

TEMPLETON DRAGON FUND INC
Form 40-17F2
February 25, 2009

**U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM N-17F-2

**CERTIFICATE OF ACCOUNTING OF SECURITIES AND SIMILAR INVESTMENTS IN THE
CUSTODY OF MANAGEMENT INVESTMENT COMPANIES**

PURSUANT TO RULE N-17F-2

1. Investment Company Act File Number: 811- 08394

Date Examination completed: January 23, 2009

2. State Identification Number:

AL AK AZ AR CA CO
CT DE DC FL GA HI
ID IL IN IA KS KY
LA ME MD MA MI MN
MS MO MT NE NV NH
NJ NM NY NC ND OH
OK OR PA RI SC SD
TN TX UT VT VA WA
WV WI WY PUERTO RICO

3. Exact name of investment company as specified in registration statement:

TEMPLETON DRAGON FUND, INC.

4. Address of principal executive office: (number, street, city, state, zip code)

One Franklin Parkway San Mateo, CA 94403

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of

Franklin Templeton Limited Duration Income Trust
Templeton Global Investment Trust
Franklin Real Estate Securities Trust
Franklin Strategic Series
Franklin High Income Trust
Franklin Capital Growth Fund
Franklin Money Fund
Franklin Templeton Money Fund Trust
Institutional Fiduciary Trust
Franklin Global Trust
Franklin Gold and Precious Metals Fund
Franklin Universal Trust
Templeton China World Fund
Templeton Emerging Markets Fund
Templeton Emerging Markets Income Fund
Templeton Global Income Fund
Templeton Income Trust
Franklin Custodian Funds, Inc.
Franklin Strategic Mortgage Portfolio
Franklin Investors Securities Trust
Franklin Templeton Global Trust
Franklin Templeton International Trust
Franklin Value Investors Trust
Templeton Developing Markets Trust
Franklin Templeton Fund Allocator Series
Franklin Templeton Variable Insurance Products Trust

and the Board of Directors of

Templeton Dragon Fund, Inc.
Templeton Institutional Funds, Inc.
Templeton Russia and East European Fund, Inc.

We have examined management's assertion, included in the accompanying Management Statement Regarding Compliance with Certain Provisions of the Investment Company Act of 1940, that the funds (see Attachment I), (hereafter referred to as the "Funds") complied with the requirements of subsections (b) and (c) of Rule 17f-2 under the Investment Company Act of 1940 ("the Act") as of October 31, 2008. Management is responsible for the Funds' compliance with those requirements. Our responsibility is to express an opinion on management's assertion about the Funds' compliance based on our examination.

Our examination was conducted in accordance with the standards of the Public Company Accounting Oversight Board

(United States) and, accordingly, included examining, on a test basis, evidence about the Funds' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. Included among our procedures were the following tests performed as of October 31, 2008, and with respect to agreement of security purchases and sales, for the periods indicated in Attachment I:

- Confirmation of all securities held by Franklin Templeton Investors Services, Inc. as they pertain to the security positions owned by the Funds and held in book entry form.
- Reconciliation of such security positions to the books and records of the Funds and Franklin Templeton Investor Services, Inc.
- Agreement of 107 security purchases and 107 security sales or maturities, since our last report, from the books and records of the Funds to the records of the transfer agent, Franklin Templeton Investor Services, Inc.

We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Funds' compliance with specified requirements.

In our opinion, management's assertion that the Funds were in compliance with the requirements of subsections (b) and (c) of Rule 17f-2 of the Investment Company Act of 1940 as of October 31, 2008 with respect to securities reflected in the investment accounts of the Funds is fairly stated, in all material respects.

This report is intended solely for the information and use of, management, the Board of Trustees and Board of Directors and the Securities and Exchange Commission and is not intended to be and should not be used by anyone other than these specified parties.

/s/ PricewaterhouseCoopers, LLP

PricewaterhouseCoopers, LLP

San Francisco, California

January 23, 2009

Management Statement Regarding Compliance With Certain Provisions of the Investment Company Act of 1940

We, as members of management of the Franklin Templeton Funds indicated in Attachment I (the "Funds"), are responsible for complying with the requirements of subsections (b) and (c) of Rule 17f-2, "Custody of Investments by Registered Management Investment Companies," of the Investment Company Act of 1940. We are also responsible for establishing and maintaining effective internal controls over compliance with those requirements. We have performed an evaluation of the Funds' compliance with the requirements of subsection (b) of Rule 17f-2, as interpreted in Franklin Investors Securities Trust SEC No-Action Letter (publicly available September 24, 1992), and subsection (c) of Rule 17f-2 of the Investment Company Act of 1940, as of October 31, 2008, and for the periods indicated in Attachment I.

