SECURITIES AND EXCHANGE COMMISSION

Submission for OMB Review; Comment Request

Upon Written Request, Copies Available
From: Securities and Exchange Commission, Office of Investor Education and Advocacy,
Washington, DC 20549–0213.

Extension:
Rule 2a–7; OMB Control No. 3235–0268,
SEC File No. 270–258.

Notice is hereby given that, pursuant to
the Paperwork Reduction Act of 1995
(44 U.S.C. 3501 et seq.), the Securities
and Exchange Commission (the
"Commission") is soliciting comments
on the collection of information summarized below. The Commission plans to submit this existing collection of information to the Office of
Management and Budget for extension and
approval.

Rule 2a–7 (17 CFR 270.2a–7) under the
Investment Company Act of 1940
(15 U.S.C. 80a) (the "Act") governs
money market funds. 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.
The rule 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 credit risks 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–SAR describing the nature and
circumstances of the action. 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–SAR. 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.

The 2010 amendments to rule 2a–7
also added new collection of
information requirements. First, 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. Second, funds must
post monthly portfolio information on
their Web sites. Third, funds must
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.

The 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
Commission staff in overseeing money
market funds and reduce the likelihood
that a fund is unable to maintain a
stable NAV.

Commission staff estimates that there
are 664 money market funds (136 fund
complexes), all of which are subject to
rule 2a–7. Commission staff further
estimates that there will be
approximately 10 new money market
funds established each year.
Commission staff estimates that rule 2a–
7 contains the following collection of
information requirements:

- Record of credit risk analyses, and
determinations regarding adjustable rate
securities, asset backed securities,
securities subject to a demand feature or
guarantee, and counterparties to
repurchase agreements. Commission
staff estimates a total annual hour
burden for 664 funds to be 451,520
hours.
- Establishment of written procedures
designed to stabilize NAV and
guidelines and procedures for board
delegation of authority. Commission
staff estimates a total annual hour
burden for 10 new money market funds
to be 155 hours.
- 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. Commission staff
estimates a total annual hour burden for
166 funds to be 830 hours.
- 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 and notice to the
Commission of an event of default or
insolvency. Commission staff estimates
a total annual hour burden for 20 funds
to be 30 hours.
- 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"). Commission staff
estimates a total annual hour burden for
10 new money market funds to be 220
hours.
- Review, revise, and approve written
procedures to stress test a fund’s
portfolio. Commission staff estimates a
total annual hour burden for 136 fund
complexes to be 1,632 hours.
- Reports to fund boards on the
results of stress testing. Commission
staff estimates a total annual hour
burden for 136 fund complexes to be
6,800 hours.
- Monthly posting of money market
fund portfolio information on a fund’s
Web site. Commission staff estimates a
total annual hour burden for 664 funds
and 10 new money market funds to be
56,016 hours.
- Notice to the Commission of the
purchase of a money market fund’s
portfolio security by certain affiliated
persons in reliance on rule 17a–9.
Commission staff estimates a total
annual hour burden for 25 fund
complexes to be 25 hours.

Thus, the Commission estimates the
total annual burden of the rule’s
information collection requirements is
517,228 hours.1

1 This estimate is based on the following
calculation: 451,520 hours + 155 hours + 830 hours
+ 30 hours + 220 hours + 1,632 hours + 6,800 hours
+ 56,016 hours + 25 hours = 517,228 hours.
The estimated total annual burden is being increased from 395,779 hours to 517,228 hours. This net increase 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.

These estimates of burden hours are made solely for the purposes of the Paperwork Reduction Act. The estimates are not derived from a comprehensive or even a representative survey or study of Commission rules.

Commission staff estimates that in addition to the costs described above, money market funds will incur costs to preserve records, as required under rule 2a–7. 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. 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 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 $57.3 million per year. 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 $35.6 million for all large funds. 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 ($17.8 million) and for record preservation ($28.65 million) 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.

The collections of information required by rule 2a–7 are necessary to obtain the benefits described above. Notices to the Commission will not be kept confidential. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid control number.

Written comments are invited on: (a) Whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information will have practical utility; (b) the accuracy of the agency’s estimate of the burden of the collection of information; (c) ways to enhance the quality, utility, and clarity of the information collected; and (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology. Consideration will be given to comments and suggestions submitted in writing within 60 days of this publication.

Please direct your written comments to Thomas Bayer, Chief Information Officer, Securities and Exchange Commission, c/o Remi Pavlik-Simon, 6432 General Green Way, Alexandria, VA 22312; or send an email to: PRA Mailbox@sec.gov.


Kevin M. O’Neill,
Deputy Secretary.

SECURITIES AND EXCHANGE COMMISSION

Submission for OMB Review; Comment Request


Extension:

Notice is hereby given that, pursuant to the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 et seq.), the Securities and Exchange Commission (the “Commission”) has submitted to the Office of Management and Budget a request for extension of the previously approved collection of information discussed below.

The collection of information is: “Form N–3 (17 CFR 239.17a and 274.11b) under the Securities Act of 1933 (15 U.S.C. 77) and under the Investment Company Act of 1940 (15 U.S.C. 80a), Registration Statement of Separate Accounts Organized as Management Investment Companies.” Form N–3 is the form used by separate accounts offering variable annuity contracts which are organized as management investment companies to register under the Investment Company Act of 1940 (“Investment Company Act”) and/or to register their securities under the Securities Act of 1933 (“Securities Act”). Form N–3 is also the form used to file a registration statement under the Securities Act (and any amendments thereto) for variable annuity contracts funded by separate accounts which would be required to be registered under the Investment Company Act as management investment companies except for the exclusion provided by Section 3(c)(11) of the Investment Company Act (15 U.S.C. 80a–3(c)(11)). Section 5 of the Securities Act (15 U.S.C. 77e) requires the filing of a registration statement prior to the offer of securities to the public and that the statement be effective before any securities are sold, and Section 8 of the Investment Company Act (15 U.S.C. 80a–8) requires a separate account to register as an investment company.

Form N–3 also permits separate accounts offering variable annuity contracts which are organized as investment companies to provide investors with a prospectus and a statement of additional information covering essential information about the separate account when it makes an initial or additional offering of its securities. Section 5(b) of the Securities Act requires that investors be provided with a prospectus containing the information required in a registration statement prior to the sale or at the time of confirmation or delivery of the securities. The form also may be used by the Commission in its regulatory review, inspection, and policy-making roles.

Commission staff estimates that there are zero initial registration statements and 7 post-effective amendments to initial registration statements filed on Form N–3 annually and that the average number of portfolios referenced in each post-effective amendment is 2. The Commission further estimates that the hour burden for preparing and filing a post-effective amendment on Form N–3 is 155.2 hours per portfolio. The total annual hour burden for preparing and filing post-effective amendments is 2172.8 hours (7 post-effective amendments x 2 portfolios x 155.2 hours per portfolio). The estimated annual hour burden for preparing and