

SUPPORTING STATEMENT
For the Paperwork Reduction Act Information Collection Submission for
Rule 22e-3

A. JUSTIFICATION

1. Necessity of Information Collection

Section 22(e) of the Investment Company Act [15 U.S.C. 80a-22(e)] (“Act”) generally prohibits funds, including money market funds, from suspending the right of redemption, and from postponing the payment or satisfaction upon redemption of any redeemable security for more than seven days. The provision was designed to prevent funds and their investment advisers from interfering with the redemption rights of shareholders for improper purposes, such as the preservation of management fees. Although section 22(e) permits funds to postpone the date of payment or satisfaction upon redemption for up to seven days, it does not permit funds to suspend the right of redemption for any amount of time, absent certain specified circumstances or a Commission order.

Rule 22e-3 under the Act [17 CFR 270.22e-3] exempts money market funds from section 22(e) to permit them to suspend redemptions in order to facilitate an orderly liquidation of the fund. Specifically, rule 22e-3 permits a money market fund to suspend redemptions and postpone the payment of proceeds pending board-approved liquidation proceedings if: (i) the fund’s board of directors, including a majority of disinterested directors, determines pursuant to § 270.2a-7(c)(8)(ii)(C) that the extent of the deviation between the fund’s amortized cost price per share and its current net asset value per share calculated using available market quotations (or an appropriate substitute that reflects current market conditions) may result in material dilution or other unfair results to investors or existing shareholders (i.e., “breaking the buck”); (ii) the fund’s board of directors, including a majority of disinterested directors, irrevocably

approves the liquidation of the fund; and (iii) the fund, prior to suspending redemptions, notifies the Commission of its decision to liquidate and suspend redemptions. Rule 22e-3 also provides an exemption from section 22(e) for registered investment companies that own shares of a money market fund pursuant to section 12(d)(1)(E) of the Act (“conduit funds”), if the underlying money market fund has suspended redemptions pursuant to the rule. A conduit fund that suspends redemptions in reliance on the exemption provided by rule 22e-3 is required to provide prompt notice of the suspension of redemptions to the Commission. Notices required by the rule must be provided by electronic mail, directed to the attention of the Director of the Division of Investment Management or the Director’s designee.¹ Compliance with the notification requirement is mandatory for money market funds and conduit funds that rely on rule 22e-3 to suspend redemptions and postpone payment of proceeds pending a liquidation, and are not kept confidential.

2. Purposes and Use of Information Collection

The purpose of the information collection requirement in rule 22e-3 is to assist Commission staff in monitoring a fund’s suspension of redemptions and ascertaining whether such suspension is consistent with the purposes of the rule and the protection of investors.² Rule 22e-3 is intended to facilitate orderly liquidations, reduce the vulnerability of investors to the harmful effects of a run on a fund, and minimize the potential for disruption to the securities markets.

3. Consideration Given to Information Technology

¹ See rule 22e-3(a)(3).

² The rule permits the Commission to modify or rescind the exemption provided by the rule if necessary for the protection of shareholders (for example, if a liquidating fund has not devised, or is not properly executing a plan of liquidation that protects all shareholders). Rule 22e-3(c).

Rule 22e-3 would require a fund that suspends redemptions in reliance on the rule to provide notice to the Commission by electronic mail. The requirement to use electronic mail is intended to effect timely delivery of notice, and reflects current primary methods of communications in the business world.

4. Duplication

The Commission periodically evaluates rule-based reporting and recordkeeping requirements for duplication, and reevaluates them whenever it proposes a rule or a change in a rule. The information collection requirements in rule 22e-3 are not duplicated elsewhere.

5. Effect on Small Entities

The Commission reviews all rules periodically, as required by the Regulatory Flexibility Act,³ to identify methods to minimize recordkeeping or reporting requirements affecting small entities. The requirements of rule 22e-3 do not distinguish between small entities and other registrants. The burden on smaller entities, however, to provide the required notice may be greater than for larger registrants. The Commission believes, however, that imposing different requirements on smaller entities would not be consistent with investor protection and the purposes of the rule.

³ 5 U.S.C. 601 *et seq.*

6. Consequences of Not Conducting Collection

Less frequent information collection would be incompatible with the objectives of rule 22e-3. The notice requirement of the rule is necessary to assist Commission staff in monitoring a money market fund's suspension of redemptions under the rule. Moreover, the notice requirement is triggered only in the extraordinary event that a fund breaks the buck, or is at imminent risk of breaking the buck, and determines to liquidate.

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

Not applicable.

8. Consultation Outside of the Agency

Before adopting rule 22e-3, the Commission received and evaluated public comments on the proposal and its collection of information requirements. Moreover, the Commission and staff of the Division of Investment Management participate in an ongoing dialogue with representatives of the industry through public conferences, meetings, and informal exchanges. These various forums provide the Commission and the staff with a means of ascertaining the magnitude of and acting upon paperwork burdens confronting the industry.

The Commission requested public comment on this collection of information before it submitted this request for extension 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

Not applicable.

11. Sensitive Questions

No information of a sensitive nature, including social security numbers, will be required under this collection of information. The information collection does not collect personally identifiable information (PII). The agency has determined that a system of records notice (SORN) and privacy impact assessment (PIA) are not required in connection with the collection of information.

12. Burden of Information Collection

All of the estimates in this section are made solely for the purposes of the PRA and are not derived from a comprehensive or even representative survey or study of the cost of Commission rules. Compliance with rule 22e-3 is mandatory. Responses to the collection of information will not be kept confidential.

Commission staff estimates that, on average, one fund would be required to make the required notice every year.⁴ Commission staff further estimates that a money market fund or conduit fund would spend approximately one hour of an in-house attorney's time to prepare and submit the notice required by the rule. Given these estimates, the total annual burden of the notification requirement of rule 22e-3 for all money market funds and conduit funds would be approximately one hour at a cost of \$425.⁵

⁴ The Commission has not received any notices invoking rule 22e-3 to halt redemptions. However, for administrative purposes, we are reporting one respondent and one annual response.

⁵ This figure for an Attorney is from SIFMA's *Management & Professional Earnings in the Securities Industry 2013*, modified by Commission staff to account for an 1800-hour work-year and inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits and overhead.

Table 1: Summary of Revised Annual Responses, Burden Hours, and Cost Estimates

IC Title	Annual No. of Responses			Annual Time Burden (Hrs.)			External Cost Burden (\$)		
	<i>Previously approved</i>	<i>Requested</i>	<i>Change</i>	<i>Previously approved</i>	<i>Requested</i>	<i>Change</i>	<i>Previously approved</i>	<i>Requested</i>	<i>Change</i>
Form 22e-3	3	1	-2	1	1	0	\$0	\$0	0

13. Cost to Respondents

The Commission staff estimates that there is no cost burden associated with the information collection requirement of rule 22e-3 other than the cost of the burden identified in Item 12 of this Supporting Statement.

14. Cost to the Federal Government

The Commission does not expect that receiving and reviewing the notices required under rule 22e-3 would result in a material increase in staff time or annual operating costs.

15. Changes in Burden

The changes to the number of respondents reflect the Commission's experience with the rule, specifically, that it has not received any of the required notices. Further, the aggregate internal burden cost has increased from \$201 to \$425 to reflect a technical correction to this estimate and an increase in the wage estimates of industry professionals.

16. Information Collection Planned for Statistical Purposes

Not applicable.

17. Approval to Omit OMB Expiration Date

Not applicable.

18. Exceptions to Certification Statement for Paperwork Reduction Act**Submissions**

Not applicable.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.