Based on this evaluation, we assert that the Funds were in compliance with the requirements of subsection (b) of Rule 17f-2, as interpreted in Franklin Investors Securities Trust SEC No-Action Letter (publicly available September 24, 1992), and subsection (c) of Rule 17f-2 of the Investment Company Act of 1940, as of October 31, 2008, and for the periods indicated in Attachment I, with respect to securities reflected in the investment accounts of the Funds.

By:

/s/ Jennifer J. Bolt

Jennifer J. Bolt

Chief Executive Officer - Finance and Administration

1/23/09

Date

/s/ Laura F. Ferguson

Laura F. Ferguson

Chief Financial Officer and Chief Accounting Officer

1/20/09

Date

| <i>Fund</i> | <i>Period</i> |
|--|---------------------------------------|
| <i>Franklin Templeton Limited Duration Income Trust</i> | July 1, 2008 - October 31, 2008 |
| <i>Templeton Global Investment Trust:</i> | |
| Templeton BRIC Fund | July 1, 2008 - October 31, 2008 |
| Templeton Emerging Markets Small Cap Fund | July 1, 2008 - October 31, 2008 |
| Templeton Frontier Markets Fund | * October 14, 2008 - October 31, 2008 |
| Templeton Income Fund | July 1, 2008 - October 31, 2008 |
| <i>Templeton Russia and East European Fund, Inc.</i> | July 1, 2008 - October 31, 2008 |
| <i>Franklin Real Estate Securities Trust:</i> | |
| Franklin Real Estate Securities Fund | July 1, 2008 - October 31, 2008 |
| <i>Franklin Strategic Series:</i> | |
| Franklin Biotechnology Discovery Fund | July 1, 2008 - October 31, 2008 |
| Franklin Flex Cap Growth Fund | July 1, 2008 - October 31, 2008 |
| Franklin Focused Core Equity Fund | July 1, 2008 - October 31, 2008 |
| Franklin Global Communications Fund | July 1, 2008 - October 31, 2008 |
| Franklin Global Health Care Fund | July 1, 2008 - October 31, 2008 |
| Franklin Growth Opportunities Fund | July 1, 2008 - October 31, 2008 |
| Franklin Natural Resources Fund | July 1, 2008 - October 31, 2008 |
| Franklin Small Cap Growth Fund | July 1, 2008 - October 31, 2008 |
| Franklin Small-Mid Cap Growth Fund | July 1, 2008 - October 31, 2008 |
| Franklin Strategic Income Fund | July 1, 2008 - October 31, 2008 |
| Franklin Technology Fund | July 1, 2008 - October 31, 2008 |
| <i>Franklin High Income Trust:</i> | |
| Franklin High Income Fund | July 1, 2008 - October 31, 2008 |
| <i>Franklin Capital Growth Fund</i> | July 1, 2008 - October 31, 2008 |
| <i>Franklin Money Fund</i> | July 1, 2008 - October 31, 2008 |
| <i>Franklin Templeton Money Fund Trust:</i> | |
| Franklin Templeton Money Fund | July 1, 2008 - October 31, 2008 |
| <i>Institutional Fiduciary Trust:</i> | |
| Franklin Cash Reserves Fund | July 1, 2008 - October 31, 2008 |
| Money Market Portfolio | July 1, 2008 - October 31, 2008 |
| <i>Franklin Global Trust:</i> | |
| Fiduciary Large Capitalization Growth and Income Fund | July 1, 2008 - October 31, 2008 |
| Fiduciary Small Capitalization Equity Fund | July 1, 2008 - October 31, 2008 |
| Franklin International Growth Fund | July 1, 2008 - October 31, 2008 |
| Franklin Templeton Core Fixed Income Fund | July 1, 2008 - October 31, 2008 |
| Franklin Templeton Core Plus Fixed Income Fund | July 1, 2008 - October 31, 2008 |
| Franklin Templeton Emerging Market Debt Opportunities Fund | July 1, 2008 - October 31, 2008 |

