

**SUPPORTING STATEMENT**  
**for the Paperwork Reduction Act Information Collection Submission for**

**Order Granting a Conditional Exemption Under the Securities Exchange Act of 1934 from  
the Confirmation Requirements of Exchange Act Rule 10b-10(a) for Certain Transactions  
in Money Market Funds**

OMB Control No. 3235-0739

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**A. JUSTIFICATION**

**1. Information Collection Necessity**

Rule 10b-10(a) under the Securities Exchange Act of 1934 (“Exchange Act”) generally requires broker-dealers to provide customers with specified information relating to their securities transactions at or before the completion of the transactions.<sup>1</sup> Exchange Act Rule 10b-10(b), however, provides an exception from this requirement for certain transactions in money market funds that attempt to maintain a stable net asset value (“NAV”) when no sales load or redemption fee is charged.<sup>2</sup> The exception permits broker-dealers to provide transaction information to money market fund shareholders on a monthly, rather than immediate, basis, subject to the conditions set forth in paragraphs (2) and (3) of Exchange Act Rule 10b-10(b).<sup>3</sup> Accordingly, customers historically have received information about their transactions in shares of money market funds, including institutional prime money market funds, on a monthly basis.

On July 23, 2014, the Securities and Exchange Commission (“Commission”) adopted amendments to Rule 2a-7 of the Investment Company Act of 1940 (“Investment Company Act”)<sup>4</sup> that, among other things, require institutional prime money market funds<sup>5</sup> to sell and

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<sup>1</sup> 17 CFR 240.10b-10(a).

<sup>2</sup> 17 CFR 240.10b-10(b).

<sup>3</sup> With respect to such money market funds, Exchange Act Rule 10b-10(b)(2) requires a broker-dealer to give or send to a customer within five business days after the end of each monthly period:

a written statement disclosing, each purchase or redemption, effected for or with, and each dividend or distribution credited to or reinvested for, the account of such customer during the month; the date of such transaction; the identity, number, and price of any securities purchased or redeemed by such customer in each such transaction; the total number of shares of such securities in such customer’s account; any remuneration received or to be received by the broker or dealer in connection therewith; and that any other information required by [Rule 10b-10(a)] will be furnished upon written request: *Provided, however*, that the written statement may be delivered to some other person designated by the customer for distribution to the customer.

17 CFR 240.10b-10(b)(2). Exchange Act Rule 10b-10(b)(3) requires the customer to be provided with prior notification in writing disclosing the intention to send the written information referred to in Exchange Act Rule 10b-10(b)(1) in lieu of an immediate confirmation. 17 CFR 240.10b-10(b)(3).

<sup>4</sup> 17 CFR 270.2a-7.

<sup>5</sup> “Institutional prime money market funds” are money market funds operating in accordance with Investment Company Act Rule 2a-7(c)(1)(ii), which include funds that are often referred to as (i) “tax exempt” or (ii) “municipal” funds that do not qualify as a “retail money market fund” as defined in Investment Company Act

redeem fund shares based on the current market-based value of the securities held in their portfolios (*i.e.*, transact at a “floating” NAV). Given that share prices of institutional prime money market funds likely will fluctuate under the Commission’s amendments to Investment Company Act Rule 2a-7,<sup>6</sup> absent an exemption, broker-dealers would not be able to continue to rely on the exception under Exchange Act Rule 10b-10(b) for transactions in money market funds operating in accordance with Investment Company Act Rule 2a-7(c)(1)(ii).<sup>7</sup> Instead, broker-dealers would be required to provide immediate confirmations for such transactions in institutional prime money market funds to comply with Exchange Act Rule 10b-10(a).

Consequently, in 2015, the Commission issued an Order Granting a Conditional Exemption under the Securities Exchange Act of 1934 From The Confirmation Requirements of Exchange Act Rule 10b-10(a) For Certain Transactions In Money Market Funds (“Order”).<sup>8</sup> In the Order, the Commission found that it is necessary and appropriate in the public interest, and consistent with the protection of investors, to allow broker-dealers, subject to certain conditions, to provide transaction information to investors in any money market fund operating pursuant to Investment Company Act Rule 2a-7(c)(1)(ii) on a monthly basis in lieu of providing immediate confirmations as required under Exchange Act Rule 10b-10(a) (“the Exemption”).<sup>9</sup>

However, given that there likely will be some price fluctuations in institutional prime money market funds, the Commission determined in the Order that it is also necessary and appropriate in the public interest and consistent with the protection of investors to condition the Exemption on a broker-dealer providing immediate confirmations upon a customer’s request. Accordingly, to be eligible for the Exemption, a broker-dealer must (1) provide an initial written notification to the customer of its ability to request delivery of immediate confirmations consistent with the written notification requirements of Exchange Act Rule 10b-10(a), and

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Rule 2a-7(a)(25).

<sup>6</sup> 17 CFR 270.2a-7.

