

## 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.

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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.

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. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB control number.

## **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>6</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 risk information, and their analyses may further help investors and regulators better understand risks in money market funds.

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<sup>6</sup> 44 U.S.C. 3501 *et seq.*

### **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>7</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

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<sup>7</sup> See rule 101(a)(1)(iv) of Regulation S-T [17 CFR 232.101(a)(1)(iv)].

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.

#### **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. 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. No information of a sensitive nature, including social security numbers, is required under this collection of information. The information collection does collect basic personally identifiable information (PII) that may include name and job title. However, the agency has determined that the information collection does not constitute a system of record for purposes of the Privacy Act. In accordance with Section 208 of the E-Government Act of 2002, the agency has conducted a Privacy Impact Assessment (PIA) of the EDGAR system, in connection with this collection of information. The EDGAR PIA, published on January 29, 2016, is provided as a supplemental document and is also available at <https://www.sec.gov/privacy>.

## 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.

The Commission estimates there are currently 429<sup>8</sup> money market funds that report information on Form N-MFP, with approximately 10<sup>9</sup> of them being new money market funds that are filing reports on Form N-PORT for the first time.

We estimate that 35% of money market funds (or 150 money market funds, broken down into 146 existing funds and 4 new funds)<sup>10</sup> license a software solution and file reports on Form N-MFP in house; we further estimate that each fund that files reports on Form N-MFP in house requires an average of approximately 47 burden hours to compile (including review of the information), tag, and electronically file the Form N-

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<sup>8</sup> This estimate is based on staff review of reports on Form N-MFP filed with the Commission for the month ended February 28, 2018.

<sup>9</sup> This estimate is based on staff review of reports on Form N-MFP filed with the Commission for 2015 (1 new filer), 2016 (23 new filers), and 2017 (6 new filers). Amortizing those numbers over three years provides an estimate of 10 new filers per year.

<sup>10</sup> The estimate is based on the following calculation: (429 money market funds x 35% = 150 money market funds. Of that amount, we estimate that 4 are new money market funds (10 new money market fund filers each year x 35% = 3.5 funds, rounded to 4). Therefore, 150 money market funds - 4 new money market funds = 146 existing money market funds.

MFP for the first time and an average of approximately 13 burden hours for subsequent filings.<sup>11</sup> Therefore, we estimate the per fund average annual hour burden is 156 hours<sup>12</sup> for existing funds and 190 hours<sup>13</sup> for new money market funds. Based on an estimate of 146 existing fund filers and 4 new fund filers each year, we estimate that filing reports on Form N-MFP in house takes 23,536 hours and costs funds, in aggregate, \$6,754,832 per year.<sup>14</sup>

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<sup>11</sup> We understand that the required information is currently maintained by money market funds pursuant to other regulatory requirements or in the ordinary course of business. Accordingly, for the purposes of our analysis, we do not ascribe any time to producing the required information.

<sup>12</sup> This estimate is based on the following calculation: 12 filings per year x 13 burden hours per filing = 156 burden hours per year.

<sup>13</sup> This estimate is based on the following calculation: (First month's initial filing x 47 burden hours) + (11 subsequent month filings x 13 burden hours per filing) = 190 burden hours per year.

<sup>14</sup> These estimates are based on the following calculations: Existing fund filers: (156 hours x blended hourly rate of \$287 for a Financial Reporting Manager (\$280 per hour), Fund Senior Accountant (\$209 per hour), Senior Database Administrator (\$329 per hour), Senior Portfolio Manager (\$317 per hour), Compliance Manager (\$298 per hour)) = \$44,772. The blended hourly rate was calculated as  $(\$280 + \$209 + \$329 + \$317 + 209) / 5 = \$287$ . There are 146 existing money market funds who use in house solutions x 156 hours with a monetized cost of \$44,772 per fund = 22,776 hours with a monetized cost of \$6,536,712.

New money market fund filers: (190 hours x blended hourly rate of \$287 for a Financial Reporting Manager (\$280 per hour), Fund Senior Accountant (\$209 per hour), Senior Database Administrator (\$329 per hour), Senior Portfolio Manager (\$317 per hour), Compliance Manager (\$298 per hour)) = \$54,530. The blended hourly rate was calculated as  $(\$280 + \$209 + \$329 + \$317 + 209) / 5 = \$287$ . Four new money market funds x 190 hours with a monetized cost of \$54,530 per fund = 760 hours with a monetized cost of \$218,120.

Aggregate annual hourly burden for all funds filing reports on Form N-MFP in house: 22,776 hours + 760 hours = 23,536 hours.

Aggregate annual costs for all funds filing reports on Form N-MFP in house: \$6,536,712 + \$218,120 = \$6,754,832.

