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James A. Brigagliano, Esq.
Assistant Director, Trading Practices
Office of Risk Management and Control
Division of Market Regulation
Securities and Exchange Commission
450 Fifth Street, N.W., Mail Stop 10-1
Washington, DC 20549

Re: Request of Vanguard International Equity Index Funds et al. for Exemptive, Interpretive or No-Action Relief from Section 11(d)(1) of the Securities Exchange Act of 1934 and Rules 10a-1; 10b-10; 10b-17; 11d1-2; 14e-5; 15c1-5; 15c1-6 , Rules 101 and 102 of Regulation M and Rule 200(g) of Regulation SHO promulgated under said Act.

Dear Mr. Brigagliano:

SUMMARY OF REQUEST FOR RELIEF

We are writing on behalf of Vanguard International Equity Index Funds (“International Index Trust” or “Trust”). The International Index Trust, on behalf of itself, the American Stock Exchange (“AMEX”) and any other national securities exchange or national securities association on or through which the shares of the Trust (“VIPER Shares”¹) may subsequently trade (with each such market being a “Market”) and persons or entities engaging in transactions in the VIPER Shares, hereby requests, as appropriate, from the staff of the Division of Market Regulation (“Staff”) of the Securities and Exchange Commission (“Commission”), or from the Commission, exemptions from, or interpretive or no-action advice regarding, Section 11(d)(1) of the Securities Exchange Act of 1934 as amended (“Exchange Act”), Rules 10a-1, 10b-10, 10b-17, 11d1-2, 14e-5, 15c1-5 and 15c1-6 under the Exchange Act, and Rules 101 and 102 of Regulation M and Rule 200 (g) of Regulation SHO under the Exchange Act. Except for the relief requested herein with respect to Rule 200(g) of Regulation SHO, the relief requested in this letter is substantially similar to exemptive or no-action relief granted by the

¹ The International Index Trust intends to list its VIPER Shares of its Vanguard Emerging Markets Stock Index Fund, Vanguard European Stock Index Fund, and Vanguard Pacific Stock Index Fund on the AMEX. The AMEX has received Commission approval pursuant to Section 19(b) of the Exchange Act of rules applicable to the trading of the VIPER Shares (File No. SR-AMEX-2004-05, Rel. No. 34-50189 dated August 12, 2004). In addition, the Commission granted the requested relief to the Trust from the application of certain sections of the Investment Company Act of 1940 as amended (“1940 Act”) and the rules promulgated thereunder. See File No. 812-12860, Rel. No. 40-26246 dated November 3, 2003 (notice) and Rel. No 40-26281 dated December 1, 2003 (order) (the “International Index Trust Order”).

Commission to Vanguard Index Funds and Vanguard World Funds² and certain other open-end management investment companies, including those investing in the securities of foreign issuers,³ as well as to certain unit investment trusts.⁴ The relief requested for Rule 200(g) of Regulation SHO is identical to that granted in prior no-action relief cited and discussed in Part V.A. of this letter.

² *See*: Vanguard Index Funds *et al.* with respect to the trading of VIPERs, which was granted by the Commission in the letter from James A. Brigagliano, Associate Director, Division of Market Regulation to Kathleen H. Moriarty, Carter, Ledyard & Milburn, dated May 21, 2001 and Vanguard World Index Funds with respect to the trading of VIPERS issued by the Vanguard Energy Index Fund and Vanguard Telecommunication Services Index Fund which was granted by the Commission in the letter from James A. Brigagliano, Assistant Director, Division of Market Regulation to Barry A. Mendelson, The Vanguard Group, Inc dated October 20, 2004 (“Prior VIPER Letters”). (Vanguard Index Funds and Vanguard World Index Funds are collectively defined as “Prior VIPER Trusts”).

