

**Supporting Statement for the
Money Market Mutual Funds Asset Reports
(FR 2051a/b; OMB No. 7100-0012)**

Summary

The Board of Governors of the Federal Reserve, under delegated authority from the Office of Management and Budget (OMB), proposes to extend for three years, with revision, the reports of money market mutual funds (FR 2051a,b; OMB No. 7100-0012). The weekly FR 2051a collects data on total shares outstanding for approximately 2,000 money market mutual funds (MMMFs). The monthly FR 2051b collects data on total net assets and portfolio holdings for approximately 600 funds.

Prior to the discontinuance of the M3 monetary aggregate in March 2006, the monthly data were used in the construction of the M3 aggregate. Due to this discontinuance, data from the FR 2051b are no longer necessary. Therefore, the Federal Reserve proposes to discontinue the FR 2051b. The Federal Reserve does not currently administer the FR 2051a or FR 2051b because these reports consist of items the Investment Company Institute (ICI), the trade organization for all mutual funds, collects for its own use and voluntarily shares with the Federal Reserve. ICI determines the data collection procedures and owns the infrastructure used to collect these data, but does not use the FR 2051 reporting forms. The Federal Reserve proposes to renew, without revision, the Federal Reserve's authority to collect the weekly FR 2051a data should the need arise. The attached forms, marked to reflect the proposed change, are for illustrative purposes only. The total annual burden for this voluntary report is estimated to be 6,640 hours. The discontinuance of the FR 2051b would reduce the total annual burden by approximately 22 percent to 5,200 hours.

Background and Justification

In 1980, the redefinition of the monetary aggregates to include the total value of outstanding shares of MMMFs created the need for a timely and reliable flow of data from these institutions. There are two broad categories of MMMFs that offer shares to the public: funds available to retail investors and funds available to institutional investors. The total value of outstanding shares of retail MMMFs continues to be included in M2; the value of both retail and institutional fund shares was included in M3.

In 1981, ICI agreed to collect data from its member MMMFs on behalf of the Federal Reserve. Initially, it collected the total net value of outstanding shares (total assets less expenses and management fees) weekly through a telephone survey (FR 2051a) of all of its member taxable MMMFs. Data on portfolio composition were collected through a monthly mail survey (FR 2051b). Due to the rapid growth and diversity of MMMF shares and the difficulty estimating the investment holdings of these funds, the Federal Reserve developed the FR 2051c to collect weekly information on the value of total shares and holdings of repurchase agreements (RPs) and certificates of deposit (CDs) from a sample of MMMFs.

In 1982, the Federal Reserve instituted the FR 2051d to collect weekly data on MMMF holdings of overnight Eurodollars. In 1983, the Federal Reserve expanded the weekly FR 2051c to include term Eurodollar holdings by MMMFs. In 1997, the Federal Reserve simplified the

FR2051b report and discontinued the FR2051c and FR2051d reports after depository institutions began reporting weekly RPs and Eurodollars to the Federal Reserve net of MMMF holdings.

Prior to the March 2006 discontinuance of the M3 monetary aggregate, the Federal Reserve used data on the portfolio composition of MMMFs reported on the FR 2051b to eliminate double counting in the construction of M3. MMMFs invest large portions of their portfolios at banks, and in some cases, banks include liabilities due to these funds in other reports that were used to construct M3. For example, MMMFs hold large amounts of CDs at commercial banks. Because these deposits were already included in the large time deposit component of M3, money fund holdings of CDs were implicitly reported in two places. Data collected on portfolio composition allowed the Federal Reserve to calculate money fund CD holdings and net this amount from the large time deposit component of M3. Construction of M3 has been discontinued and therefore the Federal Reserve proposes to discontinue the FR 2051b. However, institutional money fund shares data from the FR 2051a are still published as a memorandum item on the Federal Reserve H.6 statistical release, Money Stock Measures.

Weekly aggregated data (measured each Wednesday) on the value of the total outstanding shares at MMMFs are now published in a weekly statistical release by ICI, *Money Market Mutual Fund Assets*. ICI provides its data to the Federal Reserve broken down by individual fund. The Federal Reserve uses the data on the value of outstanding shares of MMMF assets directly in the construction of M2 and to analyze current money market conditions and banking developments.

ICI also collects quarter-end data on total individual retirement account (IRA) balances of MMMFs. Although the Federal Reserve has no report for collecting these data, ICI provides them in aggregate form for use in the construction of the monetary aggregates (retirement related balances are, in general, excluded from M2).

Table 1 summarizes the current use of all MMMF reported data items.