Edgar Filing: TEMPLETON DRAGON FUND INC - Form 40-17F2

| | |
|---|-----------------------------------|
| Franklin Templeton High Income Fund | July 1, 2008 - October 31, 2008 |
| <i>Franklin Gold and Precious Metals Fund</i> | July 1, 2008 - October 31, 2008 |
| <i>Franklin Universal Trust</i> | July 1, 2008 - October 31, 2008 |
| <i>Templeton China World Fund</i> | July 1, 2008 - October 31, 2008 |
| <i>Templeton Emerging Markets Fund</i> | July 1, 2008 - October 31, 2008 |
| <i>Templeton Emerging Markets Income Fund</i> | July 1, 2008 - October 31, 2008 |
| <i>Templeton Global Income Fund</i> | July 1, 2008 - October 31, 2008 |
| <i>Templeton Income Trust:</i> | |
| Templeton Global Bond Fund | July 1, 2008 - October 31, 2008 |
| Templeton Global Total Return Fund | * September 30 - October 31, 2008 |
| Templeton International Bond Fund | July 1, 2008 - October 31, 2008 |
| <i>Franklin Custodian Funds, Inc.:</i> | |
| Franklin DynaTech Fund | July 1, 2008 - October 31, 2008 |
| Franklin Growth Fund | July 1, 2008 - October 31, 2008 |
| Franklin Income Fund | July 1, 2008 - October 31, 2008 |
| Franklin U.S. Government Securities Fund | July 1, 2008 - October 31, 2008 |
| Franklin Utilities Fund | July 1, 2008 - October 31, 2008 |
| <i>Franklin Strategic Mortgage Portfolio</i> | July 1, 2008 - October 31, 2008 |
| <i>Franklin Investors Securities Trust:</i> | |
| Franklin Adjustable U.S. Government Securities Fund | July 1, 2008 - October 31, 2008 |
| Franklin Balanced Fund | July 1, 2008 - October 31, 2008 |
| Franklin Convertible Securities Fund | July 1, 2008 - October 31, 2008 |
| Franklin Equity Income Fund | July 1, 2008 - October 31, 2008 |
| Franklin Floating Rate Daily Access Fund | July 1, 2008 - October 31, 2008 |
| Franklin Limited Maturity U.S. Government Securities Fund | July 1, 2008 - October 31, 2008 |
| Franklin Low Duration Total Return Fund | July 1, 2008 - October 31, 2008 |
| Franklin Total Return Fund | July 1, 2008 - October 31, 2008 |
| <i>Franklin Templeton Global Trust:</i> | |
| Franklin Templeton Hard Currency | July 1, 2008 - October 31, 2008 |
| <i>Franklin Templeton International Trust:</i> | |
| Franklin India Growth Fund | July 1, 2008 - October 31, 2008 |
| <i>Franklin Value Investors Trust:</i> | |
| Franklin All Cap Value Fund | July 1, 2008 - October 31, 2008 |
| Franklin Balance Sheet Investment Fund | July 1, 2008 - October 31, 2008 |
| Franklin Large Cap Value Fund | July 1, 2008 - October 31, 2008 |
| Franklin MicroCap Value Fund | July 1, 2008 - October 31, 2008 |
| Franklin MidCap Value Fund | July 1, 2008 - October 31, 2008 |
| Franklin Small Cap Value Fund | July 1, 2008 - October 31, 2008 |

Templeton Developing Markets Trust July 1, 2008 - October 31, 2008

Franklin Templeton Fund Allocator Series:

| | |
|---|---------------------------------|
| Franklin Templeton 2015 Retirement Target Fund | July 1, 2008 - October 31, 2008 |
| Franklin Templeton 2025 Retirement Target Fund | July 1, 2008 - October 31, 2008 |
| Franklin Templeton 2035 Retirement Target Fund | July 1, 2008 - October 31, 2008 |
| Franklin Templeton 2045 Retirement Target Fund | July 1, 2008 - October 31, 2008 |
| Franklin Templeton Conservative Target Fund | July 1, 2008 - October 31, 2008 |
| Franklin Templeton Corefolio Allocation Fund | July 1, 2008 - October 31, 2008 |
| Franklin Templeton Founding Funds Allocation Fund | July 1, 2008 - October 31, 2008 |
| Franklin Templeton Growth Target Fund | July 1, 2008 - October 31, 2008 |
| Franklin Templeton Moderate Target Fund | July 1, 2008 - October 31, 2008 |
| Franklin Templeton Perspectives Allocation Fund | July 1, 2008 - October 31, 2008 |

Franklin Templeton Variable Insurance Products Trust:

| | |
|---|---------------------------------|
| Franklin Flex Cap Growth Securities Fund | July 1, 2008 - October 31, 2008 |
| Franklin Founding Funds Allocation Fund | July 1, 2008 - October 31, 2008 |
| Franklin Large Cap Value Securities Fund | July 1, 2008 - October 31, 2008 |
| Franklin Rising Dividends Securities Fund | July 1, 2008 - October 31, 2008 |
| Franklin Small Cap Value Securities Fund | July 1, 2008 - October 31, 2008 |
| Franklin Small-Mid Cap Growth Securities Fund | July 1, 2008 - October 31, 2008 |
| Franklin Strategic Income Securities Fund | July 1, 2008 - October 31, 2008 |
| Templeton Developing Markets Securities Fund | July 1, 2008 - October 31, 2008 |
| Templeton Foreign Securities Fund | July 1, 2008 - October 31, 2008 |
| Templeton Global Asset Allocation Fund | July 1, 2008 - October 31, 2008 |

Templeton Dragon Fund, Inc. July 1, 2008 - October 31, 2008

Templeton Institutional Funds, Inc.:

| | |
|-------------------------|---------------------------------|
| Foreign Equity Series | July 1, 2008 - October 31, 2008 |
| Emerging Markets Series | July 1, 2008 - October 31, 2008 |

* Commencement of Operations