal labor cost of \$2,484,³¹ to update the website to include the

³⁰ 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.

³¹ This estimate is based on the following calculation: 12 hours x \$207 per hour for a webmaster = \$2,484.

new disclosure, for a total of 7,032 aggregate hours per year,³² at a total aggregate internal labor cost of \$1,455,624.³³

ii. Disclosure of Daily Liquid Assets and Weekly Liquid Assets

The burdens associated with the proposed requirement for a fund to disclose on its website a schedule, chart, graph, or other depiction showing the percentage of the fund's total assets that are invested in daily and weekly liquid assets, as well as the fund's net inflows or outflows, include one-time burdens as well as ongoing burdens. Staff expects that each money market fund would incur a one-time burden of 70 hours,³⁴ at an internal labor cost of \$20,150,³⁵ to design the required schedule, chart, graph, or other depiction, and to make the necessary software programming changes to the fund's website to disclose the percentage of the fund's total assets that are invested in daily liquid assets and weekly liquid assets, as well as the fund's net inflows or outflows, as of the end of each business day during the preceding six months. Using an estimate of 586 money market funds, staff estimates that money market funds would

³² This estimate is based on the following calculation: 12 hours per year x 586 money market funds = 7,032 hours.

³³ This estimate is based on the following calculation: 7,032 hours x \$207 per hour for a webmaster = \$1,455,624.

³⁴ Commission staff estimates that the lower bound of the range of the initial, one-time hour burden to design and present the historical depiction of daily and weekly liquid assets and the fund's net inflows and outflows would include the following: 16 hours (project assessment) + 40 hours (project development, implementation, and testing) = 56 hours. Commission staff estimates that the upper bound of the range of the initial, one-time hour burden to design and present the historical depiction of daily and weekly liquid assets and the fund's net inflows and outflows would include the following: 24 hours (project assessment) + 60 hours (project development, implementation, and testing) = 84 hours. For purposes of our estimates for the PRA analysis, we have taken the midpoint of the range discussed above (mid-point of 56 hours and 84 hours = 70 hours).

³⁵ This estimate is based on the following calculations: (20 hours (mid-point of 16 hours and 24 hours for project assessment) x \$290 (blended rate for a compliance manager and a compliance attorney) = \$5,800) + (50 hours (mid-point of 40 hours and 60 hours for project development, implementation, and testing) x \$287 (blended rate for a Senior Systems Analyst and senior programmer) = \$14,350) = \$20,150 per fund.

incur, in aggregate, a total one-time burden of 41,020 hours,³⁶ at an internal labor cost of \$11,807,900,³⁷ to comply with these website disclosure requirements. Staff estimates that each fund would incur an ongoing annual burden of 32 hours,³⁸ at an internal labor cost of \$9,184,³⁹ to update the depiction of daily and weekly liquid assets and the fund's net inflows or outflows on the fund's website each business day during that year; in aggregate, staff estimates that money market funds would incur an average ongoing annual burden of 18,752 hours,⁴⁰ at an internal burden cost of \$5,381,824,⁴¹ to comply with this disclosure requirement. Amortizing these hourly and cost burdens over three years results in an average annual increased burden of 26,175 burden hours⁴² at an internal labor cost of \$7,523,849.⁴³

iii. Disclosure of Daily Current NAV

The burdens associated with the proposed requirement for a fund to disclose on its website a schedule, chart, graph, or other depiction showing the fund's daily current NAV as of the end of the previous business day include one-time burdens as well as ongoing burdens.

³⁶ This estimate is based on the following calculation: 70 hours x 586 money market funds = 41,020 hours.

³⁷ This estimate is based on the following calculation: \$20,150 per fund x 586 money market funds = \$11,807,900.

³⁸ Commission staff estimates that the lower bound of the range of the ongoing annual hour burden to update the required website information would be 21 hours per year (5 minutes per day x 252 business days in a year = 1,260 minutes, or 21 hours). Commission staff estimates that the upper bound of the range of the ongoing annual hour burden to update the required website information would be 42 hours per year (10 minutes per day x 252 business days in a year = 2,520 minutes, or 42 hours). For purposes of our estimates for the PRA analysis, we have taken the mid-point of the range discussed above (mid-point of 21 hours and 42 hours = 32 hours).

