

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 2906 / July 20, 2009

INVESTMENT COMPANY ACT OF 1940
Release No. 28821 / July 20, 2009

ADMINISTRATIVE PROCEEDING
File No. 3-11572

In the Matter of

FRANKLIN ADVISERS, INC.,

Respondent.

ORDER MODIFYING RESPONDENT'S
OBLIGATION TO UNDERGO THIRD PARTY
COMPLIANCE REVIEWS

I.

On August 2, 2004, the Securities and Exchange Commission ("Commission") instituted public administrative and cease-and-desist proceedings pursuant to Sections 203(e) and 203(k) of the Investment Advisers Act of 1940 ("Advisers Act") and Sections 9(b) and 9(f) of the Investment Company Act of 1940 ("Investment Company Act") against Franklin Advisers, Inc. ("Franklin" or "Respondent").¹

¹

Respondent is a subsidiary of Franklin Resources, Inc. ("FRI"). FRI and its subsidiaries operate under the name "Franklin Templeton Investments," here shortened to "FT." Through the subsidiaries, FT provides a broad range of investment advisory, investment management, and related services to open-end investment companies, including a family of over 100 retail mutual funds referred to herein as the "FT funds."

II.

In anticipation of the proceedings, Franklin consented to the entry of an Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 203(e) and 203(k) of the Investment Advisers Act of 1940 and Sections 9(b) and 9(f) of the Investment Company Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (the “2004 Order”).² Among other things, the 2004 Order required Franklin to cease and desist from further violations of the federal securities laws, directed Franklin to pay disgorgement and civil money penalties, and directed Franklin to comply with various undertakings.

As part of the 2004 Order, Franklin undertook to undergo, at least once every other year beginning in 2005, a compliance review by a third party concerning Franklin’s “supervisory, compliance, and other policies and procedures designed to prevent and detect breaches of fiduciary duty and federal securities law violations by Franklin and its employees in connection with their duties and activities on behalf of and related to the FT funds.” 2004 Order, Section IV.E.

III.

Franklin has submitted an Amended Offer of Settlement (the “Offer”) proposing to relieve it of the obligation to continue to have a third party periodically review its compliance controls, which the Commission has determined to accept. Solely for purposes of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over it and the subject matter of these proceedings, which are admitted, Franklin consents to the entry of this Order Modifying Respondent’s Obligation to Undergo Third Party Compliance Reviews (“Order”), as set forth below.

IV.

The Commission deems it appropriate and in the public interest to amend the 2004 Order as agreed to in Franklin’s Offer.

Accordingly, IT IS HEREBY ORDERED that:

A. Section IV.E. of the 2004 Order is amended as follows to order:

E. *Compliance Review.* In 2005 and 2007, Franklin shall undergo a compliance review by a third party, who is not an interested person, as defined in the Investment Company Act, of Franklin. At the conclusion of these reviews, the third party shall issue a report of its findings and recommendations concerning Franklin’s supervisory, compliance, and other policies and procedures designed to prevent and detect breaches of fiduciary duty and federal securities law violations by Franklin and its

² See Advisers Act Rel. No. IA-2271, August 2, 2004, Admin. Proc. File No. 3-11572.

employees in connection with their duties and activities on behalf of and related to the FT funds. The reports shall be promptly delivered to Franklin's chief compliance officer, the independent trustees and directors of the FT funds, and to the Compliance or Audit Committee of the board of trustees or directors of each FT fund.

B. All other provisions of the 2004 Order remain in effect.

By the Commission.

Elizabeth M. Murphy
Secretary