

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 of 1940, as amended [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 longer 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, at the end of a business day, has invested less than ten percent of its total assets in weekly liquid assets or, in the case of a fund that is a government money market fund or a retail money market fund, the fund's price per share as computed for the purpose of distribution, redemption and repurchase, rounded to the nearest one percent, has deviated from the stable price established by the board of directors or the fund's board of directors, including a majority of directors who are not interested persons of the fund, determines that such a deviation is likely to occur; (ii) the

fund's board of directors, including a majority of disinterested directors, irrevocably has approved 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.

¹ See rule 22e-3(a)(3) and 22e-3(b).

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).

3. Consideration Given to Information Technology

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 has met certain conditions, including deviating from the stable price established by the board of directors and the board has approved the liquidation of the fund.

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.

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 estimates the burden of the rule as set forth in Table 1 below:

Table 1: Rule 22e-3 PRA Estimates

	Number of affected funds	Internal annual burden hours	Wage rate¹	Internal time costs	Annual external cost burden²
Rule 22e-3	1	1 hour	\$511	\$511	\$584
TOTAL ANNUAL BURDEN		1 hour		\$511	\$584

¹ This estimated burden is based on the estimated wage rate of \$511 per hour for an attorney and is from Securities Industry and Financial Markets Association'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 ("SIFMA Wage Report"). The Commission's estimates of the relevant wage rates for external time costs, such as outside legal services, take into account staff experience, a variety of sources including general information websites, and adjustments for inflation.

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.

² This estimated burden is based on the estimated wage rate of \$584 per hour for outside legal services. The Commission’s estimates of the relevant wage rates for external time costs, such as outside legal services, take into account staff experience, a variety of sources including general information websites, and adjustments for inflation.

13. Cost to Respondents

Cost burden is the cost of goods and services purchased to comply with rule 22e-3, such as legal services. The cost burden does not include the hour burden discussed in Item 12 above. As outlined in the table above, we estimate the total external cost burden to comply with rule 22e-3 to be \$584.14.

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 estimated total annual burden hours have changed, as follows.

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>
Rule 22e-3	1	1	0	1	1	0	\$0	\$584	\$584

We have revised the estimates to reflect changes in the wage rate and in the external cost associated with the information collection requirements.

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.