

SUPPORTING STATEMENT
For the Paperwork Reduction Act Information Collection Submission for
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-1 *et seq.*] (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-CR (OMB Control No. 3235-0705) describing the nature and circumstances of the action.¹ 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-CR. 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 and to maintain policies and procedures that specifically address ongoing minimal credit risk monitoring. 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.

2. Purpose and Use of the Information Collection

Certain provisions of rule 2a-7 contain "collection of information" requirements within the meaning on the Paperwork Reduction Act of 1995 ("Paperwork Reduction Act"), 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

¹ Form N-SAR was rescinded on June 1, 2018. *See* Investment Company Reporting Modernization, Investment Company Act Release No. 32314 (Oct. 13, 2016) [81 FR 81870 (Nov. 18, 2016)]. In lieu of the filing and exhibit requirements of Form N-SAR, Form N-CR provides for substantially similar requirements for money market funds. Therefore, as of June 1, 2018, the hourly burden associated with exhibits for Form N-SAR are now accounted for under the hourly burden for Form N-CR.

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 the Commission 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. Consideration Given to 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-CR 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. Form N-CR is filed electronically through EDGAR. In addition to electronic filing of the exhibit to 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. 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 is 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. The Commission reviews all rules periodically, as required by the Regulatory Flexibility Act², to identify methods to minimize recordkeeping or reporting requirements affecting small businesses. However, the burden of the conditions on smaller funds may be proportionally greater than for larger funds. 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.). The Commission believes that imposing different requirements on smaller money market funds would not be consistent with investor protection.

6. Consequences of Not Conducting 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 (where applicable); (ii) written guidelines regarding the delegation of certain responsibilities; and (iii) written guidelines that provide for

² See 5 U.S.C. 604(a).

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, to maintain records of creditworthiness determinations specific to counterparties in repurchase agreements, and to maintain policies and procedures that specifically address ongoing minimal credit risk monitoring. 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.

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 more frequently than monthly.

Rule 2a-7 also requires 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 net asset value per share. The website disclosures provide current and prospective investors with timely information about the fund without excessively burdening money market funds.

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 (where applicable), 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 requires 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 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 informal exchanges. These various forums provide the Commission and the staff with a means of ascertaining and acting upon paperwork burdens confronting the industry. The Commission requested public comment on the collection requirements in rule 2a-7 before it submitted this request for revision and approval to the Office of Management and Budget. The Commission received no comments in response to its request.

9. Payment or Gift

Not applicable.

10. Confidentiality

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

11. Sensitive Questions

Not applicable.

12. Burden of Information Collection

In our most recent Paperwork Reduction Act submission for rule 2a-7, the Commission estimated that the annual compliance burden to comply with the collection of information requirements of rule 2a-7 is 632,725 hours. Commission staff estimates that there are 433 money market funds and 91 fund complexes, all of which are subject to rule 2a-7.³ Commission staff further estimates that there will be approximately 10 new money market funds established each year.⁴ Commission staff estimates that rule 2a-7 contains the following collection of information requirements⁵:

- Record of credit risk analyses, and determinations regarding adjustable rate securities, asset-backed securities, asset-backed securities not subject to guarantees, securities subject to a demand feature or guarantee, and counterparties to repurchase agreements.

³ These estimates are based on Form N-MFP filings with the Commission for the month ended September 30, 2018.

⁴ These estimates are based on Form N-MFP filings with the Commission for the month ended September 30, 2018. Between April 31, 2015 and December 31, 2017, the Commission estimates there were 20 new money market mutual funds created – approximately 7.5 funds on an annualized basis ((20 funds/32 months) x 12 months). Between January 1, 2018 and September 30, 2018, the Commission estimates there were 10 new money market mutual funds created – approximately 13 on an annualized basis ((10 funds/9 months) x 12 months). Based on the average of both annualized figures, we estimate about 10 new money market funds are created each year ((7.5 + 13) / 2). The actual number of new money market funds launched may vary significantly from our estimates depending upon developments in market interest rates and the regulatory environment

⁵ All of the estimated hourly wages used in the following cost burden estimates were based on the salaries reported in SIFMA's Management & Professional Earnings in the Securities Industry 2013, 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.

85 responses annually for each fund to document these determinations, with the total annual responses per fund, on average, requiring 680 burden hours of professional (business analyst or portfolio manager) time.⁶ Thus, to record credit risk analyses and determinations regarding adjustable rate securities, asset-backed securities, asset-backed securities not subject to guarantees, securities subject to a demand feature or guarantee, and counterparties to repurchase agreements, the staff estimates a total burden and cost of approximately 294,440 hours and \$79,204,360.⁷

- Establishment of written procedures designed to stabilize NAV and guidelines and procedures for board delegation of authority.

