

TEMPLETON DRAGON FUND INC
Form 40-17F2
October 10, 2012

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:
September 28, 2012

2. State Identification Number:

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|----|----|----|-------------|----|----|
| 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)

300 S.E. 2nd Street, Fort Lauderdale, FL 33301-1923

[PWC LOGO]

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 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
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
Templeton Institutional Funds

and the Board of Directors of

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

PricewaterhouseCoopers LLP, 300 Madison Avenue, New York, NY 10017

T: (646) 471 3000, F: (646) 471 8320, www.pwc.com/us

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 July 31, 2012. 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 July 31, 2012 and with respect to agreement of security purchases and sales, for the periods indicated in Attachment I:

- Without prior notice to management, confirmation of all securities held by Franklin Templeton Investors Services, Inc., transfer agent, 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.
- Agreement of 100 security purchases and 100 security sales, since our last report, from the books and records of the Funds to the records of the transfer agent.

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 July 31, 2012 with respect to securities reflected in the investment accounts of the Funds is fairly stated, in all material respects.

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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

September 28, 2012

**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 July 31, 2012, 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 July 31, 2012, and for the periods indicated in Attachment I, with respect to securities reflected in the investment accounts of the Funds.

By:

/s/GASTON GARDEY

Gaston Gardey

Chief Financial Officer and Chief Accounting Officer

Franklin Funds Board

Date 09/28/12

/s/MARK H. OTANI

Mark H. Otani

Chief Financial Officer and Chief Accounting Officer

Templeton Funds Board

Date 09/28/12

/s/ROBERT G. KUBILIS

Robert G. Kubilis

Chief Financial Officer and Chief Accounting Officer

Franklin New Jersey Funds Board

Date 09/28/12

/s/LAURA F. FERGERSON

Laura F. Ferguson

Chief Executive Officer - Finance and Administration

Date 09/28/12

| <i>Fund</i> | <i>Period</i> |
|--|------------------------------|
| Franklin Templeton Limited Duration Income Trust | June 1, 2012 - July 31, 2012 |
| Templeton Global Investment Trust: | |
| Templeton BRIC Fund | June 1, 2012 - July 31, 2012 |
| Templeton Emerging Markets Balanced Fund | June 1, 2012 - July 31, 2012 |
| Templeton Emerging Markets Small Cap Fund | June 1, 2012 - July 31, 2012 |
| Templeton Frontier Markets Fund | June 1, 2012 - July 31, 2012 |
| Templeton Global Balanced Fund | June 1, 2012 - July 31, 2012 |
| Templeton Russia and East European Fund, Inc. | June 1, 2012 - July 31, 2012 |
| Franklin Real Estate Securities Trust: | |
| Franklin Real Estate Securities Fund | June 1, 2012 - July 31, 2012 |
| Franklin Strategic Series: | |
| Franklin Biotechnology Discovery Fund | June 1, 2012 - July 31, 2012 |
| Franklin Flex Cap Growth Fund | June 1, 2012 - July 31, 2012 |
| Franklin Focused Core Equity Fund | June 1, 2012 - July 31, 2012 |
| Franklin Growth Opportunities Fund | June 1, 2012 - July 31, 2012 |
| Franklin Natural Resources Fund | June 1, 2012 - July 31, 2012 |
| Franklin Small Cap Growth Fund | June 1, 2012 - July 31, 2012 |
| Franklin Small-Mid Cap Growth Fund | June 1, 2012 - July 31, 2012 |
| Franklin Strategic Income Fund | June 1, 2012 - July 31, 2012 |
| Franklin High Income Trust: | |
| Franklin High Income Fund | June 1, 2012 - July 31, 2012 |
| Franklin Money Fund | June 1, 2012 - July 31, 2012 |
| Franklin Templeton Money Fund Trust: | |
| Franklin Templeton Money Fund | June 1, 2012 - July 31, 2012 |
| Institutional Fiduciary Trust: | |
| Money Market Portfolio | June 1, 2012 - July 31, 2012 |
| Franklin Global Trust: | |
| Franklin International Growth Fund | June 1, 2012 - July 31, 2012 |
| Franklin Large Cap Equity Fund | June 1, 2012 - July 31, 2012 |
| Franklin Templeton Emerging Market Debt Opportunities Fund | June 1, 2012 - July 31, 2012 |
| Franklin Gold and Precious Metals Fund | June 1, 2012 - July 31, 2012 |

