

**SUPPORTING STATEMENT  
for the Paperwork Reduction Act  
Information Collection Submission for  
“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 (“Investment Company Act”)<sup>1</sup> 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....”<sup>2</sup> Rule 30b1-7 under the Investment Company Act, entitled “Monthly Report for Money Market Funds,” provides that every registered investment company, or series thereof, that is regulated as a money market funds under rule 2a-7<sup>3</sup> must file with the Commission a monthly report of portfolio holdings on Form N-MFP<sup>4</sup> no later than the fifth business day of each month.<sup>5</sup> 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 has required 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 has required 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

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<sup>1</sup> 15 U.S.C. 80a-1 *et seq.*

<sup>2</sup> 15 U.S.C. 80a-30(b).

<sup>3</sup> 17 CFR 270.2a-7.

<sup>4</sup> 17 CFR 274.201.

<sup>5</sup> 17 CFR 270.30b1-7.

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.

Money market funds have been required to disclose on Form N-MFP, with respect to each portfolio security, whether the security is a first- or second-tier security or is unrated, as well as the "designated NRSROs" for each security (and for each demand feature, guarantee, or credit enhancement). On September 16, 2015, the Commission issued a release adopting amendments that will require that each money market fund disclose on Form N-MFP, for each portfolio security, any rating assigned by an NRSRO that the fund's board of directors (or its delegate) considered in determining that the security presents minimal credit risks (together with the name of the assigning NRSRO).<sup>6</sup>

## **2. Purpose and Use of the Information Collection**

Certain of the provisions of the proposed rule contain "collection of information" requirements within the meaning on the Paperwork Reduction Act of 1995 ("Paperwork Reduction Act"),<sup>7</sup> 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 the Commission 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 the information to study money market fund holdings and evaluate their

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<sup>6</sup> Investment Company Act Release No. 31828 (Sept. 16, 2015).

<sup>7</sup> 44 U.S.C. 3501 *et seq.*

risk information, and their analyses may further help investors and regulators better understand risks in money market funds.

### **3. Consideration Given to Information Technology**

The Commission's Electronic Data Gathering, Analysis, and Retrieval System ("EDGAR") automates the filing, processing, and dissemination of full disclosure filings. This automation has increased the speed, accuracy, and availability of information, generating benefits to investors and financial markets. Funds are required to file reports on Form N-MFP on EDGAR.<sup>8</sup> In addition, the XML-tagged format facilitates efficient and expeditious analysis of portfolio holdings information by the Commission and other interested persons.

### **4. 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 a rule or form. 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 of 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 information collection requirements of Form N-MFP do not distinguish between small entities and other funds. The burden of the conditions on smaller funds may be proportionally 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 final amendments, pursuant to 5 U.S.C. section 605(b), the Commission certified that the amendments to Form N-MFP will not have a significant impact on a substantial number of small entities.

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<sup>8</sup> See rule 101(a)(1)(iv) of Regulation S-T [17 CFR 232.101(a)(1)(iv)].

## **6. Consequences of Not Conducting Collection**

Rule 30b1-7 provides that money market funds 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)**

This collection is not inconsistent with 5 CFR 1320.5(d)(2).

## **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 through public conferences, meetings, and information exchanges. These various forums provide the Commission and staff with a means of ascertaining and acting upon the paperwork burdens confronting the industry. The Commission requested public comment on the information collection requirements in rule 30b1-7 and Form N-MFP before it submitted this request for revision and approval to OMB. The Commission received no comments in response to its request.

## **9. Payment or Gift**

No payment or gift to respondents was provided.

## **10. Assurance of Confidentiality**

Information received pursuant to this collection of information will be kept private to the extent permitted by law.

## **11. Sensitive Questions**

Form N-MFP collects information that is relevant to an evaluation of the risk characteristics of the fund and its portfolio holdings. The form does not request social security numbers. A system of records notice has been published in the *Federal Register* and can also be found at <http://www.sec.gov/about/privacy/sorn/secorn6.pdf>.

## **12. Burden of Information Collection**

The following estimates of average burden hours and costs are made solely for purposes of the Paperwork Reduction Act and are not derived from a comprehensive or even representative survey or study of the cost of Commission rules and forms. A

fund must comply with the requirement to prepare Form N-MFP in order to hold itself out to investors as a money market fund or the equivalent of a money market fund in reliance on rule 2a-7. The collection of information is mandatory for money market funds that rely on rule 2a-7, and responses to the information collections will not be kept confidential.