1 response annually for each of 10 new money market funds⁸ to formulate and establish written procedures and guidelines, with each response, on average, requiring:

15.5 burden hours: 0.5 hour of the board of directors' time;
 7.2 hours professional legal time;
 7.8 hours support staff time.

Thus the staff estimates a total burden and cost of approximately 155 hours and \$67,577 to adopt procedures designed to stabilize the fund's NAV and guidelines regarding the delegation of certain responsibilities to the fund's adviser.⁹

⁶ Estimates of the number of responses prepared annually regarding these analyses are based on conversations with individuals in the mutual fund industry. The actual number of responses prepared may vary significantly depending on the type and number of portfolio securities held by individual funds.

⁷ This estimate is based on the following calculations: 433 funds x 680 hours = 294,440 hours; 294,440 hours x \$269 per hour = \$79,204,360. The estimated hourly cost was based on the weighted average annual salaries reported for an intermediate business analyst (\$221 per hour) and senior portfolio manager (\$317 per hour) in SIFMA's Management & Professional Earnings in the Securities Industry 2013, 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.

⁸ See *supra* footnote 4.

⁹ This estimate is based on the following calculations: 10 funds x 15.5 hours = 155 hours; 10 funds x ((0.5 hours x \$4,465 per hour for board time) + (7.2 hours x \$401 per hour for an attorney) + (7.8 hours x \$210 per hour for a paralegal)) = \$67,577. In calculating costs for complying with the information collection requirements of rule 2a-7, Commission staff estimates that a fund board's hourly rate is \$4,465 per hour (on average, a board has 9 directors and the fund pays each director approximately \$500 per hour).

- Board review of procedures and guidelines of any investment adviser or officers to whom the fund's board has delegated responsibility under rule 2a-7 and amendment of such procedures and guidelines.

1 response annually for each of 108 money market funds to review and amend written procedures and guidelines,¹⁰ with each response, on average, requiring:

5 burden hours: 1 hour of the board of directors' time;
 4 hours compliance and professional legal time.

Thus, the staff estimates a total burden and cost of approximately 540 hours and \$634,284 to review and amend written procedures and guidelines.¹¹

- Board determination – Fees and Gates¹²

7 burden hours: 4 hours of a fund's attorney time to prepare materials for board review;
 2 hours of board of directors' time;
 1 hour of a fund's attorney time to prepare written records of board determinations.¹³

The Commission estimates that the average annual burden to prepare materials and written records for a board's required determinations will be approximately seven hours per fund at an internal labor cost burden of approximately \$10,935 per fund.¹⁴ Based on a total of 2 funds per year that will have weekly liquid assets below 30% of total assets, the Commission estimates the annual burden

¹⁰ For purposes of this PRA we assumed that on average 25% (433 funds x .25 = 108 funds, approximately) of money market funds would review and update their procedures on an annual basis.

¹¹ This estimate is based on the following calculations: 108 funds x 5 hours = 540 hours; 108 funds x ((1 hour x \$4,465 per hour for board time) + (4 hours x \$352 per hour for a compliance attorney)) = \$634,284.

¹² Rules 2a-7 requires that if a money market fund's weekly liquid assets fall below 30% or 10% respectively, 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. Staff analysis of Form N-MFP data shows that from October 2017 – September 2018 there were 2 prime money market funds with weekly liquid assets below 30% of total assets, which is the trigger for board determinations regarding the imposition of liquidity fees and gates.

¹³ This estimate includes preparing and evaluating materials relevant to the determinations required in imposing (and removing) either or both liquidity fees and redemption gates.

¹⁴ This estimate is based on the following calculation: (5 hours x \$401 per hour for an attorney = \$2,005) + (2 hours x \$4,465 per hour for a board of 9 directors = \$8,930) = \$10,935.

will be approximately 14 burden hours,¹⁵ and \$21,870 in total time costs for all money market funds.¹⁶ Because there is no separate initial burden associated with this requirement, amortizing the annual burden over three years will equal the estimated annual burden of approximately 14 hours at a total time cost of \$21,870 for all funds.

- Written record of board determinations and actions related to failure of a security to meet certain eligibility standards or an event of default or insolvency.¹⁷

2 responses annually for 20 funds to record the board of directors' determinations and actions in the board meeting minutes, with each response on average requiring 0.5 burden hours of professional legal time.