<sup>7</sup> See generally Money Market Fund Reform; Amendments to Form PF, Securities Act Release No. 9408, Investment Advisers Act Release No. 3616, Investment Company Act Release No. 30551 (June 5, 2013), 78 FR 36834, 36934 (June 19, 2013); see also Exchange Act Rule 10b-10(b)(1), 17 CFR 240.10b-10(b)(1) (limiting alternative monthly reporting to money market funds that attempt to maintain a stable NAV).

As adopted, government and retail money market funds are exempt from the Investment Company Act Rule 2a-7(c)(1)(ii) floating NAV requirement, and therefore, will continue to maintain a stable NAV. See Money Market Fund Reform; Amendments to Form PF, Securities Act Release No. 9616, Investment Advisers Act Release No. 3879, Investment Company Act Release No. 31166 (July 23, 2014), 79 FR 47736, at sections III.C.1 and III.C.2 (Aug. 14, 2014) (“Money Market Fund Reform Adopting Release”). Accordingly, for investor transactions in the exempt funds, broker-dealers would continue to qualify for the exception under Rule 10b-10 and be permitted to send monthly transaction reports.

<sup>8</sup> See Order Granting a Conditional Exemption Under the Securities Exchange Act of 1934 From the Confirmation Requirements of Exchange Act Rule 10b-10(a) for Certain Transactions in Money Market Funds, Exchange Act Release No. 34-76480 (Nov. 19, 2015), 80 FR 73849 (Nov. 25, 2015).

<sup>9</sup> The Commission previously published a notice requesting comment on the proposal to grant a conditional exemption to broker-dealers, subject to certain conditions, from the immediate confirmation requirements of Exchange Act Rule 10b-10 for transactions effected in shares of institutional prime money market funds. See Notice of Proposed Exemptive Order Granting Permanent Exemptions Under the Securities Exchange Act of 1934 from the Confirmation Requirements of Exchange Act Rule 10b-10 for Certain Money Market Funds, Exchange Act Release No. 72658 (July 23, 2014), 79 FR 44076 (July 29, 2014).

(2) not receive any such request to receive immediate confirms from the customer. In addition, consistent with conditions applicable to confirmation delivery requirements provided in Exchange Act Rule 10b-10(b) for all transactions in investment company securities that attempt to maintain a stable NAV where no sales load or redemption fee is charged, the Commission imposed the conditions that no sales load is deducted upon the purchase or redemption of shares in the institutional prime money market fund, and that the broker-dealer complies with the provisions of paragraphs (2) and (3) of Exchange Act Rule 10b-10(b) that are applicable to money market funds that attempt to maintain a stable NAV referenced in Rule 10b-10(b)(1).

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

The notification condition in the Order will alert customers of their ability to request immediate confirmations, consistent with the terms of Exchange Act Rule 10b-10(a). The notification condition allows customers to obtain immediate confirmations should they choose to request them.

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

The Order does not mandate a specified form of the notification; a broker-dealer may employ information technology in providing a notification to a customer.

## **4. Duplication**

Not applicable; there is no duplication of information.

## **5. Effect on Small Entities**

Paragraph (c) of Rule 0-10 provides that a small entity when used with reference to a broker-dealer (“small broker-dealer”) means a broker-dealer that: (1) had total capital (net worth plus subordinated liabilities) of less than \$500,000 on the date in the prior fiscal year as of which its audited financial statements were prepared pursuant to Exchange Act Rule 17a-5(d)<sup>10</sup> or, if not required to file such statements, a broker-dealer that had total capital (net worth plus subordinated liabilities) of less than \$500,000 on the last business day of the preceding fiscal year (or in the time that it has been in business if shorter); and (2) is not affiliated with any person (other than a natural person) that is not a small business or small organization.<sup>11</sup> Based on FOCUS Report data as of December 31, 2020, the Commission estimates that only 1 small broker-dealer will be a carrying broker-dealer. The notification requirements of Exchange Act Rule 10b-10 and the Order are not unduly burdensome on small broker-dealers, and the collection of information contained in the Order will not have a significant economic impact on a substantial number of small entities.

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<sup>10</sup> 17 CFR 240.17a-5(d).

<sup>11</sup> 17 CFR 240.0-10(c).

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

The collection of information results from a condition of the Order and will be required for a broker-dealer to be exempt from the immediate confirmation requirements of Exchange Act Rule 10b-10(a). Absent the notification condition in the Order, customers would not be alerted of their ability to request immediate confirmations, consistent with the terms of Exchange Act Rule 10b-10(a), nor would a record exist that customers were alerted to this option. The notification condition allows customers to obtain immediate confirmations should they choose to request them.

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

There are no special circumstances. This collection is consistent with the guidelines in 5 CFR 1320.5(d)(2).

## **8. Consultations Outside the Agency**

The required Federal Register notice with a 60-day comment period soliciting comments on this collection of information was published. No public comments were received.

## **9. Payment or Gift**

Not applicable.

## **10. Confidentiality**

The notification would be provided by a broker-dealer directly to a customer and thus would not be kept confidential.

