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1940 Act / Sections 12(d)(1), 17(a)

April 1, 2015

Douglas J. Scheidt, Esq.
Associate Director and Chief Counsel
Division of Investment Management
United States Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-2736

Re: **Franklin Templeton Investments**

Dear Mr. Scheidt:

We are writing to request, on behalf of the open-end investment companies registered under the Investment Company Act of 1940 ("1940 Act") within the Franklin Templeton Investments family of funds (collectively, the "Funds") that are managed by investment managers ("Managers") that are under the direct or indirect control of Franklin Templeton Investments ("FTI"),[1] assurances that the staff of the Division of Investment Management (the "Staff") will not recommend enforcement action to the United States Securities and Exchange Commission (the "Commission") under Sections 12(d)(1) and 17(a) of the 1940 Act against the Managers or the Funds if, under the circumstances described below, certain Funds ("Funds of Funds") invest in other Funds ("Underlying Funds") that invest in a common Fund ("Central Fund") for purposes of efficient portfolio management.

Background

Various Funds currently invest a portion of their respective assets directly in similar floating rate instruments. FTI intends to create the Central Fund to centralize the

[1] Franklin Resources, Inc., a global investment management organization, operates as Franklin Templeton Investments. Franklin Templeton Investments is engaged primarily, through various subsidiaries, in providing investment management, share distribution, transfer agent and administrative services to open- and closed-end funds in the United States and overseas.

portfolio management of floating rate instruments. FTI believes creation of the Central Fund would reduce the trading and settlement costs and other operational inefficiencies associated with managing each Fund's investments in floating rate instruments separately. The Central Fund would be registered as an open-end management investment company under the 1940 Act and would be offered exclusively to Funds. Subsequent to the formation of the Central Fund, the various Funds that currently invest directly in floating rate instruments instead would invest some or all of the relevant portions of their respective portfolios in shares of the Central Fund. With the larger base of assets from the investments by the respective Funds in the Central Fund, FTI believes that the Central Fund could obtain greater efficiencies as a result of aggregation of virtually identical assets in the Central Fund. For example, consolidating portfolio transactions in the Central Fund will necessarily reduce the trading and settlement costs associated with the current direct investment approach that has been utilized. In light of the operational complexity involved with investing directly in floating rate instruments, FTI believes that a more centralized investment program will facilitate investment by the Funds.[2]

Certain Funds would invest in the Central Fund in reliance on Section 12(d)(1)(G) of the 1940 Act, which generally allows open-end investment companies to invest in shares of other open-end investment companies in the same group of investment companies. However, some Funds that would benefit from investing in the Central Fund may be Underlying Funds in which Funds of Funds have invested in reliance on Section 12(d)(1)(G). Under the terms of Section 12(d)(1)(G), each Underlying Fund has adopted a policy that the Underlying Fund will not acquire securities of another registered open-end investment company in reliance on Section 12(d)(1)(G) or Section 12(d)(1)(F). In order to invest in shares of the Central Fund, an Underlying Fund would have to modify its policy to allow for this exception.[3] By modifying its policy, however, an Underlying Fund may no longer be an eligible investment for a Fund of Funds operating in reliance on Section 12(d)(1)(G).

FTI believes that permitting a Fund of Funds to invest in an Underlying Fund that invests in the Central Fund would be beneficial for the shareholders of the Fund of Funds.[4] FTI also believes that the investment by a Fund of Funds in an Underlying Fund under these circumstances, subject to the limitations noted below, would not create any policy concerns under Sections 12(d)(1) or 17(a).

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[2] Although the Central Fund described in this letter would invest in floating rate securities, there could be other situations where Managers manage certain categories of assets or securities in the portfolios of multiple Funds and where similar efficiencies could be realized by aggregating those assets or securities in a Central Fund. The requested assurances also would apply to those similar situations.

[3] The utilization of a Central Fund also would be appropriately disclosed to shareholders of the Underlying Funds and the Funds of Funds.

[4] No Fund would invest in a Fund of Funds, and a Fund of Funds would not knowingly sell its securities to any other investment companies or companies controlled by such investment companies, beyond the limits set forth in Section 12(d)(1)(B) of the 1940 Act.

Relevant Law

Section 12(d)(1)(A) of the 1940 Act prohibits a registered investment company from acquiring the securities of any other investment company if, immediately after the acquisition: (a) the acquiring company owns more than 3% of the total outstanding voting stock of the acquired company ("3% Limit"), (b) the value of the securities of the acquired company exceeds 5% of the total assets of the acquiring company ("5% Limit"), or (c) the aggregate value of those securities and the securities of all other investment companies owned by the acquiring company exceeds 10% of its total assets ("10% Limit").