- Establishment of written procedures to test periodically the ability of the fund to maintain a stable NAV per share based on certain hypothetical events ("stress testing").

1 response annually for each of 10 new money market funds¹⁸ to formulate and establish written procedures and guidelines, with each response, on average, requiring:

22 burden hours: 3 hours of the board of directors' time;
8 hours professional legal time;

¹⁵ This estimate is based on the following calculation: 7 burden hours per fund x 2 funds = 14 burden hours.

¹⁶ This estimate is based on the following calculation: \$10,935 in total costs per fund x 2 money market funds = \$21,870.

¹⁷ A fund's board of directors makes these determinations and takes action when a portfolio security no longer meets eligibility requirements under the rule, or there has been an event of default or insolvency. These events occur infrequently. Staff analysis of Forms N-SAR and N-CR from April 2015 until September 2018 (N-SAR forms were analyzed up until May 31, 2018), do not reflect any board actions related to failure of a security to meet certain eligibility standards or an event of default or insolvency. Based on prior collections of information, we estimated an average of approximately 2 occurrences for 20 funds each year; however, this number may vary significantly in any particular year. A fund must also provide information in a Notice to the Commission regarding these events, as an exhibit to Form N-SAR, but now file the exhibit with Form N-CR. The burden hours and responses required for filing these exhibits are included in the PRA submissions for Forms N-SAR and N-CR, respectively. In the event of a default or insolvency with respect to an issuer of a portfolio security, the fund also must notify the Commission.

¹⁸ We have not amortized the one-time hour and cost burdens figures associated with new funds, because we estimated there would be 10 new funds each year. Therefore, the burden would occur each year instead of occurring over a three year period. We have done this throughout this PRA.

7 hours risk management specialist time;
4 hours senior risk management specialist time.

Thus the staff estimates a total burden and cost of approximately 220 hours and \$193,270 to adopt procedures to test periodically the ability of the fund to maintain a stable NAV per share based on certain hypothetical events.¹⁹

- Review, revise, and approve written procedures to stress test a fund's portfolio.

1 response annually for each of 91 money market fund complexes to review, revise, and amend written procedures and guidelines, with each response, on average, requiring:

12 burden hours: 1 hour of the board of directors' time;
5 hours senior portfolio manager time;
3 hours senior risk management specialist time;
3 hours professional legal time.

Thus, the staff estimates a total burden and cost of approximately 1,092 hours and \$754,208 to review, revise, and amend written procedures and guidelines.²⁰

- Reports to fund boards on the results of stress testing.

5 responses annually (including 1 response as a result of unanticipated changes in market conditions or other events) for each of 91 fund complexes to report to fund boards on the results of stress testing, with each response, on average, requiring:

10 burden hours: 5 hours portfolio manager time;
2 hours compliance time;
2 hours professional legal time;
1 hour support staff time.

Thus, the staff estimates a total burden and cost of approximately 4,550 hours and \$1,452,815 to report to fund boards on the results of stress testing.²¹

¹⁹ This estimate is based on the following calculations: 10 funds x 22 hours = 220 hours; 10 funds x ((3 hours x \$4,465 per hour for board time) + (8 hours x \$401 per hour for an attorney) + (7 hours x \$192 per hour for a risk management specialist) + (4 hours x \$345 per hour for a senior risk management specialist)) = \$193,270.

²⁰ This estimate is based on the following calculations: 91 fund complexes x 12 hours = 1,092 hours; 91 fund complexes x ((1 hour x \$4,465 per hour) + (5 hours x \$317 per hour for a senior portfolio manager) + (3 hours x \$345 per hour for a senior risk management specialist) + (3 hours x \$401 per hour for an attorney)) = \$754,208.

