shareholder approval requirements of section 15(a) and rule 18f–2.

8. Applicants assert that many Sub-Advisers charge their customers for advisory services according to a ''posted'' rate schedule. Applicants state that while Sub-Advisers are willing to negotiate fees that are lower than those posted on the schedule, they are reluctant to do so where the fees are disclosed to other prospective and existing customers. Applicants submit that the requested relief will encourage potential Sub-Advisers to negotiate lower subadvisory fees with Old Mutual Capital, the benefits of which may be passed on to the Funds' shareholders.

Applicants' Conditions

Applicants agree that any order granting the requested relief will be subject to the following conditions:

1. Before a Fund may rely on the requested order, the operation of the Fund in the manner described in the application will be approved by a majority of the Fund's outstanding voting securities, as defined in the Act, or, in the case of a Fund whose public shareholders purchase shares on the basis of a prospectus containing the disclosure contemplated by condition 2 below, by the initial shareholder(s) before offering shares of that Fund to the public.

2. The prospectus for each Fund will disclose the existence, substance and effect of any order granted pursuant to the application. In addition, each Fund will hold itself out to the public as employing the manager of managers structure described in the application. The prospectus will prominently disclose that Old Mutual Capital has ultimate responsibility, subject to oversight by the Board, to oversee the Sub-Advisers and recommend their hire, termination and replacement.

3. At all times, at least a majority of the Board will be Independent Trustees, and the nomination of new or additional Independent Trustees, will be at the discretion of the then-existing Independent Trustees.

4. Old Mutual Capital will not enter into a Sub-Advisory Agreement with any Affiliated Sub-Adviser, without such agreement, including compensation to be paid thereunder, being approved by the shareholders of the applicable Fund.

5. When a Sub-Adviser change is proposed for a Fund with an Affiliated Sub-Adviser, the Board, including a majority of the Independent Trustees, will make a separate finding, reflected in the Board minutes, that such change is in the best interests of the Fund and its shareholders and does not involve a conflict of interest from which Old Mutual Capital or the Affiliated Sub-Adviser derives an inappropriate advantage.

6. Within 90 days of the hiring of any new Sub-Adviser, Old Mutual Capital will furnish the shareholders of the affected Fund all information about the new Sub-Adviser that would be contained in a proxy statement, except as modified by the order to permit Aggregate Fee Disclosure. This information will include Aggregate Fee Disclosure and any change in such disclosure caused by the addition of the new Sub-Adviser. To meet this condition, Old Mutual Capital will provide shareholders of the affected Fund with an information statement meeting the requirements of Regulation 14C, Schedule 14C, and Item 22 of Schedule 14A under the Exchange Act, except as modified by the order to permit Aggregate Fee Disclosure.

7. Old Mutual Capital will provide general management services to each Fund, including overall supervisory responsibility for the general management and investment of the Fund's assets, and, subject to review and approval by the Board, will: (a) Set the Fund's overall investment strategies; (b) evaluate, select, and recommend Sub-Advisers to manage all or a part of the Fund's assets; (c) when appropriate, allocate and reallocate the Fund's assets among multiple Sub-Advisers; (d) monitor and evaluate the performance of the Sub-Advisers; and (e) implement procedures reasonably designed to ensure that the Sub-Advisers comply with the Fund's investment objective, policies and restrictions.

8. No trustee or officer of a Fund or director or officer of Old Mutual Capital will own directly or indirectly (other than through a pooled investment vehicle that is not controlled by such person) any interest in a Sub-Adviser, except for: (a) Ownership of interests in Old Mutual Capital or any entity that controls, is controlled by, or is under common control with Old Mutual Capital; or (b) ownership of less than 1% of the outstanding securities of any class of equity or debt of a publicly traded company that is either a Sub-Adviser or an entity that controls, is controlled by, or is under common control with a Sub-Adviser.

9. Independent legal counsel, as defined in rule 0–1(a)(6) under the Act, will be engaged to represent the Independent Trustees. The selection of such counsel will be within the discretion of the then-existing Independent Trustees.

10. Old Mutual Capital will provide the Board, no less frequently than quarterly, with information about the profitability of Old Mutual Capital on a per-Fund basis. The information will reflect the impact on profitability of the hiring or termination of any Sub-Adviser during the applicable quarter.

11. Whenever a Sub-Adviser is hired or terminated, Old Mutual Capital will provide the Board with information showing the expected impact on Old Mutual Capital's profitability.

12. Each Fund will disclose in its registration statement the Aggregate Fee Disclosure.

13. The requested order will expire on the effective date of rule 15a–5 under the Act, if adopted.

For the Commission, by the Division of Investment Management, under delegated authority.