Section 12(d)(1)(B) of the 1940 Act prohibits a registered open-end investment company, its principal underwriter and any broker or dealer from selling or otherwise disposing of any of the shares of the investment company to another investment company if immediately after such sale or disposition: (a) more than 3% of the total outstanding voting stock of the acquired company is owned by the acquiring company and any company or companies controlled by it, or (b) more than 10% of the total outstanding voting stock of the acquired company is owned by the acquiring company and other investment companies and companies controlled by them.

Section 12(d)(l)(G) provides, in relevant part, that Section 12(d)(1) will not apply to securities of a registered open-end investment company or registered unit investment trust if:

(I) the acquired company and the acquiring company are part of the same group of investment companies;

(II) the securities of the acquired company, securities of other registered open-end investment companies and registered unit investment trusts that are part of the same group of investment companies, government securities, and short term paper are the only investments held by the acquiring company;

(III) with respect to

(aa) securities of the acquired company, the acquiring company does not pay and is not assessed any charges or fees for distribution-related activities, unless the acquiring company does not charge a sales load or other fees or charges for distribution-related activities; or

(bb) securities of the acquiring company, any sales loads and other distribution-related fees charged, when aggregated with any sales load and distribution-related fees paid by the acquiring company with respect to securities of the acquired company, are not excessive under rules adopted pursuant to section 22(b) or section 22(c) by a securities association registered under section 15A of the 1934 Act, or the Commission; [and]

(IV) the acquired company has a policy that prohibits it from acquiring any securities of registered open-end investment companies or registered unit investment trusts in

reliance on Section 12(d)(1)(G) of the 1940 Act or Section 12(d)(1)(F) of the 1940 Act.

Section 17(a) of the 1940 Act generally prohibits the purchase or sale of securities between a registered investment company and its affiliated persons or affiliated persons of such persons. An "affiliated person" of another person is defined in Section 2(a)(3) of the 1940 Act to include:

(B) any person 5 per centum or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by such other person; and

(C) any person directly or indirectly controlling, controlled by, or under common control with, such other person.

Legal Analysis

Funds of Funds currently invest in Underlying Funds in reliance on Section 12(d)(1)(G). Consistent with Section 12(d)(1)(G)(IV), each of these Underlying Funds has a policy that prohibits it from acquiring any securities of registered open-end investment companies in reliance on Section 12(d)(1)(G) or Section 12(d)(1)(F). If the Underlying Funds amend these policies so that an Underlying Fund may rely on Section 12(d)(1)(G) for the sole purpose of investing in a Central Fund, the Funds of Funds may no longer be able to rely on Section 12(d)(1)(G) to invest in the Underlying Funds. Without the availability of Section 12(d)(1)(G) for investments in the Underlying Funds, a Fund of Funds likely would exceed one or more of the limits of Section 12(d)(1)(A) with respect to the acquisition of shares of the Underlying Funds, and the Underlying Funds likely would exceed one or more of the limits of Section 12(d)(1)(B) with respect to the sale of shares to the Funds of Funds.

Section 12(d)(1) reflects an attempt by Congress to address certain abuses arising in connection with fund of funds structures including: (i) unnecessary duplication of costs (such as sales loads, advisory fees, and administrative costs); (ii) diversification without any clear benefit; (iii) undue influence by a fund holding company over its underlying funds; (iv) the threat of large-scale redemptions of the securities of the underlying investment companies; and (v) unnecessary complexity.[5]

FTI believes that any concerns about undue influence underlying Section 12(d)(1) are addressed by the fact that the Funds of Funds and Underlying Funds will be in the same group of investment companies. FTI believes that the other abuses that Section 12(d)(1) was intended to prevent are not implicated if a Fund of Funds invests in the Underlying Funds under the following circumstances:

- The investment by a Fund of Funds in an Underlying Fund would comply with the provisions of Section 12(d)(1)(G) except that the Underlying Fund would have an exception to its policy

[5] Report of the Securities and Exchange Commission on the Public Policy Implications of Investment Company Growth, H.R. Rep. No. 2337, 89th Cong., 2d Sess., 311-324 (1966).

not to acquire securities of a registered open-end investment company in reliance on Section 12(d)(1)(G) solely for the purpose of acquiring shares of a Central Fund for purposes of efficient portfolio management.