- Fund’s website disclosures including portfolio holding information, daily and weekly liquid assets, net shareholder flow, daily current NAV, financial support received by the fund, the imposition and removal of liquidity fees, and the suspension and resumption of fund redemptions.
 - Disclosure of Portfolio Holdings Information²²

Using an estimate of 433 money market funds, the Commission estimates that each fund will incur 12 additional hours of internal staff time per year (one hour per monthly filing), at an internal labor cost burden of \$2,868 per fund,²³ to update the website to include the disclosure, for a total of 5,196 aggregate hours per year,²⁴ at an aggregate internal labor cost burden of \$1,241,844.²⁵

In addition, we estimate for each of the 10 new money market funds to initially develop a webpage and provide monthly disclosures for the initial year, each will require 24 hours of webmaster time, at an internal labor cost burden of \$5,736 per fund,²⁶ for a total of 240 aggregate hours,²⁷ at an aggregate internal labor cost burden of \$57,360.²⁸

The total aggregate annual one-time and recurring burdens results in a total of

²¹ This estimate is based on the following calculations: 91 fund complexes x (5 responses x 10 hours) = 4,550 hours; 91 fund complexes x ((5 responses x 5 hours x \$317 per hour for a senior portfolio manager) + (5 responses x 2 hours x \$298 per hour for a compliance manager) + (5 responses x 2 hours x \$401 per hour for an attorney) + (5 responses x 1 hour x \$210 per hour for paralegal)) = \$1,452,815.

²² Because the new information that a fund will be required to disclose on its website overlaps with the information that a fund will be required to disclose on Form N-MFP, we anticipate that the burden for each fund to draft and finalize the disclosure that will appear on its website will largely be incurred when the fund files Form N-MFP.

²³ This estimate is based on the following calculation: 12 hours x \$239 per hour for a webmaster = \$2,868.

²⁴ This estimate is based on the following calculation: 12 hours per year x 433 money market funds = 5,196 hours.

²⁵ This estimate is based on the following calculation: 5,196 hours x \$239 per hour for a webmaster = \$1,241,844.

²⁶ This estimate is based on 24 hours x \$239 per hour for a webmaster = \$5,736.

²⁷ This estimate is based on 24 hours x 10 new funds per year = 240 hours.

²⁸ This estimate is based on 240 hours x \$239 per hour for a webmaster = \$57,360

5,436²⁹ burden hours at an internal labor cost burden of \$1,299,204.³⁰

- Disclosure of daily and weekly liquid assets and net shareholder flow³¹

The Commission estimates that 433 funds will incur an ongoing annual burden of 36 hours,³² at an internal labor cost burden of \$10,819,³³ to update the depiction of daily and weekly liquid assets and the fund's net inflow or outflow on the fund's website each business day during that year; in aggregate, the Commission estimates that money market funds will incur an average ongoing annual burden of 15,588 hours,³⁴ at an internal burden cost of \$4,684,627,³⁵ to comply with this disclosure requirement.

²⁹ This estimate is based on 5,196 recurring burden hours + 240 one-time burden hours = 5,436 total burden hours.

³⁰ This estimate is based on \$1,241,844 recurring internal burden labor costs + \$57,360 one-time internal burden labor costs = \$1,299,204 total internal labor cost burden.

³¹ The burdens associated with the requirement that a fund disclose, on its website, a schedule, chart, graph, or other depiction showing the percentage of the fund's total assets invested in daily and weekly liquid assets, as well as the fund's net inflow or outflow, include one-time burdens as well as ongoing burdens.

³² The Commission estimates that the lower bound of the range of the ongoing annual hour burden to update the required website information will be 21 hours per year (5 minutes per day x 252 business days in a year = 1,260 minutes, or 21 hours). The Commission estimates that the upper bound of the range of the ongoing annual hour burden to update the required website information will be 42 hours per year (10 minutes per day x 252 business days in a year = 2,520 minutes, or 42 hours).

Additionally, we estimate that each fund will incur an additional ongoing annual hour burden of between 3 hours and 6 hours associated with implementing enhanced controls required to publicly disseminate the data at issue. Specifically, depending on the controls the fund already has in place, the Commission estimates that it will take a compliance manager and an attorney between 3 and 6 hours to review and update (or if necessary, to develop and implement) the controls associated with the public dissemination of daily liquid asset and weekly liquid asset data each year.

Because we do not have the information necessary to provide a point estimate of the costs to modify a particular fund's systems we thus have provided ranges of estimated costs. For purposes of our estimates for the PRA analysis, we have taken the mid-point of the range discussed above (mid-point of 24 hours (21 hours + 3 hours) and 48 hours (42 hours + 6 hours) = 36 hours).

³³ This estimate is based on the following calculation: (31.5 hours (mid-point of 21 hours and 42 hours for updating the required website information) x \$297 (blended rate for a senior systems analyst (\$274) and senior programmer (\$319)) = \$9,356) + (4.5 hours (mid-point of 3 hours and 6 hours for implementing enhanced controls associated with public dissemination of data) x \$325 (blended rate for a compliance manager (\$298) and a compliance attorney (\$352)) = \$1,463) = \$10,819 per fund.