³⁹ This estimate is based on the following calculation: 32 hours (mid-point of 21 hours and 42 hours) x \$287 (blended rate for a senior systems analyst and senior programmer) = \$9,184.

⁴⁰ This estimate is based on the following calculation: 32 hours x 586 money market funds = 18,752 hours.

⁴¹ This estimate is based on the following calculation: \$9,184 per fund x 586 money market funds = \$5,381,824.

⁴² This estimate is based on the following calculation: (41,020 burden hours (year 1) + 18,752 burden hours (year 2) + 18,752 burden hours (year 3)) ÷ 3 = 26,175 hours.

⁴³ This estimate is based on the following calculation: (\$11,807,900 (year 1 monetized burden hours) + \$5,381,824 (year 2 monetized burden hours) + \$5,381,824 (year 3 monetized burden hours)) ÷ 3 = \$7,523,849.

Commission staff expects that these one-time and ongoing burdens will be substantially similar to the burdens associated with the proposed requirement regarding website disclosure of daily liquid assets and weekly liquid assets, discussed above. This is because staff expects the core activities associated with both of these website disclosure requirements (designing the required schedule, chart, graph, or other depiction; making necessary software programming changes; and updating the website disclosure each day) would be identical for each requirement, and expects that the burdens associated with these activities will not vary substantially based on the substance of the disclosure necessitated by each requirement. As discussed below, staff believes that funds will incur no additional burden obtaining current NAV data for purposes of the proposed requirement regarding website disclosure of the fund's daily current NAV.

Commission staff expects that each money market fund would incur a one-time burden of 70 hours,⁴⁴ at an internal burden cost of \$20,150,⁴⁵ to design the required schedule, chart, graph, or other depiction, and to make the necessary software programming changes to the fund's website to disclose the fund's daily current NAV as of the end of each business day during the preceding six months. Using an estimate of 586 money market funds, Commission staff estimates that money market funds would incur, in aggregate, a total one-time burden of 41,020 hours,⁴⁶ at an internal labor cost of \$11,807,900,⁴⁷ to comply with these website disclosure

⁴⁴ Commission staff estimates that the lower bound of the range of the initial, one-time hour burden to design and present the historical depiction of the fund's daily current NAV would include the following: 16 hours (project assessment) + 40 hours (project development, implementation, and testing) = 56 hours. Commission staff estimates that the upper bound of the range of the initial, one-time hour burden to design and present the historical depiction of daily liquid assets and weekly liquid assets would include the following: 24 hours (project assessment) + 60 hours (project development, implementation, and testing) = 84 hours. For purposes of our estimates for the PRA analysis, we have taken the midpoint of the range discussed above (mid-point of 56 hours and 84 hours = 70 hours).

⁴⁵ This estimate is based on the following calculations: (20 hours (mid-point of 16 hours and 24 hours for project assessment) x \$290 (blended rate for a compliance manager and a compliance attorney) = \$5,800) + (50 hours (mid-point of 40 hours and 60 hours for project development, implementation, and testing) x \$287 (blended rate for a senior systems analyst and senior programmer) = \$14,350) = \$20,150 per fund.

⁴⁶ This estimate is based on the following calculation: 70 hours x 586 money market funds = 41,020 hours.

requirements. Commission staff estimates that each fund would incur an annual ongoing burden of 32 hours,⁴⁸ at an internal labor cost of \$9,184,⁴⁹ to update the depiction of the fund's daily current NAV on the fund's website each business day during that year; in aggregate, staff estimates that money market funds would incur an ongoing annual burden on 18,752 hours,⁵⁰ at an internal labor cost of \$5,381,824,⁵¹ to comply with this disclosure requirement. Amortizing these hourly and cost burdens over three years results in an average annual increased burden of 26,175 burden hours⁵² at an internal labor cost of \$7,523,849.⁵³

iv. Disclosure of Financial Support Provided to Money Market Funds

Staff estimates that the Commission would receive 40 reports per year filed in response to an event specified on Part C ("Provision of financial support to Fund") of Form N-CR.⁵⁴

⁴⁷ This estimate is based on the following calculation: \$20,150 per fund x 586 money market funds = \$11,807,900.

