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August 17, 2023

The Honorable Sherrod Brown
Chairman
The Honorable Tim Scott
Ranking Member
Committee on Banking, Housing, and Urban Affairs
United States Senate

The Honorable Patrick McHenry
Chairman
The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
House of Representatives

Subject: *Securities and Exchange Commission: Money Market Fund Reforms; Form PF Reporting Requirements for Large Liquidity Fund Advisers; Technical Amendments to Form N-CSR and Form N-1A*

Pursuant to section 801(a)(2)(A) of title 5, United States Code, this is our report on a major rule promulgated by the Securities and Exchange Commission (SEC) entitled “Money Market Fund Reforms; Form PF Reporting Requirements for Large Liquidity Fund Advisers; Technical Amendments to Form N-CSR and Form N-1A” (RIN: 3235-AM80). We received the rule on July 12, 2023. It was published in the *Federal Register* as a final rule on August 3, 2023. 88 Fed. Reg. 51404. The rule amendments are effective October 2, 2023. The amendments to Forms N-1A and N-CSR are effective October 2, 2023, and the amendments to Forms N-CR, N-MFP, and PF are effective June 11, 2024.

According to SEC, this final rule adopts amendments to certain rules that govern money market funds under the Investment Company Act of 1940. 15 U.S.C. §§ 80a-1–80a-64. SEC stated that these amendments are designed to improve the resilience and transparency of money market funds. SEC specified that the amendments will revise the primary rule that governs money market funds to remove the ability for a fund board to temporarily suspend redemptions if the fund's liquidity falls below a threshold. Additionally, SEC stated that the amendments will remove the tie between liquidity thresholds and the potential imposition of liquidity fees. SEC noted that the amendments will also require certain money market funds to implement a liquidity fee framework that will better allocate the costs of providing liquidity to redeeming investors. In addition, SEC stated that it is increasing the daily liquid asset and weekly liquid asset minimum requirements to 25 percent and 50 percent, respectively. With this final rule, SEC stated that it is also amending certain reporting requirements on Form N-MFP and Form N-CR and making certain conforming changes to Form N-1A to reflect amendments to the regulatory framework for money market funds. Furthermore, SEC stated that it is addressing how money market funds with stable net asset values may handle a negative interest rate environment, including by

adopting amendments that will permit these funds to use share cancellation, subject to certain conditions. According to SEC, it is also adopting rule amendments to specify how funds must calculate weighted average maturity and weighted average life. In addition, SEC stated that it is adopting amendments to Form PF concerning the information large liquidity fund advisers must report for the liquidity funds they advise. Finally, SEC noted that it is adopting two technical amendments to Form N-CSR and Form N-1A to correct errors from recent SEC rulemakings.

Enclosed is our assessment of SEC's compliance with the procedural steps required by section 801(a)(1)(B)(i) through (iv) of title 5 with respect to the rule. If you have any questions about this report or wish to contact GAO officials responsible for the evaluation work relating to the subject matter of the rule, please contact Shari Brewster, Assistant General Counsel, at (202) 512-6398.

A handwritten signature in black ink, reading "Shirley A. Jones". The signature is written in a cursive, flowing style.

Shirley A. Jones
Managing Associate General Counsel

Enclosure

cc: Vanessa A. Countryman
Secretary
Securities and Exchange Commission

REPORT UNDER 5 U.S.C. § 801(a)(2)(A) ON A MAJOR RULE
ISSUED BY THE
SECURITIES AND EXCHANGE COMMISSION
ENTITLED
“MONEY MARKET FUND REFORMS;
FORM PF REPORTING REQUIREMENTS FOR LARGE LIQUIDITY FUND ADVISERS;
TECHNICAL AMENDMENTS TO FORM N-CSR AND FORM N-1A”
(RIN: 3235-AM80)

(i) Cost-benefit analysis

The Securities and Exchange Commission (SEC) conducted an economic analysis of this final rule. This analysis included in-depth discussions of the benefits and costs of the following revisions: the removal of the tie between the weekly liquid asset threshold and liquidity fees and redemption gates; the increase in daily and weekly liquid asset requirements; the alteration of stress testing requirements for money market funds; the amendments concerning liquidity fees; the amendments related to potential negative interest rates; the amendments regarding disclosures; the calculation of weighted average maturity and weighted average life; and the revised Form PF requirements for large liquidity fund advisers.