³⁴ This estimate is based on the following calculation: 36 hours x 433 money market funds = 15,588 hours.

The Commission expects that each new money market fund will incur a one-time burden of 70 hours,³⁶ at an internal labor cost burden of \$21,350,³⁷ 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 inflow or outflow, as of the end of each business day during the preceding six months. Using an estimate of 10 new money market funds, the Commission estimates an aggregate total one-time burden of 700 hours,³⁸ at an internal labor cost burden of \$213,500³⁹ to comply with these website disclosure requirements.

The total aggregate annual one-time and recurring burdens results in a total of 16,288⁴⁰ burden hours at an internal labor cost burden of \$4,898,127.⁴¹

³⁵ This estimate is based on the following calculation: \$10,819 per fund x 433 money market funds = \$4,684,627.

³⁶ The Commission 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 will include the following: 16 hours (project assessment) + 40 hours (project development, implementation, and testing) = 56 hours. The Commission 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 will 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).

³⁷ This estimate is based on the following calculations: (20 hours (mid-point of 16 hours and 24 hours for project assessment) x \$325 (blended rate for a compliance manager (\$298) and a compliance attorney (\$352) = \$6,500) + (50 hours (mid-point of 40 hours and 60 hours for project development, implementation, and testing) x \$297 (blended rate for a senior systems analyst (\$274) and senior programmer (\$319)) = \$14,850) = \$21,350 per fund.

³⁸ This estimate is based on the following calculation: 70 hours x 10 money market funds = 700 hours.

³⁹ This estimate is based on the following calculation: \$21,350 per fund x 10 money market funds = \$213,500.

⁴⁰ This estimate is based on 15,588 recurring burden hours + 700 one-time burden hours = 16,288 total burden hours.

⁴¹ This estimate is based on \$4,684,627 recurring internal labor cost burden + \$213,500 one-time internal labor cost burden = \$4,898,127 total internal labor cost burden.

- Disclosure of Daily current NAV⁴²

The Commission estimates that each fund will incur an annual ongoing burden of 32 hours,⁴³ at an internal labor cost burden of \$9,504,⁴⁴ to update the depiction of the fund's daily current NAV on the fund's website each business day during that year; in aggregate, the Commission estimates that 433 money market funds will incur an ongoing annual burden on 13,856 hours,⁴⁵ at an internal labor cost burden of \$4,115,232,⁴⁶ to comply with this disclosure requirement.

The Commission expects that each new money market fund will incur a one-time

⁴² The burdens associated with the requirement that a fund 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. The Commission expects that these one-time and ongoing burdens will be substantially similar to the burdens associated with the requirement regarding website disclosure of daily liquid assets and weekly liquid assets, discussed above. This is because the Commission 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) will 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. Thus, the Commission believes that funds will not incur an additional burden obtaining current NAV data for purposes of the requirement regarding website disclosure of the fund's daily current NAV.

⁴³ The Commission estimates that the lower bound of the range of the ongoing annual hour burden to update the required website information will be 21 hours per year (5 minutes per day x 252 business days in a year = 1,260 minutes, or 21 hours). The Commission estimates that the upper bound of the range of the ongoing annual hour burden to update the required website information will 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).

⁴⁴ This estimate is based on the following calculation: 32 hours (mid-point of 21 hours and 42 hours) x \$297 (blended rate for a senior systems analyst (\$274) and senior programmer (\$319)) = \$9,504.

⁴⁵ This estimate is based on the following calculation: 32 hours x 433 money market funds = 13,856 hours.

⁴⁶ This estimate is based on the following calculation: \$9,504 x 433 money market funds = \$4,115,232.

burden of 70 hours,⁴⁷ at an internal burden cost of \$21,350,⁴⁸ 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 10 new money market funds, the Commission estimates that money market funds will incur, in aggregate, a total one-time burden of 700 hours,⁴⁹ at an internal labor cost burden of \$213,500,⁵⁰ to comply with these website disclosure requirements.

The aggregate annual one-time and recurring burdens results in a total of 14,556⁵¹ burden hours at an internal labor cost burden of \$4,328,732.⁵²

⁴⁷ The Commission 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 will include the following: 16 hours (project assessment) + 40 hours (project development, implementation, and testing) = 56 hours. The Commission 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 will 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).