⁴⁸ Commission staff estimates that the lower bound of the range of the ongoing annual hour burden to update the required website information would be 21 hours per year (5 minutes per day x 252 business days in a year = 1,260 minutes, or 21 hours). Commission staff estimates that the upper bound of the range of the ongoing annual hour burden to update the required website information would be 42 hours per year (10 minutes per day x 252 business days in a year = 2,520 minutes, or 42 hours). For purposes of our estimates for the PRA analysis, we have taken the mid-point of the range discussed above (mid-point of 21 hours and 42 hours = 32 hours).

⁴⁹ This estimate is based on the following calculation: 32 hours (mid-point of 21 hours and 42 hours) x \$287 (blended rate for a senior systems analyst and senior programmer) = \$9,184.

⁵⁰ This estimate is based on the following calculation: 32 hours x 586 money market funds = 18,752 hours.

⁵¹ This estimate is based on the following calculation: \$9,184 x 586 money market funds = \$5,381,824.

⁵² This estimate is based on the following calculation: 41,020 burden hours (year 1) + 18,752 burden hours (year 2) + 18,752 burden hours (year 3) ÷ 3 = 26,175 hours.

⁵³ This estimate is based on the following calculation: \$11,807,900 (year 1 monetized burden hours) + \$5,381,824 (year 2 monetized burden hours) + \$5,381,824 (year 3 monetized burden hours) ÷ 3 = \$7,523,849.

⁵⁴ Commission staff estimates this figure based in part by reference to our estimate of the average number of notifications of security purchases in reliance on rule 17a-9 that money market funds currently file each year. 21Because 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), staff

Because the required website disclosure overlaps with the information that a fund must disclose on Form N-CR when the fund receives financial support from a sponsor or fund affiliate, we anticipate that the burdens a fund would incur to draft and finalize the disclosure that would appear on its website would largely be incurred when the fund files Form N-CR.⁵⁵ Commission staff estimates that a fund would incur an additional burden of 1 hour, at an internal burden cost of \$207,⁵⁶ each time that it updates its website to include the new disclosure. Accordingly, Commission staff estimates that the requirement to disclose information about financial support received by a money market fund on the fund's website would result in a total aggregate burden of 40 hours per year,⁵⁷ at a total aggregate internal labor cost of \$8,280.⁵⁸

Under the proposed floating NAV alternative, in total, that staff estimates that all money market funds would incur an annual increased burden of 62,730 hours,⁵⁹ at an internal labor cost of \$18,335,687⁶⁰ to comply with the proposed rule 2a-7 amendments. Staff estimates that our

estimates that the Commission would receive a greater number of Form N-CR Part C reports than the number of notifications of rule 17a-9 security purchases that it currently receives.

⁵⁵ See *infra* section IV.A.4.

⁵⁶ This estimate is based on the following calculation: 1 hour per website update x \$207 per hour for a webmaster = \$207.

⁵⁷ This estimate is based on the following calculation: 1 hour per website update x 40 website updates made by money market funds = 40 hours.

⁵⁸ This estimate is based on the following calculation: 40 hours per year x \$207 per hour for a webmaster = \$8,280.

⁵⁹ This estimate is based on the following calculation: [433 hours (retail exemption) + 244 hours (asset-backed securities) – 35 hours (notice to Commission: 25 + 10) – 155 hours (required procedures) + 2,821 hours (stress testing) + 59,422 (website disclosure: 7,032 + 26,175 + 26,175 + 40)] = 62,730 hours.

⁶⁰ This estimate is based on the following calculation: [\$284,933 (retail exemption) + \$313,357 (asset-backed securities) – \$13,265 (notice to Commission: \$9,475 + \$3,790) – \$60,940 (required procedures) + \$1,300,000 (stress testing) + \$16,511,602 (website disclosure: \$1,455,624 + \$7,523,849 + \$7,523,849 + \$8,280)] = \$18,335,687.

proposed amendments to rule 2a-7 under the floating NAV alternative would result in a total aggregate annual collection of information burden of 579,958 hours.⁶¹

ii. Liquidity Fees and Gates Proposal

a. Board Determinations

Under the proposed liquidity fees and gates proposal, if a money market fund's weekly liquid assets fall below 15% of total assets, the fund's board may be required to make and document a number of determinations, when in the best interest of the fund, regarding the imposition of liquidity fees and gates, including (i) whether to impose the liquidity fee, and if so, what the amount of the liquidity fee should be (not to exceed 2%); (ii) whether to impose a redemption gate; (iii) when to remove a liquidity fee put in place (subject to other rule requirements); and (iv) when to lift a redemption gate put in place (subject to other rule requirements). This requirement is a collection of information under the PRA, and is designed to ensure that a fund that imposes a liquidity fee or gate does so only when, as determined by the fund's board, it is in the best interest of the fund to do so. This new collection of information would be mandatory for money market funds that rely on rule 2a-7, and to the extent that the Commission receives confidential information pursuant to these collections of information, such information would be kept confidential, subject to the provisions of applicable law.