(ii) Agency actions relevant to the Regulatory Flexibility Act (RFA), 5 U.S.C. §§ 603–605, 607, and 609

In this final rule, SEC certified that the rule will not have a significant economic impact on a substantial number of small entities.

(iii) Agency actions relevant to sections 202–205 of the Unfunded Mandates Reform Act of 1995, 2 U.S.C. §§ 1532–1535

As an independent regulatory agency, SEC is not subject to the Act.

(iv) Other relevant information or requirements under acts and executive orders

Administrative Procedure Act, 5 U.S.C. §§ 551 *et seq.*

On February 8, 2022, SEC published a proposed rule to amend Form N-CR and Form N-MFP, among other amendments. 87 Fed. Reg. 7248. In response to this proposed rule, SEC received comment letters from a variety of commenters, including funds and investment advisers, law firms, other fund service providers, investor advocacy groups, professional and trade associations, and interested individuals. SEC summarized these comments and responded to them in this final rule.

Additionally, on February 17, 2022, SEC published a proposed rule to amend Form PF, among other amendments. 87 Fed. Reg. 9106. SEC stated that with this final rule, SEC is adopting the Form PF amendments largely as recommended by the proposed rule.

SEC also stated that with this final rule, SEC is adopting two technical amendments to Form N-CSR and Form N-1A to correct errors from recent SEC rulemakings. With regard to

these technical amendments, SEC found good cause that publishing the amendments for comment is unnecessary since they are ministerial in nature.

Paperwork Reduction Act (PRA), 44 U.S.C. §§ 3501–3520

SEC determined that this final rule contains information collection requirements under the Act. SEC submitted the requirements to the Office of Management and Budget (OMB) for review in accordance with the Act. The titles for the existing collections of information are: (1) “Rule 2a-7 under the Investment Company Act of 1940, Money market funds” (OMB Control Number 3235-0268); (2) “Form N-1A under the Securities Act of 1933 and under the Investment Company Act of 1940, registration statement of open-end management investment companies” (OMB Control Number 3235-0307); (3) “Rule 30b1-8 under the Investment Company Act of 1940, Current report for money market funds and Form N-CR, Current report, money market fund material events” (OMB Control Number 3235-0705); (4) “Rule 30b1-7 under the Investment Company Act of 1940, Monthly report for money market funds and Form N-MFP, Monthly schedule of portfolio holdings of money market funds” (OMB Control Number 3235-0657); (5) “Form PF and Rule 204(b)-1” (OMB Control Number 3235-0679); and (6) “Rule 31a-2: Records to be preserved by registered investment companies, certain majority-owned subsidiaries thereof, and other persons having transactions with registered investment companies” (OMB Control Number 3235-0179). SEC provided burden estimates for the information collections.

Statutory authorization for the rule

SEC promulgated this final rule pursuant to various sections of title 15 of the United States Code, particularly the Investment Company Act (15 U.S.C. §§ 80a-1–80a-64), the Investment Advisers Act (15 U.S.C. §§ 80b-1–80b-21), the Securities Act (15 U.S.C. §§ 77a–77aa), and the Securities Exchange Act (15 U.S.C. §§ 78a–78rr).

Executive Order No. 12866 (Regulatory Planning and Review)

As an independent regulatory agency, SEC is not subject to the Order.

Executive Order No. 13132 (Federalism)

As an independent regulatory agency, SEC is not subject to the Order.