



DIVISION OF  
TRADING AND MARKETS

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

December 31, 2009

Edward L. Pittman, Esq.  
Dechert LLP  
1775 I Street, NW  
Washington, DC 20006

Re: Grant of No-Action Relief to Putnam Investor Services, Inc.

Dear Mr. Pittman:

In your December 31, 2009 letter, you request assurances that the staff of the Division of Trading and Markets (the "Division") will not recommend enforcement action to the Securities and Exchange Commission ("Commission") if Putnam Investor Services, Inc. ("PSERV"), a non-bank transfer agent registered with the Commission pursuant to Section 17A of the Securities Exchange Act of 1934 ("Exchange Act"), provides limited dividend reinvestment plan services to investors in the five Closed-End Funds<sup>1</sup> without registering as a broker-dealer pursuant to Section 15(b) of the Exchange Act.

Based on the facts and representations set forth in your letter, the Division will not recommend enforcement action to the Commission under Section 15(a) of the Exchange Act if PSERV provides the Services to investors in the five Closed-End Funds without registering as a broker-dealer pursuant to Section 15(b) of the Exchange Act.

We note in particular your representations that PSERV will: (1) not receive transaction-based compensation; (2) not solicit transactions or hold itself out as offering brokerage services; (3) not provide the Services in connection with any fund other than the five Closed-End Funds for which Putnam acts as adviser; (4) not accept buy or sell orders in Fund shares; (5) not hold customer funds or securities in connection with the transactions; (6) provide Participants with the Plan Disclosure, transaction notifications and quarterly statements; and (7) make and keep appropriate records. We also note your representation that all Plan transactions, including valuation and transaction execution provided in connection with the Services, will be effected by a registered broker-dealer.

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<sup>1</sup> Capitalized terms we use herein have the same meaning as defined in your letter dated December 31, 2009 unless otherwise noted.

Edward L. Pittman, Esq.  
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Because this position is based on the facts presented and the representations you have made, any different facts or conditions might require a different response. Furthermore, this response expresses the Division's position on enforcement action only, and does not purport to express any legal conclusions on the question presented.

Sincerely,

Handwritten signature in cursive script that reads "Paula R. Jenson / by E. Fisher".

Paula R. Jenson  
Deputy Chief Counsel

SECURITIES AND EXCHANGE COMMISSION  
RECEIVED

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December 31, 2009

James Eastman, Esq.  
Chief Counsel  
Division of Trading and Markets  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

Re: Putnam Investor Services Inc.

Dear Mr. Eastman:

We are writing this letter on behalf of Putnam Investor Services, Inc. ("PSERV"), a non-bank transfer agent registered with the Securities and Exchange Commission ("Commission") pursuant to Section 17A of the Securities Exchange Act of 1934 ("Exchange Act"). PSERV is an affiliate of Putnam Investment Management, LLC (together with its affiliates, "Putnam"), which is the investment adviser of the Putnam Funds ("Putnam Funds"), a family of open-end and closed-end investment companies organized as Massachusetts Business Trusts. PSERV would like to provide the limited dividend reinvestment plan services described below ("Services") to investors in the five closed-end Putnam Funds (existing as of the date of this letter) (the "Closed-End Funds" or "Funds") which are registered with the Commission under the Investment Company Act of 1940 ("1940 Act") and whose common shares are listed on the New York Stock Exchange ("NYSE").

We believe that the Services that PSERV proposes to offer in connection with the Funds, as outlined below, are very narrow, administrative and ministerial in nature, present no risk to investors, and would not cause it to fall within the definition of a broker in Section 3(a)(4) of the Exchange Act. In particular, we want to emphasize that PSERV lacks the traditional indicia of a broker-dealer. More specifically:

- PSERV will not receive transaction-based compensation;
- PSERV not solicit transactions or hold itself out as offering brokerage services;
- PSERV will only provide the Services in connection with Funds for which Putnam acts as adviser;
- PSERV will not accept buy or sell orders in Fund shares;

- PSERV will not hold customer funds or securities in connection with the transactions; and
- All valuation and transaction execution provided in connection with the Services will be performed by a registered broker-dealer;

In light of these factors, as well as PSERV's registration with the Commission as a transfer agent, and its adherence to the additional conditions set forth below, we request your assurance that the Staff of the Division of Trading and Markets ("Staff") of the Commission will not recommend enforcement action to the Commission if PSERV provides the following Services without registering with the Commission as a broker-dealer in accordance with Section 15(b) of the Exchange Act.

