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June 22, 2011

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

**RE: National Market System Plan to Address Extraordinary Market Volatility
File No. 4-631**

Dear Ms. Murphy:

Vanguard¹ appreciates the opportunity to comment on the “limit up-limit down” proposal by the national securities exchanges and the Financial Industry Regulatory Authority (“FINRA”) for the U.S. equity markets. We commend the exchanges, FINRA and the Commission for their continued focus on improving the structure of our equity markets and addressing the events of May 6, 2010. Vanguard supports the proposed “limit up-limit down” structure.

While the single stock circuit breaker pilot and updated clearly erroneous rules were appropriate “first steps” in responding to the events of May 6th, we share the belief that a “limit up-limit down” structure is a better long-term solution to some of the issues that can arise in our increasingly automated and fragmented trading markets. We believe that a structure that prevents erroneous trades is better than a structure in which an error by one market participant can halt trading for all participants. We also believe that a structure that prevents erroneous trades from being executed is better than a structure that relies on the post-execution cancelling of trades. Accordingly, we agree that a “limit up-limit down” structure is better than a structure that relies on single stock circuit breakers and clearly erroneous rules.

We appreciate that the proposed “limit up-limit down” structure will need to be adjusted over time and believe FINRA and the exchanges will be diligent in making necessary changes. In that light, we think there are three areas of focus for FINRA, the exchanges and the Commission once the initial phase of the “limit up-limit down” proposal begins. We believe: 1)

¹ The Vanguard Group, Inc. (“Vanguard”) offers more than 160 U.S. mutual funds with total assets of approximately \$1.4 trillion. We serve approximately 23 million shareholder accounts.

all exchange traded funds should be Tier 1 securities; 2) the trigger for trading halts should be monitored closely; and 3) the structure should be implemented as soon as possible.

First, Vanguard believes all exchange traded funds should be subject to a 5% price band. Under the proposal, Tier 1 securities are subject to 5% limit up-limit down price bands while Tier 2 securities are subject to a 10% band. The Tier 1 securities are taken from the list of securities subject to the single stock circuit breaker pilot and include stocks in the S&P 500 Index and the Russell 1000 Index and certain exchange traded funds and notes. All exchange traded products, not just those on the circuit breaker list, are derivative products offering exposure to a larger universe of stocks, bonds and commodities. Rarely, if ever, should market fundamentals result in price movements of more than 5% during any five minute period for any of these products. The circuit breaker list was created at a time when FINRA, the exchanges and the Commission needed to take action that could be implemented very quickly. The list was created at a particular point in time under different circumstances and should not form the long-term basis for creating two tiers of exchange traded products. We believe the better and more consistent practice over the long-term is to treat all exchange traded funds as Tier 1 securities.

Second, as the proposal is implemented, we think it is important for FINRA, the exchanges and the Commission to monitor the instances in which trading pauses are triggered. As drafted, trading would be paused for five minutes in the event trading is in a “Limit State” for 15 seconds. Preliminarily, we believe this is a short time threshold and will lead to an unnecessary number of trading halts. Because the price bands should eliminate significant erroneous trades, and trading halts interfere with the natural interaction of orders and the price discovery process, we feel the halts should be limited to extraordinary circumstances. We encourage FINRA, the exchanges and the Commission to monitor the thresholds for triggering trading halts and adjust those thresholds to apply only in extraordinary situations.

Finally, because of the benefits of the limit up-limit down structure, we think it is important to implement the proposal as quickly as possible. The anticipated timeframe for implementing the proposal, particularly with respect to Tier 2 securities, is somewhat concerning. The current single stock circuit breaker pilot has been successful, yet mini flash crashes continue to occur among Tier 2 stocks. We believe this pilot has proven the merit of the concept and the proposal should be implemented across the board, without delay. It has been over a year since the events of May 6th, and we believe the limit up-limit down proposal will go a long way towards restoring investors’ confidence in our U.S. equity markets.

In conclusion, Vanguard commends FINRA, the exchanges and the Commission for their continued efforts to restore investor confidence in the equity markets. While we believe today's market structure benefits long term investors more than ever before, we think the "limit up-limit down" proposal is an adjustment that will address some of the flaws that exist in this highly automated and fragmented structure.

Please do not hesitate to contact me or John Bisordi, Senior Counsel at (610) 669-2624 if you have any questions or require additional information.

Sincerely,

/s/ Gus Sauter

George U. Sauter
Managing Director and Chief Investment Officer
The Vanguard Group, Inc.

cc: The Honorable Mary L. Schapiro
The Honorable Kathleen L. Casey
The Honorable Elisse B. Walter
The Honorable Luis A. Aguilar
The Honorable Troy A. Paredes

Robert W. Cook, Director
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