

TEMPLETON DRAGON FUND INC
Form 40-17F2
October 14, 2008

**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 15, 2008

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 Templeton Money Fund Trust
Institutional Fiduciary Trust
Franklin Global Trust
Franklin Gold and Precious Metals Fund
Franklin Universal Trust
Templeton Emerging Markets Fund
Templeton Emerging Markets Income Fund
Templeton Global Income Fund
Templeton Income Trust
Franklin Strategic Mortgage Portfolio
Franklin Investors Securities Trust
Franklin Templeton International Trust
Franklin Value Investors Trust
Franklin Templeton Fund Allocator Series
Franklin Templeton Variable Insurance Products Trust

and the Board of Directors of

Franklin Money Fund
Franklin Custodian Funds, Inc.
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 June 30, 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 June 30, 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.
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Reconciliation of such security positions to the books and records of the Funds and Franklin Templeton Investor Services, Inc.

- Agreement of 109 security purchases and 109 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 June 30, 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

San Francisco, California

September 15, 2008

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 June 30, 2008, and for the period 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 June 30, 2008, and for the period indicated in Attachment I, with respect to securities reflected in the investment accounts of the Funds.

By:

/s/ Galen G. Vetter

Galen G. Vetter

Chief Executive Officer - Finance and Administration

9/11/08

Date

/s/ Laura F. Fergerson

Laura F. Fergerson

Chief Financial Officer and Chief Accounting Officer

9/11/08

Date

| <i>Fund</i> | <i>Period</i> |
|---|---------------------------------|
| <i>Franklin Templeton Limited Duration Income Trust</i> | March 1, 2008 - June 30, 2008 |
| <i>Templeton Global Investment Trust:</i> Templeton Income Fund | March 1, 2008 - June 30, 2008 |
| <i>Templeton Russia and East European Fund, Inc.</i> | March 1, 2008 - June 30, 2008 |
| <i>Franklin Real Estate Securities Trust:</i> Franklin Real Estate Securities Fund | March 1, 2008 - June 30, 2008 |
| <i>Franklin Strategic Series:</i> | |
| Franklin Biotechnology Discovery Fund | March 1, 2008 - June 30, 2008 |
| Franklin Flex Cap Growth Fund | March 1, 2008 - June 30, 2008 |
| Franklin Focused Core Equity Fund | March 1, 2008 - June 30, 2008 |
| Franklin Global Communications Fund | March 1, 2008 - June 30, 2008 |
| Franklin Global Health Care Fund | March 1, 2008 - June 30, 2008 |
| Franklin Growth Opportunities Fund | March 1, 2008 - June 30, 2008 |
| Franklin Natural Resources Fund | March 1, 2008 - June 30, 2008 |
| Franklin Small Cap Growth Fund * | March 1, 2008 - June 30, 2008 |
| Franklin Small-Mid Cap Growth Fund | March 1, 2008 - June 30, 2008 |
| Franklin Strategic Income Fund | March 1, 2008 - June 30, 2008 |
| Franklin Technology Fund | March 1, 2008 - June 30, 2008 |
| <i>Franklin High Income Trust:</i> Franklin High Income Fund | March 1, 2008 - June 30, 2008 |
| <i>Franklin Capital Growth Fund</i> | March 1, 2008 - June 30, 2008 |
| <i>Franklin Money Fund</i> | March 1, 2008 - June 30, 2008 |
| <i>Franklin Templeton Money Fund Trust:</i> Franklin Templeton Money Fund | March 1, 2008 - June 30, 2008 |
| <i>Institutional Fiduciary Trust:</i> | |
| Franklin Cash Reserves Fund | March 1, 2008 - June 30, 2008 |
| Money Market Portfolio | March 1, 2008 - June 30, 2008 |
| <i>Franklin Global Trust:</i> | |
| Fiduciary Large Capitalization Growth and Income Fund | March 1, 2008 - June 30, 2008 |
| Fiduciary Small Capitalization Equity Fund | March 1, 2008 - June 30, 2008 |
| Franklin International Growth Fund | ** June 3, 2008 - June 30, 2008 |
| Franklin Templeton Core Fixed Income Fund | March 1, 2008 - June 30, 2008 |
| Franklin Templeton Core Plus Fixed Income Fund | March 1, 2008 - June 30, 2008 |
| Franklin Templeton Emerging Market Debt Opportunities Fund | March 1, 2008 - June 30, 2008 |
| Franklin Templeton High Income Fund | March 1, 2008 - June 30, 2008 |
| <i>Franklin Gold and Precious Metals Fund</i> | March 1, 2008 - June 30, 2008 |

