Calvert INVESTMENTS

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September 8, 2009

Via electronic delivery: *rule-comments@sec.gov*
Ms. Elizabeth M. Murphy, Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Release No. IC-28807; File No. S7-11-09

Dear Ms. Murphy:

We are writing on behalf of Calvert Group, Ltd.[1] ("Calvert") to provide comments on the Securities and Exchange Commission ("Commission") Rule Proposal on Money Market Fund Reform.[2] Calvert generally supports the proposals to enable money market funds to better address certain short-term market risks and to provide stronger protection for investors in a money market fund that is unable to maintain a stable net asset value. In summary, the Commission should maintain the use of nationally recognized statistical rating organization ("NRSRO") rating references in Rule 2a-7 of the Investment Company Act of 1940 ("Rule 2a-7") and continue its efforts to improve the ratings process. Furthermore, Calvert supports the Commission's proposal to require money market funds to maintain minimum daily and weekly liquidity requirements; however, we support the Investment Company Institute Money Market Working Group's recommendation for a uniform standard that calls for a minimum five percent daily requirement for taxable funds and a minimum 20 percent weekly requirement for all funds, without designating funds as retail or institutional. Finally, Calvert opposes any amendment to Rule 2a-7 that would require a floating net asset value for money market funds because the resultant detrimental effects to fund investors and the capital markets would outweigh any potential reduction in systemic risk.

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[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 50 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 $13.5 billion in assets under management.
[2] *See* Money Market Fund Reform, SEC Release No. IC-28807 (June 30, 2009) (the "Rule Proposal").

Use of NRSROs

The Commission has requested comment again on its proposed elimination of the use of NRSRO ratings in Rule 2a-7. Calvert submitted a detailed comment letter last year[3] opposing the Commission's proposal[4] (the "Letter"). We reiterate our support of the continued use of NRSRO rating references in Rule 2a-7. As stated in the Letter, Calvert believes that the wisest course of action is to fix the ratings process and urges the Commission to refrain from uprooting a basic element of Rule 2a-7 that has fostered and protected the fund industry and fund shareholders for over 25 years. With that said, Calvert supports the Commission's efforts to address issues in the rating process, including conflicts of interest, and believes that integrity can be restored to the ratings process through reform. In the Letter, Calvert also expressed concern that the elimination of the floor provided by the NRSRO ratings requirement could contribute to a "race to the bottom where money funds reach for more and more yield in a downward, risk-promoting spiral." Calvert also noted that Rule 2a-7 requires a fund board to conduct adequate independent credit analysis of fund investments, and that a fund board cannot solely rely on credit ratings. Finally, Calvert explained that the proposal would undercut the efficiency associated with the use of a common market language by delinking a money market fund's regulatory compliance standard from that language, which would make it more difficult for investors to efficiently compare different money market funds.

Minimum Daily and Weekly Portfolio Liquidity Requirements

Although Calvert supports the proposal to require money market funds to maintain minimum daily and weekly liquidity requirements, we oppose the addition of two new definitions to Rule 2a-7 to distinguish between retail and institutional money market funds and the requirement for a money market fund board to determine whether the fund is an institutional money market fund for purposes of meeting the liquidity requirements.

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[3] *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.

[4] *See* References to Ratings of Nationally Recognized Statistical Rating Organizations, SEC Release No. IC-28327 (July 1, 2008).

The proposed definition of an institutional fund[5] relies on subjective factors, which could lead to a lack of uniformity in the industry, even if funds make the determination in good faith. There are also practical difficulties; for example, ascertaining the "nature of the record owners of fund shares" would be difficult with respect to omnibus accounts, which may have a wide variety of underlying shareholders. We support the Investment Company Institute Money Market Working Group's recommendation for a uniform standard that calls for a minimum five percent daily requirement for taxable funds and a minimum 20 percent weekly requirement for all funds. This uniform standard, along with the Commission's other proposals, would significantly reduce liquidity risk.

If the Commission resolves to require the categorization of funds as retail or institutional, the determination whether a fund is an institutional money market fund is better suited for a fund's investment adviser than a fund board, whose responsibility should reflect oversight duties, not day-to-day functions. The close monitoring of purchase and redemption activity in a fund, which would be necessary for a responsible determination of whether a fund is an institutional money market fund under the proposed rule, is more proper for a fund's investment adviser.

Floating Net Asset Value

Calvert opposes any amendment to Rule 2a-7 that would require a floating net asset value for money market funds. It would be a mistake to dispose of such an essential feature of a popular investment vehicle that has served investors and the capital markets so well for so long. As the Commission itself notes in the Rule Proposal, a stable net asset value offers administrative, tax and cash management conveniences popular with investors. The elimination of a stable $1.00 net asset value would create a significant risk that a large number of investors would exit money market funds to invest in other investment vehicles, which could have a deleterious effect on short-term credit markets. Lastly, a

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[5] *Institutional Fund* means a money market fund whose board of directors determines, no less frequently than once each calendar year, is intended to be offered primarily to institutional investors or has the characteristics of such a fund, based on the:

(i) Nature of the record owners of the fund's shares;
(ii) Minimum initial investment requirements; and
(iii) Historical cash flows that have resulted or expected cash flows that would result from purchases and redemptions.

floating net asset value would not materially reduce systemic risk, in particular the risk of large outflows from money market funds in a time of crisis.[6]

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Should you 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

[6] *See* Investment Company Institute, Report of the Money Market Working Group, at 105-107 (Mar. 17, 2009), *available at* http://www.ici.org/pdf/ppr_09_mmwg.pdf, for the argument that fixed-income funds with floating net asset values can still experience significant outflows during periods of financial distress.