#### **I. Facts**

Until recently, all transfer agent services for both the open-end and closed-end Putnam Funds were provided by a separate Putnam subsidiary that is an FDIC-member bank transfer agent, registered with the FDIC pursuant to Section 17A of the Exchange Act ("Bank Transfer Agent").<sup>1</sup> For business reasons, however, the Board of Directors of the Bank Transfer Agent voted to move all transfer agent services, including the Services, to PSERV. PSERV already has begun serving as the transfer agent of the open-end Putnam Funds.

Section 3(A)(4)(b)(ii)(iv) of the Exchange Act offers an exemption from broker-dealer registration for bank transfer agents offering dividend reinvestment plan services. The Services offered by the Bank Transfer Agent currently fall within the exemption. However, the Services are far narrower than traditional dividend reinvestment plan services typically provided by other bank transfer agents in reliance on the exemption. For example, most bank transfer agents relying on the exemption generally offer dividend reinvestment plan services as a low cost means of investing in the shares of many different issuers that are not their affiliates. In addition, unlike dividend reinvestment plans involving corporate issuers, the Closed-End Funds are subject to specific provisions under the 1940 Act that require shareholder assets to be held in custodial accounts. While PSERV does not believe that the limited Services it offers would cause it to fall within the definition of a broker-dealer, it has continued to offer the Services through the Bank Transfer Agent pending the relief requested by this letter.<sup>2</sup>

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<sup>1</sup> The Bank Transfer Agent's FDIC insurance is expected to expire on December 31, 2009, at which time the Commission will become its primary federal regulator for transfer agent purposes.

<sup>2</sup> Putnam believes that in light of the relatively small scale of the Closed-End Funds' operations and other business exigencies, engaging a third-party bank transfer agent to provide the Services, or registering PSERV as a broker-dealer, could result in significant additional costs to Putnam or to Fund shareholders.

## II. Overview of PSERV Activities

Unlike open-end mutual funds, the Closed-End Funds are not in continuous distribution and do not offer daily redemptions at Net Asset Value (“NAV”). Instead, the Funds’ common shares trade primarily on the NYSE, and their price in the secondary market fluctuates based on market demand. Thus, Fund shares may trade at prices above or below their NAV. Both bids and offers for the Fund shares are displayed during regular trading hours, and completed transactions are reported to the consolidated tape.

The Closed-End Funds, which are required under the 1940 Act to distribute net investment income and capital gains to their shareholders, generally pay dividends on their common shares on a monthly basis, as declared by each Fund’s Board of Trustees. Like most closed-end funds, each of the Funds has adopted a Dividend Reinvestment Plan (the “Plan”) with respect to its common shares.<sup>3</sup> The Plan is designed to offer Fund shareholders a convenient and economical method to reinvest dividends, which otherwise are paid in cash, to add to their existing investment in the Fund. Shareholders who participate in the Plan may include individuals, as well as brokers, banks, and other nominees on behalf of beneficial owners. Without the Plan, smaller Fund shareholders wishing to reinvest their dividend distributions would have to purchase shares through brokers at retail commission rates that may make the transactions impractical. Putnam and the Trustees accordingly believe that the Plan offers a potentially significant benefit to many Fund investors.

The following is a brief summary of the Plan’s operations. If PSERV is granted the relief requested herein, PSERV would perform all the Services currently performed under the Plan by the Bank Transfer Agent.

Upon the record date for a Fund’s monthly dividend, the Bank Transfer Agent calculates both the aggregate amount of the dividend to be paid and the respective portions of the dividend that are to be paid in cash and that are to be reinvested in Fund shares on behalf of shareholder participants in the Plan (“Participants”).<sup>4</sup> The Bank Transfer Agent has engaged an unaffiliated

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<sup>3</sup> Each Fund has had a dividend reinvestment plan since the Fund’s inception. The current Plan was adopted by each Fund’s Board of Trustees in April 2009, as an amendment and restatement to bring it up to date and to clarify certain mechanical provisions, including the provisions addressing fluctuations in a Fund’s market price from a discount to NAV to a premium during a reinvestment period.