Nancy M. Morris,

Secretary.

[FR Doc. E6–19238 Filed 11–14–06; 8:45 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. IC–27548; 812–12869]

Putnam Diversified Income Trust, et al.; Notice of Application

November 7, 2006.

AGENCY: Securities and Exchange Commission (''Commission'').

ACTION: Notice of application for an order under section 12(d)(1)(J) of the Investment Company Act of 1940 (''Act'') for an exemption from sections 12(d)(1)(A) and (B) of the Act, and under sections 6(c) and 17(b) of the Act for an exemption from section 17(a) of the Act.

Summary of Application: The order would permit certain registered open- and closed-end management investment companies to acquire shares of other registered open-end management investment companies that are within the same group of investment companies and to invest in other securities and financial instruments.

Applicants: Putnam Diversified Income Trust (''DIT''), Putnam High Income Securities Fund (''HIS''), Putnam High Yield Advantage Fund (''HYA''), Putnam High Yield Trust (''HYT''), Putnam Income Fund (''PIF''), Putnam Managed High Yield Trust (''MHYT''), Putnam Master Intermediate Income Trust (''MIIT''), Putnam Premier Income Trust (''PIT''), Putnam Funds Trust (''PFT''), and Putnam Variable Trust (''PVT'' and together with the above named entities, the ''Putnam Funds''), Putman Investment

Management, LLC (''Adviser''), and Putnam Retail Management Limited Partnership (''Putnam Retail Management'').

Filing Dates: The application was filed on August 16, 2002 and amended on October 29, 2003, March 4, 2005 and November 3, 2006.

Hearing or Notification of Hearing: An order granting the application will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Commission's Secretary and serving applicants with a copy of the request, personally or by mail. Hearing requests should be received by the Commission by 5:30 p.m. on December 1, 2006 and should be accompanied by proof of service on applicants, in the form of an affidavit, or for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request notification by writing to the Commission's Secretary.

ADDRESSES: Secretary, U.S. Securities and Exchange Commission, 100 F Street NE., Washington DC 20549–1090; Applicants, c/o Beth S. Mazor, Vice President, The Putnam Funds, One Post Office Square, Boston, MA 02109.

FOR FURTHER INFORMATION CONTACT: Laura J. Riegel, Senior Counsel, at (202) 551–6873 or Stacy L. Fuller, Branch Chief, at (202) 551–6821 (Division of Investment Management, Office of Investment Company Regulation).

SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application may be obtained for a fee at the Commission's Public Reference Branch, 100 F Street NE., Washington, DC 20549–0102 (tel. 202–551–5850).

Applicants' Representations

1. Each Putnam Fund is organized as a Massachusetts business trust. DIT, HYA, HYT, PIF, PFT and PVT are registered under the Act as open-end management investment companies (''open-end Putnam Funds''). PFT and PVT currently consist of multiple series. A series of PFT, Putnam Floating Rate Income Fund (''Floating Rate Fund'') seeks high current income and preservation of capital by investing, under normal circumstances, at least 80% of its net assets in income-producing floating rate loans and other floating rate debt securities (''Senior Loans''). Each series of PVT is available for purchase by separate accounts of insurance companies, including separate accounts registered under the Act (''Registered Separate Accounts'').[1] HIS, MHYT, MIIT, and PIT are registered under the Act as closed-end management investment companies (''closed-end Putnam Funds''). Shares of the closed-end Putnam Funds are listed and traded on a national securities exchange, as defined in section 2(a)(26) of the Act. DIT, HYA, HYT, PIF, PVT, HIS, MHYT, MIIT, and PIT, or certain of their series, generally seek high current income by investing in, among other things, high yield securities such as Senior Loans.

2. The Adviser, a Delaware limited liability company, is registered as an investment adviser under the Investment Advisers Act of 1940, and serves as the investment adviser to each Putnam Fund. Putnam Retail Management, a broker-dealer registered under the Securities Exchange Act of 1934 (''Exchange Act''), acts as principal underwriter for the open-end Putnam Funds. The Adviser and Putnam Retail Management are wholly owned subsidiaries of Putnam, LLC, which is a wholly owned subsidiary of Putnam Investments Trust, a holding company that is a majority-owned subsidiary of Marsh & McLennan Companies, Inc.