- An Underlying Fund would not exceed the 5% Limit with respect to an investment in shares of a Central Fund, or the 10% Limit with respect to investments in investment companies, including the Central Fund, and companies relying on Section 3(c)(1) or 3(c)(7) of the 1940 Act.
- The Manager to an Underlying Fund would waive management fees otherwise payable by the Underlying Fund to the Manager in an amount equal to any management fees paid by the Central Fund to a Manager.
- Shares of the Central Fund will not be subject to a sales load, redemption fee, or a distribution fee under a plan adopted in accordance with Rule 12b-1 under the 1940 Act.
- The Central Fund will not acquire securities of any investment company or company relying on Section 3(c)(1) or 3(c)(7) of the 1940 Act in excess of the limits contained in Section 12(d)(1)(A) of the 1940 Act.
- Prior to the initial investment by an Underlying Fund in the Central Fund, the board of directors ("Board") of each of the Fund of Funds and the Underlying Fund, including a majority of the disinterested Board members, will consider (i) the reasons for the Underlying Fund's proposed investment in the Central Fund, and (ii) the benefits expected to be realized from such investment by the Fund of Funds or the Underlying Fund, as appropriate, and its shareholders. In the event of a material change in the investment policies, strategies, objectives or restrictions of the Fund of Funds, the Underlying Fund, or the Central Fund, the Board, including a majority of the disinterested Board members, of the Fund of Funds or the Underlying Fund, as appropriate, will consider the continuing appropriateness of the Underlying Fund's investment in the Central Fund.

In addition, an Underlying Fund might be considered an affiliated person of the Fund of Funds under Section 2(a)(3)(B) of the 1940 Act if the Fund of Funds owns 5% or more of the shares of an Underlying Fund, or under Section 2(a)(3)(C) of the 1940 Act if the Fund of Funds controls or is under common control with an Underlying Fund.[6] Accordingly, the sale of shares by an Underlying Fund to a Fund of Funds could be considered the sale of property by an affiliated person to a registered investment company prohibited by Section 17(a)(1) of the 1940 Act. A redemption of shares of an Underlying Fund by a Fund of Funds also might be

[6] Section 2(a)(9) of the 1940 Act provides that any person who owns beneficially more than 25% of the voting securities of a company shall be presumed to control such company. Accordingly, if a Fund of Funds owned more than 25% of the shares of an Underlying Fund, the Fund of Funds would be presumed to control the Underlying Fund. Funds in a fund complex also may be viewed as under the common control of an investment adviser if the adviser exercises a controlling influence over the management or policies of the funds. The Commission has noted that the determination of whether a fund is under the control of its adviser depends upon all the relevant facts and circumstances. *See* Investment Company Mergers, Investment Company Act Release No. 25259, n. 11 (Nov. 8, 2001).

considered a purchase of property by an affiliated person from a registered investment company prohibited by Section 17(a)(2) of the 1940 Act.

The Staff previously has indicated that the intent of Congress in codifying Section 12(d)(1)(G) of the 1940 Act would be frustrated by requiring funds relying on Section 12(d)(1)(G) to obtain relief from Section 17(a) with respect to these types of affiliated transactions.[7] FTI believes that even though the investment by a Fund of Funds in an Underlying Fund would not be fully compliant with the provisions of Section 12(d)(1)(G) for the reasons discussed above, sales and purchases of Underlying Fund shares by an Underlying Fund in transactions with a Fund of Funds for cash at net asset value are fully consistent with the transactions that Congress contemplated within a fund of funds arrangement involving funds within the same group of investment companies and do not raise any additional policy concerns under Section 17(a).

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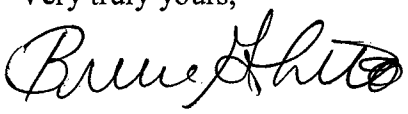
For the reasons set forth above, we respectfully request that the Staff confirm that it will not recommend enforcement action to the Commission under Sections 12(d)(1) and 17(a) of the 1940 Act against the Managers or the Funds if, under the circumstances described above, a Funds of Funds acquires shares of Underlying Funds that acquire shares of a Central Fund for purposes of efficient portfolio management.

Should you require additional factual information or further analysis, please contact me at (215) 564-8115 or Michael Mundt at (202) 419-8403. If the staff is unable to confirm that it will not seek enforcement action based on this letter, I would appreciate it if you would contact me to discuss possible revisions or additional submissions. Thank you for your consideration of this matter.

Very truly yours,



Bruce G. Leto

[7] Affiliated Fund of Funds – Section 12(d)(1) of the Investment Company Act (October 19, 2012), available at http://www.sec.gov/divisions/investment/issues-of-interest.shtml#aff.