<sup>4</sup> On the dividend payment date, the Bank Transfer Agent initiates the distribution of cash dividends to non-Participants.

third-party broker-dealer (the “Executing Broker”) to effect purchases of Fund shares with an aggregate value equal to the value of the dividend payable to all Participants. Assuming that the Fund’s common shares are trading at a discount to the Fund’s per-share NAV on the payment date,<sup>5</sup> the Bank Transfer Agent instructs the Executing Broker to purchase shares on the open market during the five business days following the payment date (the “Reinvestment Period”).

Once the Executing Broker has completed its open-market purchases, the Executing Broker provides the Bank Transfer Agent with data regarding the number of shares purchased and the average purchase price for all shares purchased (minus brokerage commissions charged by the Executing Broker). The Bank Transfer Agent then makes a book-entry crediting each Participant’s account on its master securityholder file with additional shares in accordance with the Participant’s ratable portion of the dividend.

#### B. PSERV Services

The terms of the specific relationship between the Funds and PSERV are set forth both in a written transfer agent agreement, and in the terms and conditions of the Plan, in each case as approved by the Funds’ Board of Trustees (“Plan Agreements”). In accordance with Rule 8b-16(c) under the 1940 Act, information concerning the operation of the Plans is updated annually and provided to each shareholder of the Funds (“Plan Disclosure”). The Plan Disclosure will include, among other things, information concerning the role of PSERV, the identity of the executing broker-dealer, and the terms of the broker-dealer’s compensation.

##### 1. *PSERV Will Not Receive Transaction-Related Compensation*

Plan administration traditionally has been a limited portion of the services provided by the Bank Transfer Agent to the Funds, and primarily includes administrative or recordkeeping functions. Under the terms of the Plan Agreements, PSERV will not receive any direct or separate compensation from the Funds for administering the Plan. Instead, it will be compensated solely through an “all-in” fee under the transfer agent agreement that also encompasses the provision of core transfer agent and registrar services.

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<sup>5</sup> The Plan provides that if shares are trading at a premium to NAV on payment date, the Fund will, instead of effecting open-market share purchases, issue new shares to Participants at the greater of (i) 95% of the closing market price of the shares on that date or (ii) the per-share NAV calculated as of that date.

PSERV will not receive any “transaction-related compensation” for providing Services.<sup>6</sup> The only fees that a Plan Participant will incur will be a pro-rata portion of the commission charges paid to the Executing Broker (by subtracting from the total amount of the dividend allocated to Participants) for effecting the purchase transactions on behalf of the Participants. However, PSERV will not share in these commission payments, and has no “salesman’s stake” in the outcome of any securities transaction.

2. *PSERV Will Not Facilitate Optional Purchases or Sales.*

A Participant in the dividend reinvestment program of the Closed-End Funds will not be permitted to make any optional cash purchases in the Fund shares through PSERV. In addition, the Plan does not permit regular periodic purchases. Thus, the only share purchase activity by the Plans will occur as a result of reinvesting dividends on behalf of Participants through the Executing Broker.

In addition, and significantly, PSERV will not process sales of Fund shares. Participants may terminate their participation in the Plan in writing or by phone. However, those Participants that wish to sell Fund shares that are registered directly on the master securityholder file of PSERV must first arrange for their share positions to be transferred in a book-entry transaction to an account registered on PSERV’s master securityholder file in the name of a third-party registered broker-dealer, and then request that broker-dealer to effect the sale. In some cases, investors may have an existing broker-dealer relationship, while in other instances they will need to open a customer account with a broker-dealer of their choosing in order to receive the transferred position. However, all sales on behalf of the shareholder will be effected by the registered broker-dealer, and not by PSERV.

3. *PSERV Does Not Solicit Transactions or Provide Investment Advice*

As noted above, PSERV will not effect sales of Fund shares or purchases of Fund shares other than in accordance with the Plan. Nevertheless, PSERV’s employees have been advised that they may not offer any investment advice or solicit transactions in Fund shares. Employees of PSERV will be advised that they may, however, provide account information to Fund shareholders, and also may provide a description of the Plans and forward enrollment information. As discussed below, this information is descriptive of the Plans, and is not designed to solicit transactions or encourage participation in the Plan.