3. Applicants request relief to permit: (a) The closed-end Putnam Funds and certain of the open-end Putnam Funds or their series (and together with any existing or future registered open-or closed-end management investment company or series thereof advised by the Adviser or any entity controlling, controlled by, or under common control with the Adviser, ''Funds of Funds'') to purchase shares of one or more of the open-end Putnam Funds or their series (together with any existing or future registered open-end management investment company, or series thereof, advised by the Adviser or any entity controlling, controlled by or under common control with the Adviser, and part of the same ''group of investment companies,'' as defined in section 12(d)(1)(G)(ii) of the Act, as the Funds of Funds, ''Underlying Funds'') and the Underlying Funds to sell their shares to, and redeem their shares from, the Funds of Funds in excess of the limits set forth in sections 12(d)(1)(A) and (B) of the Act; and (b) the Funds of Funds also to invest in a variety of debt and/or equity securities or other financial instruments (''Other Securities'') in accordance with their respective investment objectives and policies.[2] Applicants also seek relief to permit the Underlying Funds that are or become affiliated persons of a Fund of Funds to sell shares to, and redeem shares from, the Fund of Funds. The Funds of Funds and the Underlying Funds are referred to together as the ''Funds''.[3]

4. Applicants believe that it may be more efficient for Funds of Funds to gain exposure to particular investment styles and/or asset classes by investing in one or more Underlying Funds. Applicants state that an investment by a Fund of Funds in an Underlying Fund may enable the Fund of Funds to obtain exposure to the investment style or asset class on a significantly more diversified basis than would be possible through a direct investment in such securities. For example, applicants note that Senior Loans often have significant investment minimums and, therefore, Funds of Funds that invest in Senior Loans through the Floating Rate Fund may diversify their investments in Senior Loans to a greater extent than would be possible if each Fund of Funds invested directly in such Senior Loans. Applicants expect that smaller Funds of Funds, in particular, will benefit from the requested relief because of the greater administrative ease, reduced transaction costs, and more efficient portfolio construction and risk management associated with investments in Underlying Funds, including the Floating Rate Fund.

Applicants' Legal Analysis

A. Section 12(d)(1) of the Act

1. Section 12(d)(1)(A) provides that no registered investment company may acquire securities of another investment company if such securities represent more than 3% of the acquired company's outstanding voting stock, more than 5% of the acquiring company's total assets, or if such securities, together with the securities of other investment companies, represent more than 10% of the acquiring company's total assets. Section 12(d)(1)(B) provides that no registered open-end investment company, its principal underwriter or any broker or dealer may sell the company's securities to another investment company if the

[1] All of the insurance companies that sponsor the Registered Separate Accounts are and will be unaffiliated with the Adviser.

[2] Other Securities do not and will not include shares of any registered investment companies that are not part of the same group of investment companies as the Funds of Funds.

[3] The Adviser currently intends that the open-end and closed-end Putman Funds, including two series of PVT but excluding PFT, will operate as Funds of Funds, and that the Floating Rate Fund will operate as an Underlying Fund under the requested order. Each Fund that currently intends to rely on the requested order is named as an applicant. Any Fund that relies on the order in the future will do so only in accordance with the terms and conditions contained in the application, as amended.

sale will cause the acquiring company to own more than 3% of the acquired company's voting stock or cause more than 10% of the acquired company's voting stock to be owned by investment companies.

2. Section 12(d)(1)(G) of the Act provides, in relevant part, that section 12(d)(1) will not apply to the securities of a registered open-end investment company purchased by another registered open-end investment company, if: (a) The acquiring company and the acquired company are part of the same group of investment companies; (b) the acquiring company holds only securities of acquired companies that are part of the same group of investment companies, government securities and short-term paper; (c) the aggregate sales loads and distribution-related fees of the acquiring company and the acquired company are not excessive under rules adopted pursuant to section 22(b) or section 22(c) of the Act by a securities association registered under section 15A of the Exchange Act or by the Commission; and (d) the acquired company has a policy that prohibits it from acquiring securities of registered open-end management investment companies or registered unit investment trusts in reliance on section 12(d)(1)(F) or (G) of the Act. Section 12(d)(1)(G)(ii) defines a ''group of investment companies'' as ''any 2 or more registered investment companies that hold themselves out to investors as related for purposes of investment and investor services.'' Applicants state that they may not rely on section 12(d)(1)(G) because certain of the Funds of Funds are closed-end management investment companies (''closed-end Funds of Funds'') and because all of the Funds of Funds may invest in Other Securities as well as in the Underlying Funds.

3. Section 12(d)(1)(J) of the Act provides that the Commission may exempt any person, security, or transaction from any provision of section 12(d)(1), if the exemption is consistent with the public interest and the protection of investors. Applicants seek an exemption under section 12(d)(1)(J) to permit (a) The Funds of Funds to acquire shares of Underlying Funds, and Underlying Funds to sell their shares to Funds of Funds, beyond the limits in sections 12(d)(1)(A) and (B) and (b) the Funds of Funds to invest in Other Securities.