⁴⁸ This estimate is based on the following calculations: (20 hours (mid-point of 16 hours and 24 hours for project assessment) x \$325 (blended rate for a compliance manager (\$298) and a compliance attorney (\$352) = \$6,500) + (50 hours (mid-point of 40 hours and 60 hours for project development, implementation, and testing) x \$297 (blended rate for a senior systems analyst (\$274) and senior programmer (\$319)) = \$14,850) = \$21,350 per fund.

⁴⁹ This estimate is based on the following calculation: 70 hours x 10 new money market funds = 700 hours.

⁵⁰ This estimate is based on the following calculation: \$21,350 per fund x 10 money market funds = \$213,500.

⁵¹ This estimate is based on 13,856 recurring burden hours + 700 one-time burden hours = 14,556 total burden hours.

⁵² This estimate is based on \$4,115,232 recurring internal labor cost burden + \$213,500 one-time internal labor cost burden = \$4,328,732 total internal labor cost burden.

- Disclosure of Financial Support Received by the Fund, the Imposition and Removal of Liquidity Fees, and the Suspension and Resumption of Fund Redemptions⁵³

The Commission estimates that it will receive 10 reports per year filed in response to an event specified on Part C (“Provision of financial support to Fund”) of Form N-CR. 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 will incur to draft and finalize the disclosure that will appear on its website will largely be incurred when the fund files Form N-CR. The Commission estimates that a fund will incur an additional burden of one hour, at an internal burden cost of \$239,⁵⁴ each time that it updates its website to include the new disclosure. Accordingly, the Commission estimates that the requirement to disclose information about financial support received by a money market fund on the fund’s website will result in a total aggregate burden of 10 hours per year,⁵⁵ at a total aggregate internal labor cost burden of \$2,390.⁵⁶

Money market funds must also disclose, on its website, certain 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. The Commission estimates that it will receive, in aggregate, an average of 1 report 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. Because the required website disclosure overlaps with the 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 will incur to draft and finalize the disclosure that will appear on its website will largely be incurred when the fund files Form N-CR. The Commission estimates that a fund will incur an additional burden of one

⁵³ Analysis of funds’ Form N-CR filings reflect no filings of Part C reports in 2018 nor any Part E, G, or F reports. Despite the lack of reports, the Commission estimates about 10 reports filed in response to events specified in Part C of Form N-CR and 1 report per year filed in response to events specified in Part E, F, or G of Form N-CR.

⁵⁴ This estimate is based on the following calculation: 1 hour per website update x \$239 per hour for a webmaster = \$239.

⁵⁵ This estimate is based on the following calculation: 1 hour per website update x 10 website updates made by money market funds = 10 hours.

⁵⁶ This estimate is based on the following calculation: 10 hours per year x \$239 per hour for a webmaster = \$2,390.

hour, at an internal burden cost of \$239,⁵⁷ each time that it updates its website to include the new disclosure. Accordingly, the Commission 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 will result in a total aggregate burden of 1 hour per year,⁵⁸ at a total aggregate internal labor cost burden of \$239.⁵⁹

- Total Change in Burden for Website Disclosure

The aggregate additional annual burden associated with the website disclosure amendments discussed above is 36,291 hours⁶⁰ at a time cost of \$10,528,692.⁶¹ There is no change in the external cost burden associated with this collection of information.

- Retail Funds policies and procedures

The Commission estimates that approximately 2 new money market funds will seek to qualify as retail money market funds under rule 2a-7 and therefore be required to adopt written policies and procedures reasonably designed to limit beneficial owners to natural

⁵⁷ This estimate is based on the following calculation: 1 hour per website update x \$239 per hour for a webmaster = \$239.

⁵⁸ This estimate is based on the following calculation: 1 hour per website update x 1 website updates made by money market funds = 1 hour.

⁵⁹ This estimate is based on the following calculation: 1 hour per year x \$239 per hour for a webmaster = \$239.

⁶⁰ This estimate is based on the following calculation: 5,436 hours (annual aggregate burden for the disclosure of portfolio holdings information) + 16,288 (annual aggregate burden for the disclosure of daily liquid assets and weekly liquid assets and net shareholder flow) + 14,556 (annual aggregate burden for the disclosure of daily current NAV) + 10 hours (annual aggregate burden for the disclosure of financial support provided to money market funds) + 1 hour (annual aggregate burden for the imposition and removal of liquidity fees, and suspension and resumption of fund redemptions) = 36,291 hours.

