



September 21, 2009

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

**RE: Proposed Amendments to Regulation SHO
File Number S7-08-09**

Dear Ms. Murphy:

Vanguard¹ appreciates the opportunity to respond to the supplemental request for comment of the Securities and Exchange Commission (“Commission”) with respect to additional alternative proposals to regulate short selling. The Commission has re-opened the comment period for the above referenced rule proposal so that it can receive feedback with respect to an additional short sale price test restriction (“Alternative Uptick Rule”) that was not one of the proposals set forth in the Commission’s initial release.

Vanguard will not reiterate all of the points made in its comment letter submitted in response to the Commission’s initial proposal.² Nevertheless, Vanguard continues to believe that the proposed restrictions could have a significant deleterious impact on the market efficiencies associated with legitimate short selling. Vanguard also continues to believe that the evidence to date does not suggest that any of the proposed short sale restrictions, including the recently proposed Alternative Uptick Rule, are warranted.

If, however, evidence is provided that justifies some form of regulation, Vanguard continues to support a restriction with the least necessary impact on the price discovery and liquidity benefits of short selling. Accordingly, Vanguard favors a “Circuit Breaker” approach over any market-wide restriction. At this time, Vanguard does not believe any of the proffered benefits of a short sale restriction will outweigh the negative impacts to market efficiencies that would result from a market-wide approach.

With respect to the supplemental proposal, the Commission’s release acknowledges that any form of the Alternative Uptick Rule would have a greater impact

¹ The Vanguard Group, Inc. (“Vanguard”) offers more than 150 U.S. mutual funds with total assets of approximately \$1.1 trillion. We serve approximately 23 million shareholder accounts.

² See June 19, 2009 letter from George U. Sauter, Managing Director and Chief Investment Officer, The Vanguard Group, Inc. at <http://www.sec.gov/comments/s7-08-09/s70809-3761.pdf>.

on the benefits of legitimate short selling, including market liquidity and pricing efficiencies, than corresponding versions of the Modified Uptick Rule or Uptick Rule as initially proposed by the Commission. At the same time, as compared to the initial price test proposals, it has been argued by some that an Alternative Uptick Rule would be the easiest and least costly proposal to implement over the short-term and the easiest to monitor going forward. Vanguard believes the long term costs and burdens on liquidity and price discovery are more important considerations than short term implementation costs. For this reason, if the Commission decides some sort of rule is warranted, at this time, Vanguard continues to support a Circuit Breaker that triggers a Modified Uptick Rule in a particular security over all other proposals, including a Circuit Breaker that triggers an Alternative Uptick Rule.

Nevertheless, Vanguard recognizes that it is not in a position to opine on the implementation or monitoring costs of the various rule proposals. Moreover, Vanguard recognizes the importance of being able to monitor and enforce any restriction that is ultimately implemented. If a proposal cannot be monitored and enforced, it should not be implemented. Thus, Vanguard encourages the Commission to review evidence related to the ability to monitor and enforce each of the proposals.

In conclusion, Vanguard appreciates the Commission's continued willingness and diligence in exploring all options, including the option of taking no action. 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

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