4. Applicants state that the proposed arrangement will not raise the policy concerns underlying sections 12(d)(1)(A) and (B), including undue influence by a fund of funds over underlying funds, excessive layering of fees, and overly complex fund structures. Accordingly, applicants believe that the requested exemption is consistent with the public interest and the protection of investors.

5. Applicants contend that the proposed arrangement will not result in undue influence by a Fund of Funds over an Underlying Fund because the Fund of Funds and the Underlying Fund will be advised by the Adviser or an entity controlling, controlled by, or under common control with the Adviser, and will be part of the same group of investment companies. Applicants state that the Commission, and Congress in the enactment of section 12(d)(1)(G), have recognized that fund of funds arrangements that involve funds in the same group of investment companies may not present the same concerns regarding control of one fund by another.[4]

6. Applicants do not believe that the proposed arrangement will involve excessive layering of fees. With respect to investment advisory fees, applicants state that, before approving any investment advisory contract under section 15 of the Act, the board of trustees of each Fund of Funds, including a majority of the trustees who are not ''interested persons'' (as defined in section 2(a)(19) of the Act) of the Fund of Funds, will find that advisory fees, if any, charged under the advisory contract are based on services provided that are in addition to, rather than duplicative of, services provided pursuant to any Underlying Fund's advisory contract.

7. With respect to Registered Separate Accounts that invest in a Fund of Funds, applicants represent that no sales load will be charged at the Fund of Funds level or at the Underlying Fund level. Other sales charges and services fees, as defined in rule 2830 of the Conduct Rules of the National Association of Securities Dealers, Inc. (''NASD Conduct Rule 2830'') will only be charged at the Fund of Funds level or at the Underlying Fund level, not both. With respect to other investments in a Fund of Funds, any sales charges and/or service fees charged with respect to shares of a Fund of Funds will not exceed the limits applicable to a fund of funds set forth in NASD Conduct Rule 2830. Applicants state that, although investors may incur brokerage commissions in connection with market purchases of the closed-end Funds of Funds' shares, these commissions will not differ from commissions otherwise incurred in connection with the purchase or sale of comparable securities.

8. Applicants contend that the proposed arrangement will not create an overly complex fund structure. Applicants state that no Underlying Fund will acquire securities of any investment company or company relying on section 3(c)(1) or 3(c)(7) of the Act in excess of the limits of section 12(d)(1)(A), except to the extent that such Underlying Fund acquires, or is deemed to have acquired, the securities pursuant to exemptive relief from the Commission permitting such Underlying Fund to (a) Acquire securities of one or more affiliated investment companies or companies relying on section 3(c)(1) or 3(c)(7) for short-term cash management purposes, or (b) engage in interfund borrowing and lending transactions.

B. Section 17(a) of the Act

1. Section 17(a) of the Act generally prohibits purchases and sales of securities, on a principal basis, between a registered investment company and any affiliated person of the company, and affiliated persons of such persons. Section 2(a)(3) of the Act defines an ''affiliated person'' of another person to include, among other things, any person directly or indirectly owning, controlling or holding with power to vote 5% or more of the other's outstanding voting securities; any person 5% or more of whose outstanding voting securities are directly or indirectly owned, controlled or held with power to vote by the other person; any person directly or indirectly controlling, controlled by, or under common control with the other person; and any investment adviser to an investment company. Applicants state that an Underlying Fund might be deemed to be an affiliated person of a Fund of Funds if the Fund of Funds acquires 5% or more of the Underlying Fund's outstanding voting securities. Applicants also state that, because the Funds of Funds and Underlying Funds will be advised by the Adviser, or a control affiliate of the Adviser, and may have the same officers and/or board of trustees, they may be deemed to be under common control and, therefore, affiliated persons of each other. Accordingly, section 17(a) could prevent an Underlying Fund from selling shares to, and redeeming shares from, a Fund of Funds.

[4] Applicants state, among other things, that the closed-end Funds of Funds and the Floating Rate Fund have the same board of trustees, transfer agent, and custodian; that each Fund has Putnam in its name; and that the Floating Rate Fund includes information on the closed-end Funds of Funds in its Form N–1A disclosure concerning its family of investment companies.

2. Section 17(b) of the Act authorizes the Commission to grant an order permitting a transaction otherwise prohibited by section 17(a) if it finds that (a) The terms of the proposed transaction, including the consideration to be paid or received, are fair and reasonable and do not involve overreaching on the part of any person concerned, (b) the proposed transaction is consistent with the policies of each registered investment company involved, and (c) the proposed transaction is consistent with the general purposes of the Act. Section 6(c) of the Act permits the Commission to exempt any person or transaction, or any class or classes of persons or transactions from any provision of the Act if such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act.