³ *See* iShares FTSE/Xinhua China 25 Index Fund with respect to the trading of iShares, letter from James Brigagliano, Assistant Director, Division of Market Regulation to Jack P. Drogin, Morgan, Lewis & Bokius LLP, dated October 14, 2004; The CountryBaskets Index Fund, Inc. with respect to the trading of CountryBaskets, letter from Nancy J. Sanow, Assistant Director, Division of Market Regulation, to Michael Simon, Milbank, Tweed, Hadley & McCloy, dated March 22, 1996; and letter from Nancy J. Sanow, Assistant Director, Division of Market Regulation, to Tuuli-Ann Ristkok, Donovan Leisure Newton & Irvine and Stephen K. West, Sullivan & Cromwell, dated March 22, 1996, as well as Foreign Fund, Inc. with respect to the trading of World Equity Benchmark Shares™, letter from Nancy J. Sanow, Assistant Director, Division of Market Regulation, to Donald R. Crawshaw, Sullivan & Cromwell, dated April 17, 1996. *See also* the relief requested by the iShares Lehman U.S. Treasury Inflation Protected Securities Fund and iShares Lehman U.S. Aggregate Bond Fund with respect to the trading of iShares, letter from James A. Brigagliano, Associate Director, Division of Market Regulation, to Jack P. Drogin dated September 25, 2003; the relief requested by ETF Advisors Trust *et al.* with respect to the trading of FITRS which was granted by the Commission in a letter from James A. Brigagliano, Associate Director, Division of Market Regulation, to Kathleen H. Moriarty of Carter, Ledyard & Milburn, dated November 1, 2002; the relief requested by Fresco Index Shares Funds which was granted by the Commission in a letter from James A. Brigagliano, Associate Director, Division of Market Regulation, to Mr. Stuart M. Strauss of Mayer, Brown, Rowe & Mawe dated October 21, 2002; the relief requested by iShares Trust with respect to the trading of iShares, which was granted by the Commission in letters from James A. Brigagliano, Associate Director, Division of Market Regulation, to Mary Joan Hoene, Carter, Ledyard & Milburn, dated December 1, 2000, and September 5, 2000, and to Kathleen H. Moriarty, Carter, Ledyard & Milburn, dated May 16, 2000; the relief requested by the StreetTRACKS Series Trust with respect to the trading of its shares granted in a letter from James A. Brigagliano, Associate Director, Division of Market Regulation, to Stuart M. Strauss, Mayer, Brown & Platt, dated September 26, 2000, and relief requested by the WEBS Index Series, granted in a letter from James A. Brigagliano, Assistant Director, Division of Market Regulation, to Donald R. Crawshaw, Sullivan & Cromwell, dated May 10, 2000, as well as the relief requested by the Select Sector SPDR Trust, granted in letters dated December 14, 1998 and December 22, 1998, respectively, from Larry Bergman, Senior Associate Director, Division of Market Regulation and James A. Brigagliano, Assistant Director, Division of Market Regulation, to Stuart M. Strauss, Gordon, Altman, Butowsky, Weitzen, Shalov. (All open-end management investment companies identified in footnote 2 and in this footnote are defined collectively as the “Open-End ETFs”).

⁴ See letter from Nancy J. Sanow, Assistant Director, Division of Market Regulation to James F. Duffy, Senior Vice President and General Counsel, AMEX, dated January 22, 1993 (regarding SPDRs); letter from Nancy J. Sanow, Assistant Director, Division of Market Regulation to James F. Duffy, Executive Vice President and General Counsel, AMEX, dated April 21, 1995 (regarding MidCap SPDRs); letter from James A. Brigagliano, Assistant Director, Division of Market Regulation to James F. Duffy, Executive Vice President and Counsel, AMEX, dated March 3, 1999 (regarding units of the Nasdaq-100 Trust). The Commission granted similar relief with respect to the trading of DIAMONDS, including relief under Rule 101 of Regulation M; see letter from Larry E. Bergman, Senior Associate Director, Division of Market Regulation to James F. Duffy, Executive Vice President and Counsel, AMEX, dated January 9, 1998 (collectively, the “UIT ETFs”).(Open-End ETFs and UIT ETFs are defined collectively as “ETFs”).

This letter is divided into six parts. Part I is a description of the International Index Trust, certain of its various Funds and the new class of VIPER Shares of each Fund that would be listed for trading on a Market, Part II is a description of the International Index Trust's disclosure documents with respect to VIPER Shares, Part III is a comparison of the International Index Trust against other index funds, Part IV contains a discussion of dissemination of information regarding VIPER Shares, Part V contains the requests for relief and Part VI is the conclusion.

PART I

A. The International Index Trust and its Funds

The International Index Trust was originally organized in 1989 as a Maryland corporation and was reorganized as a Delaware statutory trust in 1998. It is registered with the Commission as an open-end management investment company under the 1940 Act. The Trust offers and sells its shares pursuant to a "Registration Statement" (Registration Nos. 33-32548 and 811-5972 on Form N-1A under the 1940 Act and the Securities Act of 1933 (the "1933 Act")). Such shares are referred to herein as "Shares." The Trust consists currently of three separate investment portfolios, all of which are discussed below and are the subject of this request for relief (each a "Fund" and collectively the "Funds"). Each Fund is an index fund that seeks to track, as closely as possible, the performance of a different international equity securities index (each a "Target Index").⁵ Each Fund holds a portfolio of stocks consisting of all of the component securities of its Target Index. The portfolio securities held in respect of each Fund are referred to herein as "Fund Securities." The Funds qualify as "regulated investment companies" for purposes of the Internal Revenue Code. The three different Funds, along with their Target Indexes, are:

