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Dated: June 25, 2009.

Rochelle C. Baval,

Office of the Secretary.

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SECURITIES AND EXCHANGE COMMISSION

Proposed Collection; 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, 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), the Securities and Exchange Commission ("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 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 (17 CFR 249.330) 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 each of 757¹ money market funds spends a total of approximately 410 hours² of professional time (at \$193 per hour)³ to record credit risk analyses and determinations regarding adjustable rate securities, asset backed securities and securities subject to a demand feature or

guarantee, for a total of approximately \$59,901,410. The staff further estimates that each of 9 new money market funds spends a total of 15.5 hours of director, legal, and support staff time at a total cost of approximately \$50,487.30 to adopt procedures designed to stabilize the fund's NAV and guidelines regarding the delegation of certain responsibilities to the fund's adviser.⁴ The staff further estimates that on average each of 189 money market funds spends a total of 2.4 hours of director and legal time at a total cost of approximately \$442,260 to review and amend written procedures and guidelines each year.⁵ Finally, the staff estimates that each of 13 money market funds that experience a change in certain eligibility standards for portfolio securities or an event of default or insolvency relating to portfolio securities spends a total of one and a half hours of professional legal time documenting board determinations and notifying the Commission regarding the event, for a total of \$5265.00. Thus, Commission staff estimates the total annual burden of the rule's information collection requirements are 310,983 hours⁶ at an annual cost of \$60,399,422.⁷

The Commission staff estimate of 310,983 burden hours is a decrease from the previous estimate of 1,034,800 hours. The decrease is primarily attributable to the decrease in the number of money market funds and updated information from money market funds regarding hourly burdens, including significant differences in burden hours reported by the funds surveyed in this submission year than those reported by funds in prior submission years.

These estimates of burden hours are made solely for the purposes of the Paperwork Reduction Act. The

⁴ This estimate is based on information from Lipper Inc.'s LANA database for the period of January 1, 2007 through December 31, 2008.

⁵ For PRA purposes we assumed that on average 25% of money market funds would review and update their procedures on an annual basis.

⁶ This estimate is based on the following calculation: 310,370 hours + 139.5 hours + 453.6 hours + 19.5 hours = 310,982.6 hours.

⁷ A significant portion of the recordkeeping burden involves organizing information that the funds already collect when initially purchasing securities. In addition, when a money market fund analyzes a security, the analysis need not be presented in any particular format. Money market funds therefore have a choice of methods for maintaining these records that vary in technical sophistication and formality (e.g., handwritten notes, computer disks, etc.). Accordingly, the cost of preparing these documents may vary significantly among individual funds. The burden hours associated with filing reports to the Commission as an exhibit to Form N-SAR are included in the PRA burden estimate for that form.

¹ See Investment Company Institute, *Trends in Mutual Fund Investing: April 2009* (May 28, 2009), http://www.ici.org/highlights/trends_04_09. These include registered money market funds and series of registered funds.

² 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.

³ The estimated hourly cost was based on the weighted average annual salaries reported for senior business analysts, accountants, floor supervisors, and portfolio managers in SIFMA's *Management & Professional Earnings in the Securities Industry 2008* (Sept. 2008), modified by Commission staff to account for an 1800-hour work-year and multiplied by 5.35 to account for bonuses, firm size, employee benefits and overhead.

estimates are not derived from a 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.⁸ 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,⁹ the staff estimates compliance with rule 2a-7 costs the fund industry approximately \$72.4 million per year.¹⁰ 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 \$48.8 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 (\$24.4 million) and for record preservation (\$36.2 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.

The Commission requests 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 Charles Boucher, Director/CIO, Securities and Exchange Commission, C/O Shirley Martinson, 6432 General Green Way, Alexandria, VA 22312; or send an e-mail to: PRA_Mailbox@sec.gov.

Dated: June 24, 2009.

Florence E. Harmon,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-60164; File No. SR-CBOE-2009-029]

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Order Approving a Proposed Rule Change To Permanently Establish the Quarterly Option Series Program

June 23, 2009.

On May 7, 2009, the Chicago Board Options Exchange, Incorporated ("Exchange" or "CBOE") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act

of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² a proposed rule change to permanently establish its Quarterly Option Series pilot program (the "QOS Program"). The proposed rule change was published for comment in the **Federal Register** on May 21, 2009.³ The Commission received no comment letters on the proposed rule change. This order approves the proposed rule change.

The Exchange established the QOS Program on a pilot basis on July 7, 2006.⁴ The QOS Program allows CBOE to list and trade Quarterly Option Series, which expire at the close of business on the last business day of a calendar quarter. Under the QOS Program, CBOE may select up to five (5) currently listed exchange traded fund ("ETF") or index option classes on which Quarterly Option Series may be opened. The Exchange has selected the following five ETF option classes to participate in the QOS Program: DIAMONDS Trust (DIA) options; Standard and Poor's Depository Receipts/SPDRs (SPY) options; iShares Russell 2000 Index Fund (IWM) options; PowerShares QQQ Trust (QQQQ) options; and Energy Select SPDR (XLE) options. In addition, CBOE may also list Quarterly Option Series on any options classes that are selected by other securities exchanges that employ a similar pilot program under their respective rules.

The Exchange may list series that expire at the end of the next consecutive four (4) calendar quarters, as well as the fourth quarter of the following calendar year. For example, if the Exchange is trading Quarterly Options Series in the month of May 2009, it may list series that expire at the end of the second, third, and fourth quarters of 2009, as well as the first and fourth quarters of 2010. Following the second quarter 2009 expiration, the Exchange could add series that expire at the end of the second quarter of 2010.

For each class of ETF options selected for the QOS Program, the Exchange may list strike prices within \$5 from the

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 59601 (March 19, 2009), 74 FR 13281.

⁴ See Securities Exchange Act Release No. 54123 (July 11, 2006), 71 FR 40558, (July 17, 2006) (SR-CBOE-2006-65). The QOS Program has since been extended and is currently scheduled to expire on July 10, 2009. See Securities Exchange Act Release Nos. 56035 (July 10, 2007), 72 FR 38851, (July 16, 2007) (SR-CBOE-2007-70) (immediately effective rule change extending the QOS Program through July 10, 2008) and 58018 (June 25, 2008), 73 FR 38010 (July 2, 2008) (SR-CBOE-2008-62) (immediately effective rule change extending the QOS Program through July 10, 2009).

⁸ The amount of assets under management in individual money market funds ranges from approximately \$300,000 to approximately \$162 billion.

⁹ 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.

¹⁰ 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 \$1 billion under management in small funds, \$126.8 billion under management in medium funds and \$3.7 trillion under management in large funds, the costs of preservation were estimated as follows: $((0.0051295 \times \$1 \text{ billion}) + (0.0005041 \times \$126.8 \text{ billion}) + (0.0000009 \times \$3.7 \text{ trillion})) = \72.38 million .