

SUPPORTING STATEMENT
For the Paperwork Reduction Act Information Collection Submission for
Rule 30b1-8 and Form N-CR

A. JUSTIFICATION

1. Necessity for the Information Collection

Section 30(b) of the Investment Company Act of 1940 [15 U.S.C. 80a-30(b)] (“Act”) 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...” Rule 30b1-8 under the Act [17 CFR 270.30b1-8], entitled “Current Report for Money Market Funds,” provides that every registered open-end management investment company, or series thereof, that is regulated as a money market fund under rule 2a-7 [17 CFR 270.2a-7], that experiences any of the events specified on Form N-CR [17 CFR 274.222], must file with the Commission a current report on Form N-CR within the time period specified in that form. Similar to Form 8-K under the Securities Exchange Act of 1934 [17 CFR 249.308], Form N-CR requires disclosure of certain specific reportable events.

Specifically, under the current rule, a money market fund is required to file Form N-CR if a portfolio security defaults, an affiliate provides financial support to the fund, the fund experiences a significant decline in its shadow price, or when liquidity fees or redemption gates are imposed and when they are lifted. In most cases, a money market fund is required to submit a brief summary filing on Form N-CR within one business day of the occurrence of the event, and a follow up filing within four business days that includes a more complete description and information. Compliance with rule 30b1-8 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.

On December 15, 2021, the Commission proposed rule and form amendments that would remove the liquidity fee and redemption gate provisions in existing rule 2a-7, add an additional reportable event requiring a Form N-CR filing, and require that money market funds file reports on Form N-CR in a structured data language.¹ The proposed amendments would remove fee and gate provisions from rule 2a-7— obviating the current Form N-CR filing requirement when liquidity fees or redemption gates are imposed and lifted. As a consequence, the proposed conforming amendments to Form N-CR would include the removal of the disclosure items related to fund suspensions of redemptions and liquidity fees. In addition, the proposed amendments would require that funds file reports on Form N-CR upon a liquidity threshold event (*i.e.*, the fund has invested less than 25% of its total assets in weekly liquid assets or less than 12.5% of its total assets in daily liquid assets). This amendment is designed to help investors, the Commission, and its staff monitor significant declines in liquidity as well as provide more transparency and facilitate the Commission’s monitoring efforts. Additionally, the proposed amendments would require filing of Form N-CR reports in a custom eXtensible Markup Language (“XML”) -based structured data language created specifically for reports on Form N-CR. This amendment is designed to make it easier for money market funds to prepare and submit the information required by Form N-CR accurately, and would make the submitted information more useful to investors and the Commission.

¹ Money Market Fund Reforms, Securities Act Release No. IC-34441 (Dec. 15, 2021) available at <https://www.sec.gov/rules/proposed/2021/ic-34441.pdf>.

2. Purpose and Use of the Information Collection

The information collection requirements for rule 30b1-8 and Form N-CR are designed to assist Commission staff in its oversight of money market funds and its ability to respond to market events. It also provides investors with better and timelier disclosure of potentially important events. Finally, the Commission is able to use the information provided on Form N-CR in its regulatory, disclosure review, inspection, and policymaking roles.

3. Consideration given to Information Technology

The Commission's electronic filing project (Electronic Data Gathering, Analysis and Retrieval System, or "EDGAR" is designed to automate the filing, processing and dissemination of full disclosure filings. EDGAR permits investment companies to transmit their filings to the Commission electronically. Such automation has increased the speed, accuracy and availability of information, generating benefits to investors and financial markets. Form N-CR is required to be filed with the Commission electronically on EDGAR and, under the proposal, money market funds would be required to file reports on Form N-CR in structured (XML) language, which facilitates the electronic analysis of data in Form N-CR filings.

4. Duplication

The Commission periodically evaluates rule-based reporting and recordkeeping requirements for duplication, and reevaluates them whenever it adopts changes in its rules. The requirements of Form N-CR are not generally duplicated elsewhere.

5. Effect on Small Entities

Pursuant to 5 U.S.C. section 605(b), the Commission does not believe that compliance with rule 30b1-8 and filing Form N-CR will have a significant effect on small entities.

6. Consequences of Not Conducting Collection

Rule 30b1-8 and Form N-CR set forth the disclosure requirements for current reports filed by money market funds to assist Commission staff in its oversight of money market funds and provide investors with better and timelier disclosure of potentially important events. Less frequent collection would deprive investors of access to information that is important to their investment decisions.

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

Not applicable.

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. In addition, the Commission has requested public comment on the proposed amendments to Form N-CR, including the collection of information requirements resulting from the proposed amendments. Before adopting these amendments, the Commission will receive and evaluate public comments on the proposed amendments and their associated collection of information requirements.

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 collects basic Personally Identifiable Information (PII) that may include names and job titles. However, the agency has determined that the information collection does not constitute a system of record for purposes of the Privacy Act. Information is not retrieved by a personal identifier. 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 2/5/2020, is provided as a supplemental document and is also available at <https://www.sec.gov/about/privacy/pia/pia-edgar.pdf>.

12. Burden of Information Collection

The following estimates of average burden hours and costs are made solely for purposes of the Paperwork Reduction Act of 1995² and are not derived from a comprehensive or even representative survey or study of the cost of Commission rules and forms. In our most recent Paperwork Reduction Act submission for Form N-CR, we estimated that the Commission would receive, in the aggregate, an average of 6 reports per year filed on Form N-CR, and we estimated the annual aggregate compliance burden to comply with the collection of information requirement of Form N-CR is 51 burden hours with an internal cost burden of \$19,839.³ Our most recent Paperwork Reduction Act submission for Form N-CR based the burden estimates on the number of Form N-CR reports filed between 2018 and 2020, and no funds filed reports

² 44 U.S.C. 3501 *et seq.*

³ The most recent Form N-CR PRA submission was approved in 2021.

related to liquidity fees or suspensions of redemptions during that period (or at any other time). As a result, we do not believe that removing the items related to liquidity fees and suspensions of redemptions would affect the current burden estimates. The table below summarizes our PRA initial and ongoing annual burden estimates associated with the proposed amendments to Form N-CR.

