Calvert INVESTMENTS

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April 25, 2011

Ms. Elizabeth M. Murphy, Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: References to Credit Ratings in Certain Investment Company Act Rules and Forms (Release No. IC-29592; File No. S7-07-11)

Dear Ms. Murphy:

We are writing on behalf of Calvert Group, Ltd.[1] ("Calvert") to comment on the Securities and Exchange Commission ("Commission") Rule Proposal on References to Credit Ratings in Certain Investment Company Act Rules and Forms.[2] We recognize that the Commission has proposed amendments to Rules 2a-7 and 5b-3 under the Investment Company Act of 1940 in connection with section 939A of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), which requires the Commission to remove from its regulations any references to or requirements regarding credit ratings that require the use of an assessment of the creditworthiness of a security or money market instrument.

Calvert remains concerned regarding the potential consequences of removing references to credit ratings in Rule 2a-7.[3] With respect to the Rule

[1] Calvert Group, Ltd. is a financial services firm that offers mutual funds and separate accounts to institutional investors, retirement plans, financial intermediaries and their clients. We offer more than 40 equity, bond, cash, and asset allocation investment strategies, many of which feature integrated corporate sustainability and responsibility research. Founded in 1976 and based in Bethesda, Maryland, Calvert has approximately $14.5 billion in assets under management.

[2] *See* References to Credit Ratings in Certain Investment Company Act Rules and Forms, SEC Release No. IC-29592 (March 3, 2011) (the "Rule Proposal").

[3] Calvert has previously expressed its support for the continued use of nationally recognized statistical rating organization rating references in Rule 2a-7. *See* Comment Letter of Calvert Group, Ltd. (September 5, 2008) (File No. S7-19-08), *available at* http://www.sec.gov/comments/s7-19-08/s71908-28.pdf. and Comment Letter of Calvert Group, Ltd. (September 8, 2009) (File No. S7-11-09), *available at* http://www.sec.gov/comments/s7-11-09/s71109-100.pdf .

Proposal specifically, we are concerned that the Commission has not proposed an appropriate and sufficiently uniform standard of creditworthiness in place of the credit ratings currently referenced under Rule 2a-7. In this regard, we believe that the Commission's proposed definitions for "eligible security" and "second tier security" in their current form may increase the amount of lower-quality securities held by money market funds. Calvert opposes any Rule 2a-7 amendments that would have this effect and believes that the proposed amendments would make it more difficult for the Commission to enforce compliance with Rule 2a-7 credit quality standards.

Proposed Definitions

Under the proposed amendments, a security would be a "first tier security" (regardless of the ratings it has received from any credit rating agency) if the fund's board (or its delegate) determines that the issuer (or in the case of a security subject to a guarantee, the guarantor) has the "highest capacity to meet its short-term financial obligations." A security would be a "second tier security"[4] if it is an eligible security but is not a first tier security. A security would be an "eligible security" if the board of directors (or its delegate) determines that it presents minimal credit risks, which determination must be based on factors pertaining to credit quality and the issuer's ability to meet its short-term financial obligations.[5]

We do not believe that the proposed definitions described above would result in the same degree of risk limitation for money market funds prescribed by current Rule 2a-7. The meanings of second tier security and eligible security lack sufficient clarity to establish a clear standard for investment, particularly given the absence of a minimum ratings floor. As such, credit risk determinations would be based solely on the individual and subjective determination of a money market fund board or its delegate and could vary widely among funds.

Rule 2a-7 currently requires (and the proposed amendments would continue to require) that a money market fund invest at least 97 percent of its assets in the highest quality short-term securities. The proposed definitions,

[4] Second tier security has the same definition under current Rule 2a-7 and the Rule Proposal, but the criteria to determine that a security is an eligible security but not a first tier security is different.

[5] The proposed definition of an "eligible security" incorporates the minimal credit risk determination currently found in paragraph (c)(3)(i)of Rule 2a-7.

however, could allow money market funds to invest a significant portion of their assets in second tier securities as currently defined under current Rule 2a-7, or even in securities not currently permitted by the rule.[6] It is not difficult to imagine a fund or its delegate disregarding the lower credit ratings by a rating agency with respect to certain securities in an effort to reach for more yield.

We do not believe that the intent of the Dodd-Frank Act was to lower the credit quality standards for money market funds, and the absence of a clear and uniform standard may have the unfortunate consequence of doing just that. Calvert opposes any proposal that would potentially weaken current credit standards for money market funds. While recognizing the challenges that the Dodd-Frank Act poses for Rule 2a-7 reform, Calvert supports the adoption of a clear and uniform standard that at a minimum maintains current credit quality standards. Furthermore, Calvert would not object to the elimination of first tier and second tier categories if necessary to achieve this goal.

Enforcement of Credit Quality Standards

Under the proposed amendments, Calvert also believes that the Commission would only be able to examine the process for making credit quality determinations, without being able to effectively evaluate the reasonableness of credit risk determinations, in light of the proposed subjective standard that introduces uncertainty regarding second tier securities. In the Rule Proposal, the Commission itself notes that "it could be difficult for the Commission to challenge the determination of a money market fund board (or its delegate) . . . ." This lack of protection to money market funds and their shareholders is particularly worrisome, given the potential weakening of credit standards described herein.

Given the lack of specific requirements under the proposed subjective standard, Calvert also fears the unintended consequence of rule-making by examination from the Commission staff. During the examination process, Commission staff and fund personnel may have differing interpretations of what constitutes eligible securities and second tier securities, resulting in deficiency letters and response letters that entail labor and costs.

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[6] In the Rule Proposal, the Commission itself notes that "a money market fund board (or its delegate) could disregard a second tier rating in order to invest a larger portion of the fund's portfolio in lower quality securities that it classifies as first tier securities."

If you would like to further discuss the points raised in this letter, please feel free to contact William M. Tartikoff or Lancelot A. King at 301-951-4881.

Sincerely,

/s/ William M. Tartikoff
William M. Tartikoff
Senior Vice President and
General Counsel

/s/ Lancelot A. King
Lancelot A. King
Assistant Vice President
and Associate General Counsel