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November 7, 2011

Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street
NE Washington, D.C. 20549-1090

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Re: SEC Rel. No. IC-29778

Dear Ms. Murphy:

Putnam Mortgage Opportunities Company, a Delaware corporation in registration to issue shares to the investing public as a mortgage REIT ("PMOC"), welcomes the opportunity to respond to certain aspects of the Commission's concept release "Companies Engaged in the Business of Acquiring Mortgages and Mortgage-Related Instruments" (the "Release"). We believe that the Commission's existing interpretations of Section 3(c)(5)(C) under the Investment Company Act of 1940 are widely understood and have provided a useful framework for the mortgage REIT market. For the reasons set forth below, we urge the Commission not to revise these interpretations in ways that may significantly hinder existing and prospective mortgage REITs from providing much-needed assistance to the national market for investments in mortgages and mortgage-related securities.

The exclusion from the definition of "investment company" set forth in Section 3(c)(5)(C) reflects Congress's intent to distinguish investment vehicles "primarily engaged in . . . purchasing or otherwise acquiring mortgages and other liens on and interests in real estate" from those that invest in equity instruments and other fixed income securities. This Congressional intent is also evidenced by the Internal Revenue Code's different treatment for REITs and regulated investment companies. The SEC's interpretations of Section 3(c)(5)(C) have long reflected this distinction, while taking into account the complexities of the market for mortgages. In particular, the SEC's position that to be eligible for the Section 3(c)(5)(C) exclusion, a company must invest at least 55% of its assets in mortgages ("qualifying interests") and that qualifying interests and other "real estate-type interests" in the aggregate constitute at least 80% of the company's assets is a reasonable method for giving effect to Congress's intent in adopting the exclusion. This approach is, and has been, adaptable to changing market conditions and has facilitated capital formation that has long supported the U.S. housing market. Moreover, investors in existing mortgage REITs have long relied on this framework to define and access the mortgage REIT investment opportunity.

Questions regarding whether a particular instrument is a qualifying instrument may arise from time to time, given the evolution of the mortgage market, but we believe that the Commission and companies can address those issues within the Commission's existing interpretive framework. By contrast, radical modifications to this framework, particularly if they result in a narrowing of the application of the Section 3(c)(5)(C) exclusion or render the exclusion inapplicable to companies that currently rely on it, could frustrate Congress's intent. Moreover, this could disrupt existing investments made by retail investors and inhibit the flow of additional capital into the U.S. housing market. We believe it would be particularly damaging if the Commission were to conclude that "whole-pool" certificates issued by U.S. government agencies or instrumentalities such as FNMA or FHLMC should not be considered qualifying interests. We believe that the Commission's existing interpretation—which recognizes that whole-pool certificates can be viewed as functionally equivalent to, and provide their holder with the same economic experience as, an actual mortgage—is both reasonable and practical. Given the prominence that agency mortgage-backed securities have in the residential mortgage market generally, to disqualify whole-pool certificates would make the Section 3(c)(5)(C) exclusion much less useable in respect of residential mortgages.

The Release requests comment on whether companies that rely on the Section 3(c)(5)(C) exclusion afford their investors with reasonable protections against abuses and sufficient transparency regarding the risks associated with their investment. We believe that mortgage REITs that publicly offer and list their stock, and therefore are subject to the requirements of the Securities Act of 1933, the Securities Exchange Act of 1934 and applicable stock exchanges, do provide such protections and transparency. Stock exchange listing standards require a majority of a listed company's board of directors, and all of the audit committee's members, to be independent, and all directors must be elected annually in accordance with the Commission's proxy rules. The company's directors are responsible for overseeing the management of the company's affairs. For companies whose investments are managed by an external manager, the directors are responsible for approving any management contract and all compensation payable to the external manager. Listed mortgage REITs typically adopt written policies governing transactions between the company and the external manager or other affiliates, and review the manager's compliance policies regarding trade allocation and other matters, in order to address actual or potential conflicts of interest between the manager and the company and its shareholders. Furthermore, many, if not most, external managers are registered investment advisers under the Investment Advisers Act of 1940, and are therefore subject to that statute's requirements concerning advisory contracts, client disclosures and recordkeeping. Finally, the audit committee reviews the company's financial statements and appoints and has access to the company's independent auditors. These structural features are designed to ensure that the company's shareholders are well-protected against abuses by insiders.

Likewise, the disclosure and reporting requirements of the Securities Act of 1933 and Securities Exchange Act of 1934 ensure that investors in a publicly-traded mortgage REIT receive ample disclosure about the company's investment strategies, risks and portfolio investments. The company's periodic reports under the 1934 Act include complete investment schedules, and earnings calls and other disclosures issued by the company provide investors with meaningful transparency into the company's investment activities. Prospectuses issued in connection with offerings of shares include robust disclosure of the risks associated with investing in mortgage REITs, including the company's investment strategies, the use of leverage, tax implications, and actual or potential conflicts of interest involving the company's external manager. It is our understanding that a company's use of leverage to enhance returns, in particular, is given prominent attention in the company's public disclosures, and we believe that the investing public generally recognizes the significance of leverage both to the company's returns and its risks.

We believe that investors who purchase shares of a publicly-offered mortgage REIT are able to do so on the basis of detailed information, provided by the company, about the company and its risk profile. We do not believe that the Commission should narrow or significantly modify the Section 3(c)(5)(C) exclusion on the basis of a concern that these investors are systematically under-informed about the risk of their investment, compared to investors in registered investment companies, or are otherwise more susceptible than investors in registered investment companies or other public companies to manipulation or abuse at the hands of the company or an external manager. Indeed, were the Commission to take any such action, investors in existing mortgage REITs, as well as companies such as PMOC that are considering offering shares to the public, could be harmed by changes to companies' investment strategies that lead to lower potential returns.

Another negative potential consequence of any significant constriction of the Section 3(c)(5)(C) exclusion would be a reduction in capital deployed in the mortgage market. Mortgage REITs currently are a not insignificant source of demand for mortgage instruments, and companies such as PMOC would, if they completed public offerings of their shares, provide additional demand. In a time where the U.S. housing market is in serious need of reinforcement and serious attention in the business sector and at all levels of government deservedly is being paid to potential remedies, we believe it would be detrimental—not to mention counter to other policymaking initiatives—for the Commission to take actions that would reduce the ability of mortgage REITs to put capital to work in this market.

Thank you again for providing the opportunity to respond to the Release.

Sincerely yours,

Michael P. Wands

Michael P. Wands
President
Putnam Mortgage Opportunities Company