We estimate that 65% of money market funds (or 279 money market funds, broken down into 272 existing fund and 7 new funds)<sup>15</sup> retain the services of a third party to provide data aggregation and validation services as part of the preparation and filing of reports on Form N-MFP on the fund's behalf; we further estimate that each fund requires an average of approximately 26 burden hours to compile and review the information with the service provider prior to electronically filing the report for the first time and an average of approximately 9 burden hours for subsequent filings. Therefore, we estimate the per fund average annual hour burden is 108 hours<sup>16</sup> for existing funds and 125 hours<sup>17</sup> for new money market funds. Based on an estimate of 272 existing fund filers and 7 new fund filers each year, we estimate that filing reports on Form N-MFP using a service provider takes 41,131 hours and costs funds, in aggregate, \$8,682,037 per year.<sup>18</sup> In sum,

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<sup>15</sup> The estimate is based on the following calculation: (429 money market funds x 65% = 279 money market funds. Of that amount, we estimate that 7 are new money market funds (10 new money market fund filers each year x 65% = 6.5 funds, rounded to 7). Therefore, 279 money market funds - 7 new money market funds = 272 existing money market funds.

<sup>16</sup> This estimate is based on the following calculation: 12 filings per year x 9 burden hours per filing = 108 burden hours per year.

<sup>17</sup> This estimate is based on the following calculation: (First month's initial filing x 26 burden hours) + (11 subsequent month filings x 9 burden hours per filing) = 125 burden hours per year.

<sup>18</sup> These estimates are based on the following calculations: Existing fund filers: (108 hours x blended hourly rate of \$287 for a Financial Reporting Manager (\$280 per hour), Fund Senior Accountant (\$209 per hour), Senior Database Administrator (\$329 per hour), Senior Portfolio Manager (\$317 per hour), Compliance Manager (\$298 per hour)) = \$30,996. The blended hourly rate was calculated as  $(\$280 + \$209 + \$329 + \$317 + 209) / 5 = \$287$ . There are 272 existing money market funds who use a third-party service provider x 148 hours with a monetized cost of \$30,996 per fund = 40,256 hours with a monetized cost of \$8,430,912.

New money market fund filers: (125 hours x blended hourly rate of \$287 for a Financial Reporting Manager (\$280 per hour), Fund Senior Accountant (\$209 per hour), Senior Database Administrator (\$329 per hour), Senior Portfolio Manager (\$317 per hour), Compliance Manager (\$298 per hour)) = \$35,875. The blended hourly rate was calculated as  $(\$280 + \$209 + \$329 +$

we estimate that filing reports on Form N-MFP imposes a total annual hour burden of 64,667 hours,<sup>19</sup> at an aggregate cost of \$15,436,869 on all money market funds.<sup>20</sup>

#### 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.

Based on discussions with industry participants, we estimate that money market funds that file reports on Form N-MFP in house license a third-party software solution to assist in filing their reports at an average cost of \$3,900 per fund per year. In addition, we estimate that money market funds that use a service provider to prepare and file reports on Form N-MFP pay an average fee of \$9,300 per fund per year. In sum, we estimate that all money market funds incur on average, in the aggregate, external annual costs of \$3,179,700.<sup>21</sup>

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$\$317 + 209) / 5 = \$287$ . Seven new money market funds x 125 hours with a monetized cost of \$35,875 per fund = 875 hours with a monetized cost of \$251,125.

Aggregate annual hourly burden for all funds filing reports on Form N-MFP in house: 40,256 hours + 875 hours = 41,131 hours.

Aggregate annual costs for all funds filing reports on Form N-MFP in house: \$8,430,912 + \$251,125 = \$8,682,037.

<sup>19</sup> This estimate is based on the following calculation: 23,536 hours for filers licensing a software solution and filing in-house + 41,131 hours for filers using a third-party service provider = 64,667 hours in total.

<sup>20</sup> This estimate is based on the following calculation: \$6,754,832 (in-house filers) + \$8,682,037 (filers using a service provider) = \$15,436,869.

<sup>21</sup> This estimate is based on the following calculation: (150 money market funds (146 existing funds + 4 new funds) that file reports on Form N-MFP in house x \$3,900 per fund, per year) + (279

### **13. 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 \$22.2 million in fiscal year 2017, based on the Commission's computation of the value of staff time devoted to this activity and related overhead.

### **14. Changes in Burden**

The total annual hour burden of 64,667 hours represents a decrease of 19,282 hours over the previous burden estimate of 83,949 hours. The total annual external cost burden of \$3,179,700 represents a decrease of \$1,601,036 over the prior burden estimate of \$4,780,736.

The change in burden hours and external costs is due to a decrease in the number of money market funds filing reports on Form N-MFP.

### **15. Information Collection Planned for Statistical Purposes**

The results of any information collected will not be published.

### **16. 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

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money market funds (272 existing funds + 7 new funds) that file reports on Form N-MFP using a service provider x \$9,300 per fund, per year) = \$3,179,700.

application's scheduled version release dates. The OMB control number will be displayed.

**17. 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.