May 27, 1988

The Honorable Thomas V. Mike Miller, Jr.
President of the Senate
State House
Annapolis, Maryland 21401

Dear Mr. President:

In accordance with Article II, Section 17 of the Maryland Constitution, I have today vetoed Senate Bill 709.

Senate Bill 709 inadvertently expands the authority of credit unions and savings and loan institutions to invest in mutual funds and money market funds without obtaining the prior approval of the State Bank Commission or the Director of the Division of Savings and Loans. In addition, the bill requires that those investments be limited to direct obligations of the U.S. government.

Investments in mutual funds or money market funds are really investment in the management of the fund, not in a specific security. If the fund is not well managed, the investor may suffer losses. Because it takes a certain level of expertise to determine whether a particular fund is a sound investment, it is a decision that should rest with those entities that have the most knowledge. For the most part, the credit unions and the savings and loan institutions are not sophisticated enough to make those types of decisions.

In addition, not every mutual fund or money market fund whose portfolio is limited to U.S. government securities is acceptable to the State Bank Commissioner and the Director of the Division of Savings and Loans for a particular institution. That is because some of those funds invest in securities of varying natures which carry a greater degree of risk.

Unless the regulators of credit unions and savings and loan institutions retain the right to prevent and limit those institutions from investing in certain securities, the soundness of some of Maryland's depository institutions could be adversely affected.

The Bank Commissioner, the Director of Savings and Loan, and other interested parties have informed me that they will attempt to resolve this matter in a satisfactory fashion.

For those reasons, I have decided to veto Senate Bill 709.

Sincerely,
William Donald Schaefer
Governor