Staff analysis of Form N-MFP data shows that, between March 2011 and October 2012, four prime money market funds had weekly liquid assets below 15% of total assets, the trigger for board determinations regarding the imposition of liquidity fees and gates. Commission staff estimates that the four money market funds we estimate would satisfy the triggering event would spend, on an annual basis, (i) four hours of a fund attorney's time to prepare materials for the

⁶¹ This estimate is based on the following calculation: current approved burden of 517,228 hours + 62,730 in additional burden hours as a result of the proposed amendments = 579,958 hours.

board's determinations, (ii) two hours for the board to review those materials and make the required determinations, and (iii) one hour of a fund attorney's time per year, on average, to prepare the written records of such determinations.⁶² Therefore, staff estimates that the average annual burden to prepare materials and written records for a board's required determinations would be approximately seven hours per fund⁶³ at an internal labor cost of approximately \$9,895 per fund.⁶⁴ Therefore, staff estimates the annual burden would be approximately 28 burden hours⁶⁵ and \$39,580 in total internal labor costs for all money market funds.⁶⁶ Amortized over a three-year period, this would result in an average annual burden of approximately 9 hours and an internal labor cost of \$13,193 for all funds.⁶⁷

b. Retail Exemption

The Commission is not proposing a retail money market fund exemption from our liquidity fees and gates proposal. Accordingly, there would be no collection of information burden related to the retail exemption.

c. Asset-Backed Securities

As outlined above, we are proposing certain amendments relating to ABS securities that would be adopted if the first alternative (requiring money market funds to float their NAV per

⁶² This estimate includes preparing and evaluating materials relevant to the determinations required in imposing (and removing) either or both liquidity fees and redemption gates.

⁶³ This estimate is based on the following calculation: 4 hours to adopt + 2 hours for board review + 1 hour for record preparation = 7 hours per year.

⁶⁴ This estimate is based on the following calculation: [5 hours x \$379 per hour for an attorney = \$1,895] + [2 hours x \$4,000 per hour for a board of 8 directors = \$8,000] = \$9,895.

⁶⁵ This estimate is based on the following calculation: 7 burden hours per money market fund x 4 funds = 28 total burden hours.

⁶⁶ This estimate is based on the following calculation: 4 money market funds x \$9,895 in total costs per fund complex = \$39,580.

⁶⁷ This estimate is based on the following calculation: 28 burden hours ÷ 3 = 9 average annual burden hours; \$39,580 burden costs ÷ 3 = \$13,193 average annual burden cost.

share) is adopted. The collection of information burdens would be the same under the proposed liquidity fees and gates alternative. Accordingly, staff estimates that, under the proposed liquidity fees and gates alternative, all money market funds would incur an aggregate average annual burden of approximately 244 hours and internal costs of \$313,357.

d. Notice to Commission

As outlined above, we propose to eliminate the requirements that money market funds provide electronic notice of any event of default or insolvency of a portfolio security and any purchase by a fund of a portfolio security by an affiliate in reliance on rule 17a-9. We are also proposing that these amendments would be adopted if the second alternative requiring liquidity fees and gates is adopted. Accordingly, staff estimates that, under the proposed liquidity fees and gates alternative, all money market funds would incur an aggregate average annual reduction in burden of approximately 35 hours and internal cost savings of \$13,265.

e. Stress Testing

As outlined above, we are proposing amendments to the stress testing provision of rule 2a-7 to enhance the hypothetical events for which a fund (or its adviser) is required to test. The amendments and enhancements we are proposing to the stress testing requirements would largely be identical under either reform alternative we might adopt, except that for floating NAV money market funds we would remove the standard to test against preserving a stable share price if we were to adopt the floating NAV alternative, as discussed above in more detail. Therefore, staff estimates that the aggregate one-time burden for all money market funds to implement the proposed amendments to stress testing would be the same as under our floating NAV alternative (2,821 burden hours and \$1.3 million total internal labor cost for all funds).