3. Applicants seek an exemption under sections 6(c) and 17(b) to allow the proposed transactions. Applicants state that the transactions satisfy the standards for relief under sections 6(c) and 17(b). Specifically, applicants state that the terms of the transactions are fair and reasonable and do not involve overreaching. Applicants note that sales and redemptions of shares of the Underlying Funds will be at the net asset values of such Underlying Funds. In addition, applicants represent that the proposed transactions will be consistent with the policies of each Fund involved, and the general purposes of the Act.

Applicants' Conditions

Applicants agree that any order granting the requested relief will be subject to the following conditions:

1. With respect to Registered Separate Accounts that invest in a Fund of Funds, no sales load will be charged at the Fund of Funds level or at the Underlying Fund level. Other sales charges and service fees, as defined in NASD Conduct Rule 2830, if any, will only be charged at the Fund of Funds level or at the Underlying Fund level, not both. With respect to other investments in a Fund of Funds, any sales charges and/or service fees charged with respect to shares of a Fund of Funds will not exceed the limits applicable to a fund of funds set forth in NASD Conduct Rule 2830.

2. Before approving any advisory contract under section 15 of the Act, the board of trustees of a Fund of Funds, including a majority of the trustees who are not interested persons, as defined in section 2(a)(19) of the Act, of the Fund of Funds, will find that advisory fees, if any, charged under the contract are based on services provided that are in addition to, rather than duplicative of, services provided pursuant to any Underlying Fund's advisory contract. Such finding, and the basis upon which it was made, will be recorded fully in the minute books of the Fund of Funds.

3. Each Fund of Funds and each Underlying Fund will be part of the same ''group of investment companies,'' as defined in section 12(d)(1)(G)(ii) of the Act.

4. No Underlying Fund will acquire securities of any investment company or company relying on section 3(c)(1) or 3(c)(7) of the Act in excess of the limits contained in section 12(d)(1)(A) of the Act, except to the extent that such Underlying Fund acquires, or is deemed to have acquired, the securities pursuant to exemptive relief from the Commission permitting such Underlying Fund to (a) Acquire securities of one or more affiliated investment companies or companies relying on section 3(c)(1) or 3(c)(7) of the Act for short-term cash management purposes, or (b) engage in interfund borrowing and lending transactions.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Nancy M. Morris,

Secretary.

[FR Doc. E6–19207 Filed 11–14–06; 8:45 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–54706; File No. SR–NASDAQ–2006–036]

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Exempt Certain Cross Transactions From NASDAQ Rule 3350(a)

November 3, 2006.

Pursuant to Section 19(b)(1) under the Securities Exchange Act of 1934 (''Act''),[1] and Rule 19b–4 thereunder,[2] notice is hereby given that on September 25, 2006, The NASDAQ Stock Market LLC (''Nasdaq''), filed with the Securities and Exchange Commission (''Commission'' or ''SEC'') the proposed rule change as described in Items I and II below, which Items have been prepared by Nasdaq. On October 31, 2006, Nasdaq filed Amendment No. 1 to the proposed rule change.[3] Nasdaq has designated the proposed rule change, as amended, as constituting a non-controversial rule change under Rule 19b–4(f)(6) under the Act,[4] which renders the proposal, as amended, effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

Nasdaq proposes to exempt all transactions executed in the Nasdaq Crossing Network pursuant to NASDAQ Rule 4770 from the price test set forth in NASDAQ Rule 3350(a). Nasdaq plans to implement the proposed rule change, as amended, on November 6, 2006.

The text of the proposed rule change is below. Proposed new language is underlined; proposed deletions are in brackets.[5]

* * * * *

3350 Short Sale Rule

(a)–(b) No Change.

(c)(1)–(10) No Change.

(11) Short sales of securities in the Nasdaq Crossing Network pursuant to NASDAQ Rule 4770 provided that:

(a) Such short sales involve securities that comprise the S&P 500 Index;

(b) Such short sales involve securities that qualify as ''actively-traded securities'' under Regulation M; or

(c) Such short sales are part of a basket transaction of 20 or more securities in which the subject security does not comprise more than five percent of the value of the basket traded.

(d)–(l) No Change.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, Nasdaq included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. Nasdaq has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] Amendment No. 1 was a partial amendment in which Nasdaq made certain technical changes following discussions with Commission staff.

[4] 17 CFR 240.19b–4(f)(6).

[5] Changes are marked to the rule text that appears in the electronic NASDAQ Manual found at *http://www.nasdaqtrader.com.*