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| Franklin Universal Trust | June 1, 2012 - July 31, 2012 |
| Templeton China World Fund | June 1, 2012 - July 31, 2012 |
| Templeton Emerging Markets Fund | June 1, 2012 - July 31, 2012 |
| Templeton Emerging Markets Income Fund | June 1, 2012 - July 31, 2012 |
| Templeton Global Income Fund | June 1, 2012 - July 31, 2012 |
| Templeton Income Trust: | |
| Templeton Global Bond Fund | June 1, 2012 - July 31, 2012 |
| Templeton Global Total Return Fund | June 1, 2012 - July 31, 2012 |
| Templeton International Bond Fund | June 1, 2012 - July 31, 2012 |
| Franklin Custodian Funds: | |
| Franklin DynaTech Fund | June 1, 2012 - July 31, 2012 |
| Franklin Growth Fund | June 1, 2012 - July 31, 2012 |
| Franklin Income Fund | June 1, 2012 - July 31, 2012 |
| Franklin U.S. Government Securities Fund | June 1, 2012 - July 31, 2012 |
| Franklin Utilities Fund | June 1, 2012 - July 31, 2012 |
| Franklin Strategic Mortgage Portfolio | June 1, 2012 - July 31, 2012 |
| Franklin Investors Securities Trust: | |
| Franklin Adjustable U.S. Government Securities Fund | June 1, 2012 - July 31, 2012 |
| Franklin Balanced Fund | June 1, 2012 - July 31, 2012 |
| Franklin Convertible Securities Fund | June 1, 2012 - July 31, 2012 |
| Franklin Equity Income Fund | June 1, 2012 - July 31, 2012 |
| Franklin Floating Rate Daily Access Fund | June 1, 2012 - July 31, 2012 |
| Franklin Limited Maturity U.S. Government Securities Fund | June 1, 2012 - July 31, 2012 |
| Franklin Low Duration Total Return Fund | June 1, 2012 - July 31, 2012 |
| Franklin Total Return Fund | June 1, 2012 - July 31, 2012 |
| Franklin Templeton Global Trust: | |
| Franklin Templeton Hard Currency | June 1, 2012 - July 31, 2012 |
| Franklin Templeton International Trust: | |
| Franklin India Growth Fund | June 1, 2012 - July 31, 2012 |
| Franklin Templeton Global Allocation Fund | June 1, 2012 - July 31, 2012 |
| Franklin World Perspectives Fund | June 1, 2012 - July 31, 2012 |
| Franklin Value Investors Trust: | |
| Franklin All Cap Value Fund | June 1, 2012 - July 31, 2012 |

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| Franklin Balance Sheet Investment Fund | June 1, 2012 - July 31, 2012 |
| Franklin Large Cap Value Fund | June 1, 2012 - July 31, 2012 |
| Franklin MicroCap Value Fund | June 1, 2012 - July 31, 2012 |
| Franklin MidCap Value Fund | June 1, 2012 - July 31, 2012 |
| Franklin Small Cap Value Fund | June 1, 2012 - July 31, 2012 |
| Templeton Developing Markets Trust | June 1, 2012 - July 31, 2012 |
| Franklin Templeton Fund Allocator Series: | |
| Franklin Templeton 2015 Retirement Target Fund | June 1, 2012 - July 31, 2012 |
| Franklin Templeton 2025 Retirement Target Fund | June 1, 2012 - July 31, 2012 |
| Franklin Templeton 2035 Retirement Target Fund | June 1, 2012 - July 31, 2012 |
| Franklin Templeton 2045 Retirement Target Fund | June 1, 2012 - July 31, 2012 |
| Franklin Templeton Conservative Allocation Fund | June 1, 2012 - July 31, 2012 |
| Franklin Templeton Corefolio Allocation Fund | June 1, 2012 - July 31, 2012 |
| Franklin Templeton Founding Funds Allocation Fund | June 1, 2012 - July 31, 2012 |
| Franklin Templeton Growth Allocation Fund | June 1, 2012 - July 31, 2012 |
| Franklin Templeton Moderate Allocation Fund | June 1, 2012 - July 31, 2012 |
| Franklin Templeton Multi-Asset Real Return Fund | June 1, 2012 - July 31, 2012 |
| Franklin Templeton Variable Insurance Products Trust: | |
| Franklin Flex Cap Growth Securities Fund | June 1, 2012 - July 31, 2012 |
| Franklin Large Cap Value Securities Fund | June 1, 2012 - July 31, 2012 |
| Franklin Rising Dividends Securities Fund | June 1, 2012 - July 31, 2012 |
| Franklin Small Cap Value Securities Fund | June 1, 2012 - July 31, 2012 |
| Franklin Small-Mid Cap Growth Securities Fund | June 1, 2012 - July 31, 2012 |
| Franklin Strategic Income Securities Fund | June 1, 2012 - July 31, 2012 |
| Franklin Templeton VIP Founding Funds Allocation Fund | June 1, 2012 - July 31, 2012 |
| Templeton Developing Markets Securities Fund | June 1, 2012 - July 31, 2012 |
| Templeton Foreign Securities Fund | June 1, 2012 - July 31, 2012 |

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Templeton Dragon Fund, Inc.

June 1, 2012 - July 31, 2012

Templeton Institutional Funds:

Foreign Equity Series

June 1, 2012 - July 31, 2012

Emerging Markets Series

June 1, 2012 - July 31, 2012
