

Respondents to Rule 15c1-7 consist of broker-dealers that effect security transactions with or for a customer account over which the broker-dealer has discretion.

The Commission estimates that 500 respondents collect information annually under Rule 15c1-7 and that approximately 33,333 hours would be required annually for these collections.

- **Rule 15Aj-1—Amendments and Supplements to Registration Statements of Securities Associations**

Rule 15Aj-1 implements the requirements of sections 15A, 17, and 19 of the Act by requiring every association registered as, or applying for registration as, a national securities association or as an affiliated securities association to keep its registration statement up-to-date by making periodic filings with the Commission on Form X-15AJ-1 and Form X-15AJ-2.

Rule 15Aj-1 requires a securities association to promptly notify the Commission after the discovery of any inaccuracy in its registration statement or in any amendment or supplement thereto by filing an amendment to its registration statement on Form X-15AJ-1 correcting such inaccuracy. The rule also requires an association to promptly notify the Commission of any change which renders no longer accurate any information contained or incorporated in its registration statement or in any amendment or supplement thereto by filing a current supplement on Form X-15AJ-1. Rule 15Aj-1 further requires an association to file each year with the Commission an annual consolidated supplement on Form X-15AJ-2.

The information required by Rule 15Aj-1 and Forms X-15AJ-1 and X-15AJ-2 is intended to enable the Commission to carry out its statutorily mandated oversight functions and to assure that registered securities associations are in compliance with the Act. This information is also made available to members of the public. Without the requirements imposed by the rule, the Commission would be unable to fulfill its regulatory responsibilities.

There is presently only one registered securities association, which registered in 1939, subject to the rule. The burdens associated with Rule 15Aj-1 requirements have been borne by only one securities association since Rule 15Aj-1 was adopted. Furthermore, the burdens associated with Rule 15Aj-1 vary depending on whether amendments and current supplements are filed on Form X-15AJ-1 in addition to an annual consolidated supplement filed on Form X-15AJ-2. The Commission staff estimates the burden

in hours necessary to comply with the rule by filing an amendment or a current supplement on Form X-15AJ-1 to be approximately one-half hour, with a related cost of \$12, per response. The Commission staff estimates the burden in hours necessary to comply with the rule by filing an annual consolidated supplement on Form X-15AJ-2 to be approximately three hours, with a related cost of \$96. Therefore, the Commission staff estimates that the total annual related reporting cost associated with the rule to be upwards of \$96, assuming a minimum filing of an annual consolidated statement on Form X-15AJ-2, with additional filings on Form X-15AJ-1 correspondingly increasing such reporting cost.

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 shall have practical utility; (b) the accuracy of the Commission's estimate of the burden of the proposed collection of information; (c) ways to enhance the quality, utility, and clarity of the information to be 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.

Direct your written comments to Kenneth A. Fogash, Acting Associate Executive Director/CIO, Office of Information Technology, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549.

Margaret H. McFarland,
Deputy Secretary.

Dated: October 30, 2002.
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SECURITIES AND EXCHANGE COMMISSION

Request For Public Comment

Upon written request, copies available from: Securities and Exchange Commission, Office of Filings and Information Services, Washington, DC 20549.

[*Extension:* Rule 2a-7, SEC File No. 270-258, OMB Control No. 3235-0268.]

Notice is hereby given that under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 *et seq.*), the Securities and Exchange Commission (the

“Commission”) is soliciting public comments on the collections 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 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 also must adopt guidelines and procedures relating to certain responsibilities it delegates to the fund's investment adviser. These procedures 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 securities 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 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.