⁶¹ This estimate is based on the following calculation: \$1,299,204 (annual aggregate costs associated with the disclosure of portfolio holdings information) + \$4,898,127 (average annual aggregate costs associated with the disclosure of daily liquid assets and weekly liquid assets and net shareholder flow) + \$4,328,732 (average annual aggregate costs associated with the disclosure of daily current NAV) + \$2,390 (annual aggregate costs associated with the disclosure of financial support provided to money market funds) + \$239 (annual aggregate costs associated with the imposition and removal of liquidity fees, and suspension and resumption of fund redemptions) = \$10,528,692.

persons.⁶² The Commission estimates that it will take approximately 12 hours of a fund attorney's time to prepare the procedures and one hour for a board to adopt the procedures. Therefore, the Commission estimates an initial time cost of approximately \$9,277 per fund complex.⁶³ We estimate the one-time burden to prepare and adopt these procedures will be approximately 26 hours⁶⁴ at \$18,554 in total time costs for all fund complexes.⁶⁵

Thus, the Commission estimates the total annual burden of the rule's information collection requirements are 37,519 responses⁶⁶ and 337,328 hours⁶⁷ at an annual cost of

⁶² For purposes of this PRA, Form N-MFP data reflects that of the 30 new money market funds created between April of 2015 through September 2018, only 6 new money market funds elected to be retail funds – or approximately 2 per year ((6 funds/42 months) x 12 months). Based on these figures, we estimate that 2 new money market fund per year would elect to be a retail fund.

⁶³ This estimate is based on the following calculation: (12 hours x \$401 per hour for an attorney = \$4,812) + (1 hour x \$4,465 per hour for a board of 9 directors = \$4,465) = \$9,277.

⁶⁴ 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 x 2 new retail funds = 26 total burden hours for all new retail funds.

⁶⁵ This estimate is based on the following calculation: 2 new retail funds x \$9,277 in total costs per fund complex = \$18,554.

⁶⁶ This estimate is based on the following calculation: (85 responses x 433 funds) + (1 response x 10 funds) + (1 response x 108 funds) + (2 responses x 20 funds) + (1 response x 10 funds) + (1 response x 91 fund complexes) + (5 responses x 91 fund complexes) = 37,519 responses.

⁶⁷ This estimate is based on the following calculation: 294,440 hours (annual aggregate burden hours for recording credit risk analyses and other determinations) + 155 hours (annual aggregate burden hours for establishing procedures to stabilize NAV) + 540 hours (annual aggregate burden hours for board review of policies and guidelines of an investment adviser or office to whom the board delegated responsibility under rule 2a-7) + 14 (annual aggregate burden hours for board determination of fees and gates) + 220 hours (annual aggregate burden hours to establish stress testing policies and procedures) + 1,092 hours (annual aggregate burden hours to review, revise, and approve written procedures to stress test a fund portfolio) + 4,550 hours (annual aggregate burden hours to report to the fund boards the results of stress testing) + 36,291 hours (annual aggregate burden hours associated with website disclosure) + 26 hours (annual aggregate burden hours associated with developing policies and procedures for retail funds) = 337,328 hours.

\$92,875,630.⁶⁸

These estimates are made solely for the purposes of the Paperwork Reduction Act (“PRA”) and are not derived from a comprehensive or even representative survey or study of the cost of Commission rules.

13. Cost to Respondents

Commission staff estimates that in addition to the costs described in section 12, money market funds will incur costs to preserve records, as required under rule 2a-7.⁶⁹ These costs will vary significantly for individual funds, depending on the amount of assets under fund management and whether the fund preserves its records in a storage facility in hard copy or has developed and maintains a computer system to create and preserve compliance records.⁷⁰

Commission staff estimates that the amount an individual fund may spend ranges from \$100 per year to \$300,000. Based on a cost of \$0.0051295 per dollar of assets under management for

⁶⁸ This estimate is based on the following calculation: \$79,204,360 (annual aggregate burden costs for recording credit risk analyses and other determinations) + \$67,577 (annual aggregate burden costs for establishing procedures to stabilize NAV) + \$634,284 (annual aggregate burden costs for board review of policies and guidelines of an investment adviser or office to whom the board delegated responsibility under rule 2a-7) + \$21,870 (annual aggregate burden costs for board determination of fees and gates) + \$193,270 (average annual aggregate burden costs to establish stress testing policies and procedures) + \$754,208 (annual aggregate burden costs to review, revise, and approve written procedures to stress test a fund portfolio)+ \$1,452,815 (annual aggregate burden hours to report to the fund boards the results of stress testing) + \$10,528,692 (annual aggregate burden costs associated with website disclosure) + \$18,554 (annual aggregate burden costs associated with developing policies and procedures for retail funds) = \$92,875,630.