<p style="text-align: center;">Table 1 All MMMF Report Items and their Usages, as of the end of June 2006 unless noted otherwise (not seasonally adjusted)</p>		
Use	Item	\$ Billions
M2, Memo ¹	Total Net Assets of MMMFs (Retail + Institutional)	1,941.1
M2	Total Net Assets: Retail funds	744.9
Memo	Total Net Assets: Institutional funds	1,196.2
M2	Memorandum: MMMF IRA/Keogh balances	173.5 ²

¹ Beginning March 23, 2006, institutional MMMFs were published as a memorandum item on the H.6 release as a result of the discontinuance of the M3 monetary aggregate.

² Data for 2006 Q1.

Description of Information Collection

ICI collects FR 2051 data from its member MMMFs on behalf of the Federal Reserve. ICI determines the procedures used to collect the data and does not currently use the FR 2051a or FR 2051b reporting forms. ICI collects the data items needed by the Federal Reserve, which are described below.

Weekly Report of Assets of Money Market Mutual Funds (FR 2051a)

This information collection consists of one data item, the net value of total shares outstanding (total assets less expenses and management fees) of MMMFs. Originally, ICI collected the data through a telephone survey from all member MMMFs. Currently, the majority of respondents submit data electronically. ICI conducts the survey every Wednesday and provides individual fund data to the Federal Reserve directly.

Monthly Report of Assets of Money Market Mutual Funds (FR 2051b)

This report collects month-end data on total net assets and on selected investments from a sample of large MMMFs. FR 2051b respondents account for about 85 percent of all MMMF assets. Data are collected on U.S. Treasury securities, other U.S. government securities, RPs on U.S. government and federal agency securities, large CDs, Eurodollar deposits, commercial paper, bankers' acceptances, bank notes, other assets, and total net assets. ICI collects these data mostly by fax and completes the survey with a month lag. It provides individual fund data to the Federal Reserve.

Proposed Revision

The Federal Reserve proposes to discontinue the FR 2051b because the primary use of the data was to eliminate the double counting of MMMFs' holdings of large time deposits in the construction of M3. With the discontinuance of M3, the collection of the data is no longer necessary.

Time Schedule for Information Collection and Publication

The ICI conducts the FR 2051a survey as of each Wednesday. The Federal Reserve uses the retail MMMF data for construction of M2, which is published in the Federal Reserve's weekly H.6 statistical release, Money Stock Measures, and in Table 1.10 of the *Federal Reserve Bulletin*. Retail and institutional MMMF data, as well as IRA balances at MMMFs, are also published as separate items on the H.6 release.

Legal Status

The Board's Legal Division has determined that the FR 2051a report is authorized by Section 14, of the Federal Reserve Act, [12 U.S.C. 353 et. seq.] and is voluntary. Individual respondent data are regarded as confidential under the Freedom of Information Act [5 U.S.C. 552(b)(4)].

Consultation outside the Agency

ICI has indicated its willingness to continue to collect and provide to the Federal Reserve all information requested in the FR 2051a.

Estimated Respondent Burden

The current annual burden for the FR 2051a and FR 2051b is estimated to be 6,640 hours, as shown in the following table. The discontinuance of the FR 2051b would reduce the annual burden by 1,440 hours to 5,200 hours. The annual burden for the information collection represents less than 1 percent of the total Federal Reserve paperwork burden for all reports.

	<i>Number of respondents</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Current				
FR 2051a	2,000	52	0.05	5,200
FR 2051b	600	12	0.20	<u>1,440</u>
<i>Total</i>				<u>6,640</u>
Proposed				
FR 2051a	2,000	52	0.05	5,200
<i>Change</i>				(1,440)

The total cost to the public is estimated to decrease from the current level of \$375,160 to \$293,800 for the revised FR 2051a report.[‡]

Sensitive Questions

This collection of information contains no questions of a sensitive nature, as defined by OMB guidelines.

Estimated Cost to the Federal Reserve

The ICI collects, processes, and transmits the data to the Federal Reserve at no charge. Estimates of the Federal Reserve's current annual processing costs for the FR 2051a,b data are \$62,865. Upon elimination of the FR 2051b, estimates would decline to \$41,910, a savings of 33 percent or \$20,955.

[‡] Total cost to the public was estimated using the following formula. Percent of staff time, multiplied by annual burden hours, multiplied by hourly rate: 10% - Clerical @ \$25, 80% - Managerial or Technical @ \$55, and 10% - Senior Management @ \$100. Hourly rate estimates for each occupational group are averages using data from the Bureau of Labor and Statistics, *Occupational Employment and Wages*, news release.