ES/42308

STEPHANIE RAWLINGS-BLAKE

MAYOR

100 Holliday Street, Room 250
Baltimore, Maryland 21202

July 20, 2012

The Honorable Mary Schapiro
Chairman
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Dear Chairman Schapiro:

As Mayor of the City of Baltimore, I am alarmed to hear that the Securities and Exchange Commission (SEC) is seeking fundamental changes to money market mutual funds (MMMFs) that would make them unappealing to many investors and undermine their role as a vital source of financing to our communities.

As partners in developing and maintaining strong local economies, municipal and business leaders share a deep interest in issues concerning the regulation of MMMFs. Local governments and businesses are both users of MMMFs and issuers of securities purchased by these funds. While we support initiatives that strengthen MMMFs, we urge the SEC to refrain from damaging the value and utility of these funds.

As investors, many municipalities and businesses rely upon MMMFs. The fixed $1.00 price per share is a hallmark feature of MMMFs that allow companies and municipalities to invest within approved investment guidelines. Moreover, the ability to invest and redeem shares frequently without fee or restriction allows companies and municipalities to manage liquidity efficiently.

Forcing MMMFs to move to a floating net asset value (floating NAV) or imposing redemption restrictions on fund investors would push both individual and institutional investors—including municipalities and businesses—away from MMMFs and into alternative investment vehicles, with harmful results.

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First, the cash management alternatives that municipalities, businesses, and other investors could turn to are likely to be more difficult to account for and manage, more likely to pose greater market risks, and more expensive, increasing the costs and fees associated with investing. In Baltimore the citizens, as taxpayers, workers, and consumers, will bear those added costs and risks. Second, reducing the capital pool of MMMFs could dampen demand for the short term debt securities that municipalities and companies offer, disrupting the flow of much-needed capital. MMMFs are the largest investor in short-term municipal bonds, holding 74 percent of all outstanding short-term bonds equaling nearly $337 billion*, and purchase almost 40 percent of outstanding corporate commercial paper. Losing this vital investing power could increase the cost of debt issuance for many businesses and municipalities across the country, damaging an already-fragile economy.

I firmly believe that existing regulations, as enhanced by the Commission in 2010, have worked well and contribute meaningfully to these funds' continued stability and viability. I urge the SEC to refrain from any further regulatory changes that would disrupt the existing structure and characteristics of these funds, limit choices for municipalities and businesses, and risk the health of local communities and the American economy.

I thank you for your consideration. If you have any questions, please contact Kaliope Parthemos, Deputy Chief, Office of Economic and Neighborhood Development at (410) 545-7987 or via e-mail at kaliope.parthemos@baltimorecity.gov.

Sincerely,

Stephanie Rawlings-Blake
Mayor
City of Baltimore

cc: Kaliope Parthemos, Deputy Chief, Office of Economic and Neighborhood Development
Mark R. Fetting, Chairman, Chief Executive Officer, Legg Mason
Brian C. Rogers, CFA, Chairman, T. Rowe Price

** Short-term debt includes VRDNs, ARSs, TOBs, and other short-term debt totaling $454 billion, based on data from Municipal Market Advisors.*