⁶⁹ 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.). Accordingly, the cost of preparing these documents may vary significantly among individual funds. The burden hours associated with filing reports to the Commission as an exhibit to Form N-CR are included in the PRA burden estimate for that form.

⁷⁰ The vast majority of assets under management in individual money market funds range from approximately \$50 million to approximately \$144.7 billion. We further note that the assets under management figures were calculated based on net assets at the fund level and not the sum of the market values of the underlying funds.

small funds, \$0.0005041 per dollar assets under management for medium funds, and \$0.0000009 per dollar of assets under management for large funds, the staff estimates compliance with the record storage requirements of rule 2a-7 costs the fund industry approximately \$35.31 million per year.⁷¹

Based on responses from individuals in the money market fund industry, the staff estimates that some of the largest fund complexes have created computer programs for maintaining and preserving compliance records for rule 2a-7. Based on a cost of \$0.0000132 per dollar of assets under management for large funds, the staff estimates that total annualized capital/startup costs range from \$0 for small funds to \$40.9 million for all large funds.⁷² Commission staff further estimates that, even absent the requirements of rule 2a-7, money market funds would spend at least half of the amount for capital costs (\$20.45 million)⁷³ and for record preservation (\$17.65 million)⁷⁴ to establish and maintain these records and the systems for preserving them as a part of sound business practices to ensure diversification and minimal credit risk in a portfolio for a fund that seeks to maintain a stable price per share.

⁷¹ The staff estimated the annual cost of preserving the required books and records by identifying the annual costs incurred by several funds and then relating this total cost to the average net assets of these funds during the year. With a total of \$403.6 million under management in small funds, \$60.4 billion under management in medium funds and \$3.1 trillion under management in large funds, the costs of preservation were estimated as follows: $((0.0051295 \times \$403.6 \text{ million}) + (0.0005041 \times \$60.4 \text{ billion}) + (0.0000009 \times \$3.1 \text{ trillion})) = \35.31 million . For purposes of this PRA submission, Commission staff used the following categories for fund sizes: (i) small-money market funds with \$50 million or less in assets under management; (ii) medium-money market funds with more than \$50 million up to and including \$1 billion in assets under management; and (iii) large-money market funds with more than \$1 billion in assets under management.

⁷² This estimate is based on the following calculation: $\$0.0000132 \times \$3.1 \text{ trillion in assets under management for large funds} = \40.9 million .

⁷³ This estimate is based on the following calculation: $\$40.9 \text{ million in capital costs} / 2 = \20.45 million .

⁷⁴ This estimate is based on the following calculation: $\$35.31 \text{ million in record preservation costs} / 2 = \17.65 million

14. Cost to the Federal Government

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

15. Changes in Burden

The estimated total annual burden is being decreased from 632,725 hours to 337,328 hours. This net decrease of 295,397 hours⁷⁵ is attributable to a combination of factors, including a decrease in the number of money market funds and fund complexes, and updated information from money market funds regarding hourly burdens, including revised staff estimates of the burden hours required to comply with rule 2a-7 as a result of new information received from surveyed fund representatives. The estimated total annual cost is being decreased from \$92.9 million to \$38.11 million.⁷⁶ This net decrease of \$54.79 million⁷⁷ is attributable to a reduction in the number of money market mutual funds, updated information from money market funds regarding assets under management, as well as deducting the \$38.1 million⁷⁸ in capital and preservation costs a money market fund would incur absent the requirements of rule 2a-7.

16. Information Collection Planned for Statistical Purposes

Not applicable.

17. Approval to Omit OMB Expiration Date

Not applicable.

⁷⁵ This estimate is based on the following calculation: 632,725 hours – 337,328 hours = 295,397 hours.

⁷⁶ This estimate is based on the following calculation: \$35.31 million in record preservation costs + \$40.9 million in capital costs - \$17.65 million in record preservation costs absent rule 2a-7 requirements - \$20.45 million in capital costs absent rule 2a-7 requirements = \$38.11 million.

⁷⁷ This estimate is based on the following calculation: \$92.9 million - \$38.11 million = \$54.79 million.

⁷⁸ This estimate is based on the following calculation if rule 2a-7 compliance was not required for a money market fund: \$20.45 million in capital costs + \$17.65 million in record preservation = \$38.1 million.

18. Exceptions to Certification Statement for Paperwork Reduction Act

Submissions

Not applicable.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.