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<sup>6</sup> The broker-dealer will not be an “affiliate”, as defined in Rule 144 under the 1933 Act, of the Funds or PSERV.

4. *All Transactions Will Be Effected by a Registered Broker-Dealer*

PSERV's role in effecting transactions on behalf of the Plan also will be very limited and clerical or ministerial in nature. On the record date for a Fund's dividend, PSERV will calculate the amounts attributable to Participants and non-Participants, and transmit this information to both the Funds' custodian and (in the case of amounts payable to Participants) the Executing Broker. Since PSERV will not effect sales of Fund shares, there will be no netting of transactions by PSERV in connection with Plan administration.

The Executing Broker normally will purchase shares of the Closed-End Funds in the secondary market on behalf of the Participants, and will receive brokerage commissions from the amount of the dividend payable to Participants. Share purchases will be executed by the Executing Broker in aggregate bulk transactions, consistent with its obligation to provide best execution. These transactions often occur over a period of days. Once the purchases are complete, share amounts reflecting the pro-rata number of shares purchased for each individual Participant (after giving effect to a pro-rata portion of commissions paid to the broker) will be credited by book-entry to that Participant's account on PSERV's master securityholder file. Neither the Funds nor PSERV will exercise any direct or indirect control or influence over the times, price, or manner in which the Fund shares are purchased.<sup>7</sup>

5. *PSERV Will Not Hold Shareholder Funds*

PSERV will not create segregated accounts either to hold cash pending investment or to distribute monies received upon the sale of Fund shares. As noted above, PSERV does not offer a sale facility to Participants. The only purchases occurring on behalf of Participants will be limited to reinvesting dividends. The Closed-End Funds are subject to specific requirements under the 1940 Act and rules adopted thereunder regarding custody of fund assets. Among other things, these regulations generally require that fund assets be maintained at depository institutions<sup>8</sup> in accounts segregated from those of other persons, including in this instance PSERV, and also require internal controls over the disbursement of assets.<sup>9</sup>

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<sup>7</sup> As noted above, if Fund shares are trading at a premium to the per-share NAV on the dividend payment date, no open-market purchases of Fund shares will be effected on behalf of Participants, and PSERV will instead cause the Fund to issue new common shares.

<sup>8</sup> The custodian for the Funds is a "bank" as defined in Section 3(a)(6) of the Exchange Act.

<sup>9</sup> See, e.g., Rule 17f-2 *et. seq.* under the 1940 Act.

The cash needed to satisfy the Fund's dividend payment obligation will be kept at the Fund's custodian in a segregated account and will not come into possession of PSERV. Cash in respect of the dividend attributable to shares owned by Participants would be transmitted directly from the Funds' custodian to the Executing Broker in order to settle purchases of Fund shares in the secondary market. PSERV would be notified by the Executing Broker of the total shares acquired on behalf of the Participants and the average purchase price therefor and will allocate those shares on its master security holder files.

6. *Each Participant Will Receive Transaction Notifications and Quarterly Statements*

In addition to the Plan Disclosure,<sup>10</sup> each Participant will receive, not later than four days after the date of the last transaction effected in the aggregated batch, a written or electronic notification containing, at a minimum, the following information:

- (a) The name of the Participant;
- (b) The date of each transaction for the account of the Participant; and,
- (c) The identity, price, and number of shares purchased for the Participant.

PSERV also will provide each Participant, on a quarterly basis, with a statement disclosing the total number of Fund shares held by the Participant at the end of the quarter.

7. *PSERV Will Make and Keep Appropriate Records*

As a registered transfer agent, PSERV is subject to the record-keeping requirements under Section 17A of the Exchange Act, as well as annual audits required by Rule 17Ad-13, and periodic exams by the Commission. In connection with administering the Plan, PSERV will make and keep current all material books and records relating to customers' funds, securities, and orders to purchase or sell securities, including specifically the following:

- (a) Records reflecting each Participant's participation in the Plan, including records of any order to enroll or unenroll in the Plan;

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<sup>10</sup> If this request is approved, the Plan Disclosure will be amended to replace references to the Bank Transfer Agent with PSERV.