Because we believe that the majority of funds will continue to refer to credit ratings in making minimal credit risk determinations, we do not believe the amendments to Form N-MFP will result in material changes to the ongoing burden for most funds. However, we believe that funds will incur one-time costs to reprogram their filing software to reflect the new requirements for Form N-MFP.

The current approved collection of information for Form N-MFP is 83,412 annual aggregate hours. We estimate that each fund will incur a one-time burden of 3 hours to comply with the amended disclosure requirements of Form N-MFP,<sup>9</sup> at an estimated cost of \$943.<sup>10</sup> Using an estimate of 537 money market funds that are required to file reports on Form N-MFP,<sup>11</sup> we estimate that money market funds will incur, in the aggregate, a total one-time burden of 1,611 hours<sup>12</sup> (at a cost of \$506,391)<sup>13</sup> to comply with the amended disclosure requirements of Form N-MFP. Amortizing these hourly burdens over three years results in an average annual increased burden for all money market funds of 537 hours<sup>14</sup> (at a cost of \$168,397).<sup>15</sup>

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<sup>9</sup> We estimate that the one-time burden for a money market fund to reprogram its Form N-MFP filing software to reflect the new requirements of Form N-MFP would be 3 hours (1 hour by a senior systems analyst, 1 hour by a senior programmer, and 1 hour by an attorney).

<sup>10</sup> The Commission's estimate concerning the wage rates is based on salary information for the securities industry compiled by the Securities Industry and Financial Markets Association. The estimated wage figures are based on published rates for senior systems analysts, senior programmers, and attorneys, modified to account for an 1,800-hour work-year and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead, yielding effective hourly rates of \$260, \$303, and \$380, respectively. *See* Securities Industry and Financial Markets Association, Report on Management & Professional Earnings in the Securities Industry 2013. (1 hour × \$260 per hour for a senior systems analyst) + (1 hour × \$303 per hour for a senior programmer) + (1 hour × \$380 per hour for an attorney) = \$943.

<sup>11</sup> This estimate is based on a review of reports on Form N-MFP filed with the Commission for the month ended April 30, 2015.

<sup>12</sup> 3 hours per money market fund × 537 money market funds = 1,611 hours.

<sup>13</sup> \$943 per money market fund × 537 money market funds = \$506,391.

<sup>14</sup> 1,611 hours ÷ 3 years = 537 hours per year.

The aggregate additional hours associated with the amendments to Form N-MFP increase the burden estimate to 83,949 hours annually.

### **13. Cost to Respondents**

Cost burden is the cost of goods and services purchased in connection with complying with the collection of information requirements of rule 30b1-7 and Form N-MFP. The cost burden does not include the cost of the hour burden discussed in Item 12 above.

The current approved collection of information for Form N-MFP is \$4,780,736 in external costs. There will be no external costs associated with complying with the amended disclosure requirements of Form N-MFP.<sup>16</sup> Because we estimate no external costs associated with complying with the amended Form N-MFP disclosure requirements, the annual external costs associated with the Form N-MFP collection of information would remain \$4,780,736.

### **14. Costs to Federal Government**

The annual cost of reviewing and processing disclosure documents, including new 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.

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<sup>15</sup> \$506,391 ÷ 3 years = \$168,797.

<sup>16</sup> We understand that a certain percentage of money market funds that report information on Form N-MFP license a software solution from a third party that is used to assist the fund to prepare and file the required information, and that a certain percentage of money market funds retain the services of a third party to provide data aggregation and validation services as part of the preparation and filing of reports on Form N-MFP. *See* Investment Company Act Release No. 31166 (July 23, 2014) [79 FR 47736, at text accompanying nn.2334–36 (Aug. 14, 2014)].

We recognize that, in general, software service providers that modify their software may incur additional external costs, which they may pass on to money market funds in the form of higher annual licensing fees. *See id.* at text accompanying n. 2340. However, on account of the relatively low per-fund one-time hour burden that we estimate in connection with the amended disclosure requirements of Form N-MFP, we expect that any increase in licensing fees will be insignificant, and thus we estimate that there are no external costs associated with the amended Form N-MFP disclosure requirements.

**15. Changes in Burden**

The total annual hour burden of 83,949 hours represents an increase of 537 hours over the previous burden estimate of 83,412 hours. The change in burden hours is due to the Commission's estimates of the one-time time burdens that will result from our amendments. The currently approved cost burden did not change as a result of our amendments.

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

The results of any information collected will not be published.

**17. Approval to 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 for Paperwork Reduction Act Submissions**

The Commission is not seeking an exception to the certification statement.

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

The collection of information will not employ statistical methods.