



610-669-1000
www.vanguard.com

June 3, 2010

Submitted electronically

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

RE: SRO Single Stock Circuit Breaker Proposals (File Nos. SR-BATS-2010-014, SR-BX-2010-037, SR-NASDAQ-2010-061, SR-NSX-2010-05, SR-NYSE-2010-39, SR-NYSEArca-2010-41, SR-NYSEAmex-2010-46, SR-ISE-2010-48, SR-EDGA-2010-01, SR-EDGX-2010-01, SR-CBOE-2010-047, SR-FINRA-2010-025, SR-CHX-2010-10)

Dear Ms. Murphy:

Vanguard¹ appreciates the opportunity to comment on the proposed single stock circuit breaker rule proposals (the “Pilot”) filed by the national securities exchanges and the Financial Industry Regulatory Authority (“FINRA”). We commend the exchanges, FINRA and the Commission for their swift responses to the market events of May 6th, including the Pilot. Vanguard supports circuit breaker halts for individual securities in times of market dislocation. As set forth below, Vanguard believes that exchange traded funds (ETFs) should be included in the Pilot without delay.

We believe the Pilot to temporarily suspend trading in a stock across the U.S. markets for five minutes when the stock experiences a ten percent change in price over the preceding five minutes is an appropriate first step. Our markets are more fragmented than they were 10 to 15 years ago and trading has become increasingly automated. Because of the way in which our market structure has evolved, on very rare occasions like May 6th a pause in trading is necessary to give market participants a chance to “reset” and react appropriately to periods of dislocation. A reasonable trading halt will provide investors time to rationally assess the market events and commit liquidity at appropriate price levels.

Many investors do not recognize the potential risks of placing market orders and stop loss orders. The events of May 6th have made it painfully clear that these orders can produce executions at prices that are discontinuous from previous trades and are far from the logical fair value of the security. Circuit breakers would prevent market orders from

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.

chasing prices to the floor when sufficient liquidity is not present to absorb the orders at reasonable price levels.

We believe trading pauses are a more appropriate means of dealing with rare periods of sudden volatility than cancelling trades as clearly erroneous. A structure that relies on after-the-fact trade rulings creates risk for market makers, and hence discourages liquidity at times when it is needed most. When a security is experiencing significant volatility, a market participant is less inclined to provide liquidity if there is a risk that trades will be cancelled.

While we believe trading pauses are appropriate, the Pilot as proposed does not apply to all securities. As written, the Pilot “shall be in effect only with respect to securities included in the S&P 500 Index.” The Pilot does not provide a “reset” period for a majority of equities traded on the exchanges, including ETFs. As the Commission is aware, ETFs comprised 70% of the securities with cancelled trades on May 6th. ETFs were affected, as were stocks, because of a flaw in the market structure, not the ETF product. As a provider of over forty-five ETFs for long-term investors, Vanguard believes owners of ETF shares should be provided the same protections from market dislocation as owners of shares of individual stocks. We recognize that the Commission has already acknowledged an intention to “expand the scope to securities beyond the S&P 500 (including ETFs) as soon as practicable.” However, until ETFs are added, we remain concerned that ETFs are not subject to the same pauses as other securities should the events of May 6th repeat themselves. We request that ETFs be added to the Pilot without delay.

We believe additional aspects of the halts can be analyzed after the Pilot has begun (e.g., different triggering thresholds for different types of securities and a rule triggered off of the NBBO rather than last sale).

In conclusion, Vanguard appreciates the swift action of the exchanges, FINRA and the Commission in response to the unusual events of May 6, 2010. 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
Division of Trading and Markets
U.S. Securities and Exchange Commission