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August 24, 2011

Filed Electronically

Elizabeth M. Murphy, Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090

Re: Request for Comment on Proposed New Rules Governing Communications with the Public (SR-FINRA-2011-035)

Dear Ms. Murphy:

Vanguard¹ appreciates the opportunity to comment on the Financial Industry Regulatory Authority's ("FINRA") proposed amendments to its rules governing communications with the public (the "Proposal").² Vanguard continues to support FINRA's efforts to consolidate and streamline NASD and NYSE rules into the Consolidated FINRA Rulebook. FINRA has thoughtfully addressed many of the concerns that Vanguard discussed in its 2009 comment letter³ and therefore we support most elements of the Proposal. However, Vanguard is concerned

¹ Vanguard offers more than 170 U.S. mutual funds with assets of approximately \$1.7 trillion. We serve more than 23 million shareholder accounts. Vanguard Marketing Corporation, a Vanguard subsidiary, is an SEC registered broker-dealer and FINRA member. Vanguard Marketing Corporation offers brokerage services through its Vanguard Brokerage Services operating division and provides marketing and distribution services for the Vanguard funds, certain 529 plans and annuity programs.

² See FINRA Notice of Filing of Proposed Rule Change to Adopt FINRA Rules 2210 (Communications with the Public), 2212 (Use of Investment Companies Rankings in Retail Communications), 2213 (Requirements for the Use of Bond Mutual Fund Volatility Ratings), 2214 (Requirements for the Use of Investment Analysis Tools), 2215 (Communications with the Public Regarding Security Futures), and 2216 (Communications with the Public About Collateralized Mortgage Obligations) in the Consolidated FINRA Rulebook, 76 Fed. Reg 46870 (August 3, 2011) available at <http://www.sec.gov/rules/sro/finra/2011/34-64984.pdf>. See also FINRA Regulatory Notice No. 09-55 (September 2009).

³ See Letter to Marcia E. Asquith, Senior Vice President and Corporate Secretary, Office of the Corporate Secretary, FINRA from Matthew R. Walker, Principal and Counsel, Vanguard, dated November 20, 2009 (commenting on the 2009 Proposal).

with the recent addition in the Proposal of supplementary material that would impose new requirements for the supervision of certain internal communications.

We strongly support two aspects of FINRA's Proposal. First, we agree that reducing the six current communication categories to three, namely retail communications, institutional communications, and correspondence, appropriately simplifies the categories and reflects member firms' actual practices. Second, we agree with the manner in which FINRA's Proposal addresses the supervision requirements for social networking sites. The Proposal would (i) incorporate the guidance about social networking sites from FINRA Regulatory Notice No. 10-06 into the rule; and (ii) authorize FINRA to grant exemptions from certain principal approval requirements. We believe this approach provides the consistency and flexibility that will be necessary to adapt regulatory requirements to changing technology.

Going forward, FINRA and member firms will continue to find themselves in a period of evolving technological change as new social networking platforms are introduced rapidly and become an expected way for firms to engage with and educate investors. Therefore, we encourage FINRA to continue to work with the industry to adopt requirements and regulatory guidance that keep pace with new technology and facilitate effective communication with investors.⁴

While we support most elements in the Proposal, we are concerned that the proposed Supplementary Material .01 imposes unnecessary additional obligations on member firms that have not been adequately explained. Supplementary Material .01 provides that a member's internal written (including electronic) communications that are intended to educate or train registered persons about the products and services offered by a member are considered "institutional communications" and subject to the obligations of Rule 2210. Historically, FINRA has never provided any public guidance stating that "institutional communications" with the public have included a member's internal written communications. Rather, these types of internal training communications have always been subject to the supervision requirements of NASD Rule 3010.⁵

Accordingly, Supplementary Material .01 could result in duplicative, inconsistent, and unnecessary regulation by covering internal conduct that is already governed by NASD Rule 3010. We recommend that FINRA explain the addition of Supplementary Material .01 to the Proposal or eliminate it and specifically apply NASD Rule 3010 to these internal training materials.

⁴ See, e.g., FINRA Regulatory Notice No. 11-39.

⁵ NASD Rule 3010 states that "[e]ach member shall establish and maintain a system to supervise the activities of each registered representative, registered principal, and other associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable NASD Rules."

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Vanguard appreciates FINRA's efforts to develop a new consolidated rulebook and the opportunity to comment. If you have any questions about Vanguard's comments or would like any additional information, please contact Shayna Beck, Associate Counsel, at (610) 503-6334.

Sincerely,

/s/ Sandra J. Burke

Sandra J. Burke
Principal

cc: Honorable Mary L. Schapiro, Chairman
Honorable Elisse B. Walter, Commissioner
Honorable Luis A. Aguilar, Commissioner
Honorable Troy A. Paredes, Commissioner