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March 18, 2010

The Honorable Christopher J. Dodd  
Chairman  
The Honorable Richard C. Shelby  
Ranking Minority Member  
Committee on Banking, Housing, and Urban Affairs  
United States Senate

The Honorable Barney Frank  
Chairman  
The Honorable Spencer Bachus  
Ranking Minority Member  
Committee on Financial Services  
House of Representatives

Subject: *Securities and Exchange Commission: Money Market Fund Reform*

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 (Commission), entitled “Money Market Fund Reform” (RIN: 3235-AK33). We received the rule on February 24, 2010. It was published in the *Federal Register* as a final rule on March 4, 2010, with a stated effective date of May 5, 2010. 75 Fed. Reg. 10,060.

The final rule amends the regulations that govern money market funds. The rule will tighten risk-limiting conditions by, among other things, requiring money market funds to maintain a portion of their portfolios in instruments that can be readily converted to cash, reducing the maximum weighted average maturity of portfolio holdings, and improving the quality of portfolio securities. The rule will also require money market funds to report their portfolio holdings monthly to the Commission and permit a money market fund that has “broken the buck” (i.e., re-priced its securities below \$1.00 per share), or is at imminent risk of breaking the buck, to suspend redemptions to allow for the orderly liquidation of fund assets. The Commission designed the rule to make money market funds more resilient to certain short-term market risks, and to provide greater protections for investors in a money market fund that is unable to maintain a stable net asset value per share.

Enclosed is our assessment of the Commission's compliance with the procedural steps required by section 801(a)(1)(B)(i) through (iv) of title 5 with respect to the rule. Our review of the procedural steps taken indicates that the Commission complied with the applicable requirements.

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 Shirley A. Jones, Assistant General Counsel, at (202) 512-8156.

signed

Robert J. Cramer  
Managing Associate General Counsel

Enclosure

cc: Elizabeth Murphy  
Secretary of the 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 REFORM"  
(RIN: 3235-AK33)

(i) Cost-benefit analysis

The Securities and Exchange Commission (the Commission) analyzed the costs and benefits of this final rule and concluded that the benefits justify the costs. The Commission believes that the benefits of this rule include reducing money market funds' exposure to credit, interest rate, and liquidity risks, among other benefits. The Commission also recognized that this rule may cause the yields of funds to decrease in some circumstances, among other costs. The costs associated with the information collection requirements of the rule are discussed below.

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

The Commission determined that this final 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, the Commission 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.

The Commission published a proposed rule on June 30, 2009. 74 Fed. Reg. 32,688. The Commission received approximately 120 comments on the proposed rule, including approximately 45 comments from investment companies and their representatives, 22 from debt security issuers, and 30 from individuals, including investors and academics. The Commission responded to the comments in the final rule. 75 Fed. Reg. 10,062–109.

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

The Commission determined that this final rule contains three new information collections requirements and revises three existing information collection

requirements under the Act. The Commission has submitted these information collection requirements to the Office of Management and Budget (OMB) for review. The new information collection requirements of this rule are entitled: (1) “Rule 22e-3 under the Investment Company Act of 1940, Exemption for liquidation of money market funds,” (OMB Control Number 3235-0654), (2) “Rule 30b1-7 under the Investment Company Act of 1940, Monthly report for money market funds,” (OMB Control Number 3235-0653), and (3) “Form N-MFP under the Investment Company Act of 1940, Portfolio Holdings of Money Market Funds” (OMB Control Number 3235-0653). The existing information collection requirements revised by this rule are entitled: (1) “Rule 2a-7 under the Investment Company Act of 1940, Money market funds” (OMB Control Number 3235-0268), (2) “Rule 30b1-6T under the Investment Company Act of 1940, Weekly portfolio report for certain money market funds” (OMB Control Number 3235-0652), and (3) “Rule 38a-1 under the Investment Company Act of 1940, Compliance procedures and practices of registered investment companies” (OMB Control No. 3235-0586). The Commission estimates that the total burden hours associated with the amendments to the 2a-7 information collection requirement will increase the renewal estimate to 395,779 hours annually. The Commission estimates that the total annual burden associated with the 22e-3 information collection for all money market funds and conduit funds will be approximately 110 minutes. The Commission estimates that the total annual burden associated with Form N-MFP information collection will be 94,189 burden hours, on average, for all money market funds in the first three years. Finally, the Commission estimates that the total annual burden associated with the 30b1-6T information collection will be 2100 hours for all money market funds required to submit portfolio schedules.

#### Statutory authorization for the rule

The Commission promulgated this final rule under the authority of sections 6(c), 8(b), 22(c), 22(e), 30(b), 31(a), and 38(a) of the Investment Company Act of 1940. 15 U.S.C. §§ 80a-6(c), 80a-8(b), 80a-22(c), 80a-22(e), 80a-29(b), 80a-30(a), and 80a-37(a).

The Investment Company Act of 1940 and the Securities Act of 1933, 15 U.S.C. §§ 78w(a), 78c(f)

The Investment Company Act of 1940 and the Securities Act of 1933 require the Commission to determine whether a rulemaking will promote efficiency, competition, and capital formation. The Commission analyzed the provisions of this final rule and determined that the provisions would either promote efficiency, competition, and capital formation or have no effect on efficiency, competition, and capital formation.