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| Franklin Universal Trust | March 1, 2008 - June 30, 2008 |
| Templeton Emerging Markets Fund | March 1, 2008 - June 30, 2008 |
| Templeton Emerging Markets Income Fund | March 1, 2008 - June 30, 2008 |
| Templeton Global Income Fund | March 1, 2008 - June 30, 2008 |
| Templeton Income Trust: | |
| Templeton International Bond Fund | March 1, 2008 - June 30, 2008 |
| Franklin Custodian Funds, Inc.: | |
| Franklin DynaTech Fund | March 1, 2008 - June 30, 2008 |
| Franklin Growth Fund | March 1, 2008 - June 30, 2008 |
| Franklin Income Fund | March 1, 2008 - June 30, 2008 |
| Franklin U.S. Government Securities Fund | March 1, 2008 - June 30, 2008 |
| Franklin Utilities Fund | March 1, 2008 - June 30, 2008 |
| Franklin Strategic Mortgage Portfolio | March 1, 2008 - June 30, 2008 |
| Franklin Investors Securities Trust: | |
| Franklin Adjustable U.S. Government Securities Fund | March 1, 2008 - June 30, 2008 |
| Franklin Balanced Fund | March 1, 2008 - June 30, 2008 |
| Franklin Convertible Securities Fund | March 1, 2008 - June 30, 2008 |
| Franklin Equity Income Fund | March 1, 2008 - June 30, 2008 |
| Franklin Floating Rate Daily Access Fund | March 1, 2008 - June 30, 2008 |
| Franklin Limited Maturity U.S. Government Securities Fund | March 1, 2008 - June 30, 2008 |
| Franklin Low Duration Total Return Fund | March 1, 2008 - June 30, 2008 |
| Franklin Total Return Fund | March 1, 2008 - June 30, 2008 |
| Franklin Templeton International Trust: | |
| Franklin India Growth Fund | March 1, 2008 - June 30, 2008 |
| Franklin Value Investors Trust: | |
| Franklin All Cap Value Fund | March 1, 2008 - June 30, 2008 |
| Franklin Balance Sheet Investment Fund | March 1, 2008 - June 30, 2008 |
| Franklin Large Cap Value Fund | March 1, 2008 - June 30, 2008 |
| Franklin MicroCap Value Fund | March 1, 2008 - June 30, 2008 |
| Franklin MidCap Value Fund | March 1, 2008 - June 30, 2008 |
| Franklin Small Cap Value Fund | March 1, 2008 - June 30, 2008 |
| Franklin Templeton Fund Allocator Series: | |
| Franklin Templeton 2015 Retirement Target Fund | March 1, 2008 - June 30, 2008 |
| Franklin Templeton 2025 Retirement Target Fund | March 1, 2008 - June 30, 2008 |
| Franklin Templeton 2035 Retirement Target Fund | March 1, 2008 - June 30, 2008 |
| Franklin Templeton 2045 Retirement Target Fund | March 1, 2008 - June 30, 2008 |
| Franklin Templeton Conservative Target Fund | March 1, 2008 - June 30, 2008 |
| Franklin Templeton Corefolio Allocation Fund | March 1, 2008 - June 30, 2008 |
| Franklin Templeton Founding Funds Allocation Fund | March 1, 2008 - June 30, 2008 |
| Franklin Templeton Growth Target Fund | March 1, 2008 - June 30, 2008 |

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| Franklin Templeton Moderate Target Fund | March 1, 2008 - June 30, 2008 |
| Franklin Templeton Perspectives Allocation Fund | March 1, 2008 - June 30, 2008 |

Franklin Templeton Variable Insurance Products Trust:

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| Franklin Flex Cap Growth Securities Fund | March 1, 2008 - June 30, 2008 |
| Franklin Founding Funds Allocation Fund | March 1, 2008 - June 30, 2008 |
| Franklin Large Cap Value Securities Fund | March 1, 2008 - June 30, 2008 |
| Franklin Rising Dividends Securities Fund | March 1, 2008 - June 30, 2008 |
| Franklin Small Cap Value Securities Fund | March 1, 2008 - June 30, 2008 |
| Franklin Small-Mid Cap Growth Securities Fund | March 1, 2008 - June 30, 2008 |
| Franklin Strategic Income Securities Fund | March 1, 2008 - June 30, 2008 |
| Templeton Foreign Securities Fund | March 1, 2008 - June 30, 2008 |
| Templeton Global Asset Allocation Fund | March 1, 2008 - June 30, 2008 |

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| <i>Templeton Dragon Fund, Inc.</i> | March 1, 2008 - June 30, 2008 |
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Templeton Institutional Funds, Inc.:

| | |
|-----------------------|-------------------------------|
| Foreign Equity Series | March 1, 2008 - June 30, 2008 |
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* Formerly Franklin Small Cap Growth Fund II. Name change as of March 31, 2008.

** Commencement of Operations