f. Website Disclosure

Under the liquidity fees and gates proposal, the Commission is proposing four amendments to the information money market funds are required to disclose on their websites. These amendments would promote transparency of money market funds' risks and risk management by:

- Harmonizing the specific portfolio holdings information that rule 2a-7 currently requires funds to disclose on the fund's website with the corresponding portfolio holdings information proposed to be reported on Form N-MFP;
- Requiring that a fund disclose on its website a schedule, chart, graph, or other depiction showing the percentage of the fund's total assets that are invested in daily and weekly liquid assets, as well as the fund's net inflows or outflows, as of the end of each business day during the preceding six months (which depiction must be updated each business day as of the end of the preceding business day);
- Requiring that a fund disclose on its website a schedule, chart, graph, or other depiction showing the fund's daily current NAV per share, as of the end of each business day during the preceding six months (which depiction must be updated each business day as of the end of the preceding business day); and
- Requiring a fund to disclose on its website substantially the same information that the fund is required to report to the Commission on Form N-CR regarding the provision of financial support to the fund, the imposition and removal of liquidity fees, and the suspension and resumption of fund redemptions.

This new collection of information would be mandatory for money market funds that rely on rule 2a-7, and to the extent that the Commission receives confidential information pursuant to these

collections of information, such information would be kept confidential, subject to the provisions of applicable law.

i. Disclosure of Portfolio Holdings Information

As outlined above, we are proposing amendments to the portfolio holdings information that rule 2a-7 currently requires money market funds to disclose on the fund's website to harmonize this information with the corresponding portfolio holdings information proposed to be reported on Form N-MFP. We are proposing substantially similar amendments under both the floating NAV alternative and the liquidity fees and gates alternative. Therefore, the burdens associated with the proposed amendments would be the same as those discussed above (7,032 aggregate hours per year, at a total aggregate internal labor cost of \$1,455,624).

ii. Disclosure of Daily Liquid Assets and Weekly Liquid Assets

We are proposing to require money market funds to disclose on the fund's website a schedule, chart, graph, or other depiction showing the percentage of the fund's total assets that are invested in daily and weekly liquid assets, as well as the fund's net inflows or outflows, and to update this depiction each business day, as discussed above. We are proposing identical requirements under both the floating NAV alternative and the liquidity fees and gates alternative. Therefore, the burdens associated with the proposed requirements would be the same as those discussed above (26,175 aggregate hours per year, at a total aggregate internal labor cost of \$7,523,849).

iii. Disclosure of Daily Current NAV

We are proposing to require a money market fund to disclose on the fund's website a schedule, chart, graph, or other depiction showing the fund's daily current NAV as of the end of the previous business day, and to update this depiction each business day, as discussed above.

We are proposing substantially similar requirements under both the floating NAV alternative and the liquidity fees and gates alternative. Therefore, the burdens associated with the proposed requirements would be the same as those discussed above (26,175 aggregate hours per year, at a total aggregate internal labor cost of \$7,523,849).

iv. Disclosure Regarding Financial Support Received by the Fund, the Imposition and Removal of Liquidity Fees, and the Suspension and Resumption of Fund Redemptions

As outlined above, we are proposing to require money market fund to disclose on the fund's website substantially the same information that the fund is required to report to the Commission on Form N-CR regarding the provision of financial support to the fund. We are proposing identical requirements under both the floating NAV alternative and the liquidity fees and gates alternative. Therefore, the burdens associated with these proposed requirements would be the same as those discussed above (40 aggregate hours per year, at a total aggregate internal labor cost of \$8,280).

In connection with the fees and gates alternative, we are also proposing to require money market funds to disclose on the fund's website substantially the same information that the fund is required to report to the Commission on Form N-CR regarding the imposition and removal of liquidity fees, and the suspension and resumption of fund redemptions. Commission staff estimates that the Commission would receive, in aggregate, an average of 8 reports per year filed 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") of Form N-CR.⁶⁸ Because the required website disclosure overlaps with the