## **11. Sensitive Questions**

The information collection does not collect personally identifiable information. Any information that may be collected under this rule is collected by a broker-dealer or other registered entity and is neither shared with nor stored by the Commission. The agency has determined that a PIA and SORN are not required in connection with the collection of information

## **12. Information Collection Burden**

### **a. Respondents:**

Based on FOCUS Report data as of December 31, 2020 the Commission estimates that there are approximately 154 broker-dealers that clear customer transactions and/or carry customer funds and securities.<sup>12</sup> The Commission also conservatively estimated that those

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<sup>12</sup> Consistent with the analysis in the Money Market Fund Reform Adopting Release, 79 FR at 47785 & n.563 and Order Granting a Conditional Exemption Under the Securities Exchange Act of 1934 from the

broker-dealers are the respondents that likely would provide the trade confirmations to customers in institutional prime money market funds.<sup>13</sup>

b. Description of Burdens:

The Commission continues to consider that the additional ongoing burdens to broker-dealers of the notification condition is minimal and estimates the annual costs to be 5% of initial costs.<sup>14</sup> Based on FOCUS Report data as of December 31, 2020, the Commission estimates there are approximately 154 broker-dealers that clear customer transactions or carry customer funds and securities.<sup>15</sup> The Commission estimates that the cost of ongoing notification requirements would be approximately 5% of the initial burden, or 1.8 hours per broker-dealer or total burden of 277 hours for all carrying broker dealers.<sup>16</sup>

**In summary, the Commission estimates that, over a three-year period, the total third-party disclosure burden associated with the notification condition in the Order would be approximately 5.4 hours,<sup>17</sup> 832 hours over a three-year period and 277 hours annualized, or per year.<sup>18</sup>**

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Confirmation Requirements of Exchange Act Rule 10b-10(a) for Certain Transactions in Money Market Funds, Exchange Act Release No. 76480 (November 19, 2015), 80 FR 73849 (November 25, 2015).

<sup>13</sup> *Id.*

<sup>14</sup> In the Order, based on 2013 FOCUS Report data, the Commission estimated an initial one-time burden required to implement, modify, or reprogram existing systems to generate and transmit the required notifications to customers would be 36 hours for each of the 320 broker-dealers that clear customer transactions or carry customer funds and securities, and a total burden of approximately 11,520 burden hours. The Commission anticipated that after broker-dealers incur the initial costs to establish systems to generate and transmit the notifications to existing customers, broker-dealers will be able to minimize any additional costs, such as by providing the notifications as part of a new account application. The Commission stated such additional annual burdens arising from the notification condition will be minimal, and on average, broker-dealers would incur annual costs of 5% of those initial costs, or 576 burden hours. Order, 80 FR at 73851.

<sup>15</sup> FOCUS Report data, December 31, 2020.

<sup>16</sup> This estimate is based on 1.8 hours x 154 carrying broker dealers = 277.2 hours.

<sup>17</sup> This estimate is based on the following: [(1.8 hours for ongoing costs x 3 years = 5.4 hours total.

<sup>18</sup> This estimate is based on the following: [(1.8 hours for ongoing costs x 3 years = 5.4 hours total; 5.4 hours over 3 years x 154 broker-dealers = 831.6 hours over three year period].

*Summary of Hourly Burdens*

ORDER GRANTING A CONDITIONAL EXEMPTION UNDER THE SECURITIES EXCHANGE ACT OF 1934 FROM THE CONFIRMATION REQUIREMENTS OF EXCHANGE ACT RULE 10b-10(a) FOR CERTAIN TRANSACTIONS IN MONEY MARKET FUNDS								
<u>Nature of Information Collection Burden</u>	<u>Type of Burden</u>	<u>Number of Respondents</u>	<u>Number of Responses Per Year</u>	<u>Initial Burden Per Response Per Year Per Respondent</u>	<u>Ongoing Burden Per Response Per Year Per Respondent</u>	<u>Annualized Burden Estimate Per Respondent</u>	<u>Annualized Hourly Burden Estimate Industry-Wide</u>	<u>Small Business Entities Affected</u>
Burden Associated with Notification	Third-Party Disclosure	154	154	0	1.8	1.8	277	1
						1.8	277	

**13. Costs to Respondents**

The Commission estimates that respondents will not seek outside assistance in completing the collection of information, and therefore, respondents will not experience any external costs in connection with the collection of information.

**14. Costs to the Federal Government**

Not applicable.

**15. Changes in Burden**

The total burden hours is lower because the number of broker-dealers that clear or carry customer securities and funds, as of December 31, 2020, is lower by seven clearing or carrying broker-dealers based on 2018 FOCUS Report data. Similarly, the number of small entities that clear or carry customer securities, as of December 31, 2020, has declined to one.

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

Not applicable. The information collection is not used for statistical purposes.

**17. Approval to Omit OMB Expiration Date**

The Commission is not seeking approval to omit the expiration date.

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

This collection complies with the requirements in 5 CFR 1320.9.

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

This collection does not involve statistical methods.