Commission staff estimates that approximately 891 money market funds are subject to the rule each year. The staff estimates that each of these funds spends an average of 539 hours each year to document credit risk analyses, and determinations regarding adjustable rate securities, asset backed securities, and securities subject to a demand feature or guarantee.¹ In addition, each year an estimated average of three money market funds each spends approximately one hour to record (in the board minutes) board determinations and actions in response to certain securities' failure to maintain eligibility standards, or certain events of default or insolvency, and to notify the Commission of the event.² Finally, Commission staff estimates that in the first year of operation, the board of directors, counsel, and staff of an average of 15 new money market fund each spends 38.5 hours to formulate and establish written procedures for stabilizing the fund's NAV and guidelines for delegating certain of the board's responsibilities to the fund's adviser. Based on these estimates, Commission staff estimates the total burden of the rule's paperwork requirements for money market funds to be 480,830 hours.³ This is an increase from the previous estimate of 319,211 hours. The increase is attributable to updated information from money market funds regarding hourly burdens, a more accurate calculation of the component parts of some information collection burdens, and the significant differences in burden hours reported by the funds selected at random to be surveyed in different submission years.

These estimates of burden hours are made solely for the purposes of the Paperwork Reduction Act. The estimates are not derived from a

¹ This average is based on discussions with individuals at money market funds and their advisers. The actual number of burden hours may vary significantly depending on the type and number of portfolio securities held by individual funds.

² This number may vary significantly from year to year.

³ This estimate is based on the following calculation: $(891 \times 539) + (3 \times 1) + (15 \times 38.5) = 480,830$.

comprehensive or even a representative survey or study of Commission rules.

In addition to the burden hours, Commission staff estimates that money market funds will incur costs to preserve records 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.⁴ Commission staff estimates that the amount an individual fund may spend ranges from \$100 per year to \$300,000. Based on an average cost of \$0.0000052 per dollar of assets under management for small and medium-sized funds to \$0.0000024 per dollar of assets under management for large funds,⁵ the staff estimates compliance with rule 2a-7 costs the fund industry approximately \$5 million per year.⁶ 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 \$0.0000097 per dollar of assets under management for large funds, the staff estimates that the total annualized capital/startup costs range from \$0 for small funds to \$20 million for all large funds. Commission staff further estimates, however, that even absent the requirements of rule 2a-7, money market funds would spend at least half of the amount for capital costs (\$10 million) and for record preservation (\$2.5 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.

⁴ The amount of assets under management in money market funds ranges from approximately \$100,000 to \$60.9 billion.

⁵ For purpose of this PRA submission, Commission staff used the following categories for fund sizes: (i) small—money market funds with \$50 million or less in assets under management, (ii) medium—money market funds with more than \$50 million up to and including \$1 billion in assets under management; and (iii) large—money market funds with more than \$1 billion in assets under management.

⁶ The staff estimated the annual cost of preserving the required books and records by identifying the annual costs incurred by several funds and then relating this total cost to the average net assets of these funds during the year. With a total of \$191.3 billion under management in small and medium funds, and \$2,078 billion under management in large funds, the total amount was estimated as follows: $(\$0.0000052 \times \$191.3 \text{ billion}) + (\$0.0000024 \times \$2,078 \text{ billion}) = \5 million .

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 requested on: (a) Whether the collections of information are necessary for the proper performance of the functions of the Commission, including whether the information has practical utility; (b) the accuracy of the Commission's estimate of the burdens 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 Kenneth A. Fogash, Acting Associate Executive Director/CIO, Office of Information Technology, Securities and Exchange Commission, 450 5th Street, NW, Washington, DC 20549.

Dated: October 30, 2002.

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

Agency Meeting

FEDERAL REGISTER CITATION OF PREVIOUS ANNOUNCEMENT:

[67 FR 66433, October 31, 2002].

STATUS: Open Meeting.

PLACE: 450 Fifth Street, NW., Washington, DC.

DATE AND TIME OF PREVIOUSLY ANNOUNCED MEETING: November 6, 2000.

CHANGE IN THE MEETING: Room Change.

The Open Meeting scheduled for Wednesday, November 6, 2002 at 10 a.m. will be held in Room 1C30, the William O. Douglas Room.

At times, changes in Commission priorities require alterations in the scheduling of meeting items. For further information and to ascertain what, if any, matters have been added, deleted or postponed, please contact:

The Office of the Secretary at (202) 942-7070.