⁶⁸ 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. We assume 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

information that a fund must disclose on Form N-CR when the fund imposes or removes liquidity fees, or suspends and resumes fund redemptions, we anticipate that the burdens a fund would incur to draft and finalize the disclosure that would appear on its website would largely be incurred when the fund files Form N-CR. Commission staff estimates that a fund would incur an additional burden of 1 hour, at an internal burden cost of \$207,⁶⁹ each time that it updates its website to include the new disclosure. Accordingly, Commission staff estimates that the requirement to disclose information about the imposition and removal of liquidity fees, and the suspension and resumption of fund redemptions, on the fund's website would result in a total aggregate burden of 8 hours per year,⁷⁰ at a total aggregate internal labor cost of \$1,656.⁷¹

Under the proposed liquidity fees and gates alternative, in total, staff estimates that all money market funds would incur an annual increased burden of 62,469 hours,⁷² at an internal labor cost of \$18,126,543⁷³ to comply with the proposed rule 2a-7 amendments. Staff estimates

the default liquidity fee) and Part F (which requires filing when the 15% threshold is crossed and the fund imposes a redemption gate). 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, we assume 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).

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

⁶⁹ This estimate is based on the following calculation: 1 hour per website update x \$207 per hour for a webmaster = \$207.

⁷⁰ This estimate is based on the following calculation: 1 hour per website update x 8 website updates made by money market funds = 8 hours.

⁷¹ This estimate is based on the following calculation: 8 hours per year x \$207 per hour for a webmaster = \$1,656.

⁷² This estimate is based on the following calculation: [9 hours (board determination) + 244 hours (asset-backed securities) – 35 hours (notice to Commission: 25 + 10) + 2,821 hours (stress testing) + 59,430 (website disclosure: 7,032 + 26,175 + 26,175 + 40 + 8)] = 62,469 hours.

⁷³ This estimate is based on the following calculation: [\$13,193 (board determination) + \$313,357 (asset-backed securities) – \$13,265 (notice to Commission: \$9,475 + \$3,790) + \$1,300,000 (stress testing) +

that our proposed amendments to rule 2a-7 under the proposed liquidity fees and gates alternative would result in a total aggregate annual collection of information burden of 579,697 hours.⁷⁴

iii. A Note Regarding the Information Collection (IC) Burden worksheet

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 IC burden worksheet, staff is averaging the hour burden under each alternative proposal and therefore, the average annual time burden is 62,600 hours.⁷⁵ Therefore, the total aggregate annual collection of information burden is 579,828 hours.⁷⁶

13. Estimate of Total Annual Cost Burden

Cost burden is the cost of services purchased to comply with rule 2a-7, such as outside counsel and third-party service providers. Commission staff does not currently estimate external cost burdens associated with the proposed amendments to rule 2a-7.

14. Estimate of Cost to the Federal Government

Rule 2a-7 does not impose any costs on the federal government.

\$16,513,258 (website disclosure: \$1,455,624 + \$7,523,849 + \$7,523,849 + \$8,280 + \$1,656)] = \$18,126,543.

⁷⁴ This estimate is based on the following calculation: current approved burden of 517,228 hours + 62,469 in additional burden hours as a result of the proposed amendments = 579,697 hours.

⁷⁵ This estimate is based on the following calculation: 62,730 annual aggregate burden hours (FNAV alternative) + 62,469 annual aggregate burden hours (fees and gates alternative) = 125,199 ÷ 2 = 62,600 annual aggregate burden hours.

⁷⁶ This estimate is based on the following calculation: current approved burden of 517,228 hours + 62,600 in additional average burden hours as a result of the proposed amendments = 579,828 hours.

15. Changes in Burden

i. Floating NAV Proposal

The total annual time burden of 579,958 hours represents an increase of 62,730 hours over the previous burden hour estimate of 517,228 hours. The change in burden hours is due to the staff's estimates of the time that would result from our proposed amendments.

ii. Liquidity Fees and Gates Proposal

The total annual time burden of 579,697 hours represents an increase of 62,469 hours over the previous burden hour estimate of 517,228 hours. The change in burden hours is due to the staff's estimates of the time that would result from our proposed amendments.

iii. A Note Regarding the IC Burden worksheet

The total annual time burden of 579,828 hours represents an increase of 62,600 hours over the previous burden hour estimate of 517,228 hours. The change in burden hours is due to the staff's estimates of the time that would result from our proposed amendments.

16. Information Collection Planned for Statistical Purposes

Not applicable.

17. Approval to Omit OMB Expiration Date

Not applicable.

18. Exceptions to Certification Statement

Not applicable.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.