- (b) An original of any communication in respect of the Plan received by PSERV from a Participant or a copy of any correspondence sent to any Participant by PSERV in respect to the Plan;
- (c) A copy of the Plan Disclosure;
- (d) A copy of any transaction notification sent pursuant to item 6 above;
- (e) A copy of each transaction notification received from the broker-dealer executing purchases of Fund shares in connection with the Plan; and
- (f) A copy of any agreement relating to the Plan entered into with an affiliated or unaffiliated third-party, including agreements with banks, broker-dealers, and entities providing services to PSERV in connection with the administration of a Plan.

These records will be retained by PSERV for a period of not less than six years, the first year in a readily accessible location for purposes of examination and inspection by the Commission. They may be stored electronically, consistent with the provisions of Rule 17Ad-7(f) under the Exchange Act.

### III. Analysis

Numerous no-action letters and Commission releases issued over many years, mostly in the context of issues arising under the Securities Act of 1933 ("1933 Act"), have established the terms under which dividend reinvestment plans may be provided by issuers, including closed-end funds.<sup>11</sup> Among other things, they limit the role of the issuer in connection with the plans and address transfer agents activities and the manner in which shares may be purchased through unaffiliated broker-dealers. The Plan was structured in accordance with the terms of the prior Commission and Staff guidance under the 1933 Act.

A "broker" is defined in Section 3(a)(4) of the Securities Exchange Act of 1934 as "any person engaged in the business of effecting transactions in securities for the account of others." While the definition of a "broker" is broad enough to include many different types of entities that may participate in "effecting transactions" in securities, the Commission and its Staff have

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<sup>11</sup> See, e.g., *Vestaur Securities, Inc.*, SEC No-Action Letter (March 1, 1976); *Dividend Reinvestment Plans*, 1933 Act Release No. 5515 (July 22, 1974); *Employee Stock Purchase Plans*, 1933 Act Release 4790 (July 13, 1965). These letters generally do not address broker-dealer registration issues.

indicated in the past that receipt of transaction-based compensation, giving rise to a “salesman’s stake”, is a primary badge of broker-dealer status.<sup>12</sup> Other indicia of broker activity include handling customer funds and securities, offering investment advice, and soliciting transactions or holding oneself out as providing brokerage services.

As we noted above, the proposed activity of PSERV lacks the traditional indicia of broker-dealer activities. Among other things, PSERV will not receive any transaction-based compensation with respect to the Plan Services. All valuation and execution services occur through a registered broker-dealer. PSERV will not handle directly any shareholder funds or monies associated with the Plan Services. PSERV also will not solicit participation in a Plan or offer any investment advice with respect to a Plan.

#### **IV. Conclusion**

We believe that permitting PSERV to offer the Services, as described above, without registering with the Commission as a broker-dealer is consistent with the public interest and the protection of investors. In particular, we note that all purchases of Fund Shares in the secondary market will be effected by a registered broker-dealer. In addition, PSERV will not: receive transaction-based compensation for providing the Services; handle customer funds or securities in connection with the Services, except as described above; net transactions among clients; solicit transactions; or offer investment advice.

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<sup>12</sup> See, e.g., Herbruck, Alder & Co., Inc. SEC Staff No-Action Letter (May 3, 2002) (noting that the receipt of transaction-based compensation is a key factor that may require an entity to register as a broker-dealer). Definition of Terms in and Specific Exemptions for Banks, Savings Associations, and Savings Banks Under Sections 3(a)(4) and 3(a)(5) of the Securities Exchange Act of 1934, Exchange Act Release 44291 (May 2001).

Based on the forgoing, we request that the Staff confirm that it will not recommend enforcement action to the Commission if PSERV provides Services, as outlined above, without registering with the Commission as a broker-dealer in accordance with Section 15(a) of the Exchange Act. Please feel free to contact the undersigned at 202-261-3387, or you may reach James Clark, Esq. of Putnam Investments at 617-760-8939.

Sincerely,



Edward L. Rittman

Cc: Paula Jenson, Esq.  
Deputy Chief Counsel

Daniel Fisher, Esq.  
Branch Chief