Table 1: Burden Estimates for Proposed Amendments to Form N-CR

	Internal initial burden hours	Internal annual burden hours		Wage rate ¹	Internal time costs	Annual external cost burden
PROPOSED ESTIMATES						
Reporting of liquidity threshold events	0 hours	4.5 hours	×	\$492 (legal professional)	\$2,214	\$1,042 ²
	0 hours	4 hours	×	\$285 (financial professional)	\$1,140	
Total annual burden per response		8.5 hours³			\$3,354	
Number of responses		× 1			× 1	
Estimated burden for reporting of liquidity threshold events (I)		8.5 hours			\$3,354	
Submission in a structured data language	0 hours	2 hours	×	\$277 (programmer)	\$554	
Number of responses		× 7 ⁴			× 7 ⁴	
Estimated burden for submission in a structured data format (II)		14 hours			\$3,878	
Total estimated burden (I+II)		22.5			\$7,232	\$1,042
Current Burden Estimates		51			\$19,839	\$6,111
Revised Burden Estimates		73.5			\$27,071	\$7,153

Notes:

1. The Commission's estimates of the relevant wage rates are based on salary information for the securities industry compiled by the Securities Industry and Financial Markets Association's Office Salaries in the Securities Industry 2013. The estimated wage figures are modified by Commission staff to account for an 1,800-hour work-year and multiplied by 5.35 to account for bonuses, firm size, employee benefits, overhead, and adjusted to account for the effects of inflation. These PRA estimates assume that the same types of professionals would be involved in the proposed reporting requirements that we believe otherwise would be involved in preparing and filing reports on Form N-CR. The financial professional category is the blended average hourly rate for a senior portfolio manager (\$336), financial reporting manager (\$297), and senior accountant (\$221). The legal professional category is a blended average hourly rate for a deputy general counsel (\$610) and compliance attorney (\$373).

2. This estimate of the additional external cost burden associated with the new proposed Form N-CR reporting item, which uses the same methodology of estimating additional external cost burden as the currently approved burden estimate, was erroneously excluded from the Commission's proposal.

3. This estimated burden also includes notifying the board of liquidity threshold events, which will involve providing the same information within the same period as the Form N-CR report.

4. This estimate includes 6 reports filed per year in addition to the 1 estimated annual response resulting from the reporting of liquidity threshold events.

Summary of Revised Annual Responses, Burden Hours, and Cost Estimates

IC Title	Annual No. of Responses			Annual Time Burden (Hrs.)			External Cost to Respondents (\$)⁴		
	<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 N-CR	6	7	1	51	73.5	22.5	\$6,111	\$7,153	\$1,042

13. Cost to Respondents

Cost burden is the cost of services purchased to comply with rule 30b1-8 and Form N-CR, such as computer programmers, outside counsel, and third-party service providers. The Commission estimates that some funds may engage outside legal counsel to complete Form N-CR.⁵ Estimates are based on the Commission’s experience with the filing of reports.

As summarized in Table 1 above, in our most recent Paperwork Reduction Act submission for Form N-CR, Commission staff estimated \$6,111 in external cost burden per year. We believe that the total external cost burden will increase to \$7,153 as a result of the proposed new reporting event.⁶

14. Cost to the Federal Government

The annual cost of reviewing and processing registration statements, post-effective amendments, proxy statements, shareholder reports, and other filings of investment companies amounted to approximately \$25.7million in fiscal year 2020 based on the Commission’s computation of the value of staff time devoted to this activity and related overhead. A portion of

⁴ These estimates are discussed in Item 13 of this supporting statement below.

⁵ We estimate the cost for outside legal counsel to be \$496 per hour.

⁶ We estimated that approximately a quarter of the total legal professional time that will otherwise have been spent on responding to Form N-CR, or 2.1 hours, will be shifted from in-house counsel to outside counsel. Accordingly, we estimate that funds will incur additional external legal costs of \$1,042 (2.1 hours x \$496 per hour for outside counsel) as a result of the proposed new reporting requirement. *See supra* Table 1, note 2. The total cost burden estimate is based on the following calculation: (1 additional report per year x \$1,042 external cost per report) + \$6,111 = \$7,153 in external costs.

those costs will relate to processing and reviewing Form N-CR filings submitted to the Commission for compliance with rule 30b1-8.

15. Change in Burden

As summarized in Table 1 above, the estimated hourly burden associated with Form N-CR has increased from 51 hours to 73.5 hours (an increase of 22.5 hours). The estimated external cost burden associated with Form N-CR has increased from \$6,111 to \$7,153 (an increase of \$1,042). The increase in burden hours and external burden costs for compliance with rule 30b1-8 and Form N-CR is attributable to the estimated one additional report filed on Form N-CR each year as a result of the added reporting requirement for liquidity threshold events and the increased burden for submission in a structured data format.

16. Information Collection Planned for Statistical Purposes

Not applicable.

17. Approval to Omit OMB Expiration Date

We request authorization to omit the expiration date on the electronic version of the form. Including the expiration date on the electronic version of the form will result in increased costs, because the need to make changes to the form may not follow the application's scheduled version release dates. The OMB control number will be displayed.

18. Exceptions to Certification Statement for Paperwork Reduction Act Submission

Not applicable.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.