I. Vanguard Emerging Markets Stock Index Fund. Minimum Creation Unit size: 100,000 Shares. The Fund seeks to track the performance of the Select Emerging Markets Index, a free float-adjusted market capitalization-weighted index designed to measure the performance of stock markets in "emerging" countries. As of December 31, 2004, the Select Emerging Markets Index consisted of approximately 600 stocks issued by companies domiciled in the following 18 countries: Argentina, Brazil, Chile, China, Czech Republic, Hungary, India, Indonesia, Israel, Mexico, Peru, Philippines, Poland, South Africa, South Korea, Taiwan, Thailand, and Turkey. See Appendix A hereto for the ten (10) largest portfolio holdings, and their percentage of net assets, of the Fund.

The index is called "select" because it is modeled on a larger index – the Morgan Stanley Capital International ("MSCI") Emerging Markets Free Index – but with certain adjustments designed to reduce risk. As of December 31, 2004, the Select Index excluded certain countries found in the larger index – Colombia, Jordan, Malaysia, Pakistan, Russia, Sri Lanka, and Venezuela – because of concerns about liquidity, repatriation of capital, or entry barriers in those markets. To further reduce risk, if the weight of a country in the Select Index is above 20%, the

⁵ Each of the Target Indexes will meet criteria set forth in the listing standards adopted by the Exchange on which its corresponding VIPER Shares are listed, which listing standards have been approved by the Commission (*see* footnote 1, *supra*).

initial weight of that country for the calculation of the first business day of the month will be set to 20% and the excess amount is redistributed among the other constituent countries based on their respective weights. MSCI administers the Select Index exclusively for the Adviser as defined below.

II. Vanguard European Stock Index Fund. Minimum Creation Unit Size: 100,000 Shares. The Fund seeks to track the performance of the MSCI Europe Index, a free float-adjusted market capitalization-weighted index designed to measure the performance of European developed stock markets. As of December 31, 2004, the MSCI Europe Index consisted of approximately 560 stocks issued by companies domiciled in the following 16 countries: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom. See Appendix A hereto for the ten (10) largest portfolio holdings, and their percentage of net assets, of the Fund.

III. Vanguard Pacific Stock Index Fund. Minimum Creation Unit Size: 100,000 Shares. The Fund seeks to track the performance of the MSCI Pacific Index, a free float-adjusted market capitalization-weighted index designed to measure the performance of the Pacific region's developed stock markets. As of December 31, 2004, the MSCI Pacific Index consisted of approximately 500 stocks of companies located in Japan, Australia, Hong Kong, Singapore, and New Zealand. See Appendix A hereto for the ten (10) largest portfolio holdings, and their percentage of net assets, of the Fund.

The Funds' prospectuses disclose that each Fund reserves the right to substitute a different index for the Target Index the Fund currently tracks. Substitution could occur if the current index is discontinued, the Fund's license with the sponsor of the current index is terminated, or for any other reason determined in good faith by the Fund's board of trustees. In every such instance, the substitute index will measure the same general market as the current index. Applicants will notify Fund shareholders in the event that a Fund's current index is replaced.

Additional information (not contained herein) relating to the International Index Trust, its Funds and their Target Indexes may be found in: (1) the Registration Statement; and (2) the Trust's request for relief from the 1940 Act, contained in its application filed with the Commission on July 25, 2003, as amended on October 7, 2003 ("International Index Trust Application").

B. Other Parties

The Vanguard Group, Inc.

The Vanguard Group, Inc. (“VGI” or the “Adviser”) is a Pennsylvania corporation that is wholly and jointly owned by 35 investment companies⁶ that offer, in the aggregate, more than 100 distinct investment portfolios (each, a “Vanguard Fund”). This “mutual” ownership structure is unique in the mutual fund industry. VGI is a registered investment adviser under the Investment Advisers Act of 1940 and a registered transfer agent under the Exchange Act. The Adviser provides each of the Vanguard Funds, at cost, with corporate management, administrative, transfer agency, and (through Vanguard Marketing Corporation, a wholly-owned subsidiary) distribution services. It also provides advisory services, at cost, to certain of the Vanguard Funds, including each of the Funds.

VGI employs a supporting staff of management and administrative personnel needed to provide the requisite services, and also provides the Vanguard Funds with furnishings and equipment. Pursuant to exemptive orders issued by the Commission in 1975 and 1981, each Vanguard Fund, including each Fund, pays its share of VGI’s total expenses pursuant to allocations approved by the board of trustees of each Vanguard Fund. In addition, each Vanguard Fund bears its own direct expenses such as legal, auditing, and custodian fees.

Vanguard Marketing Corporation

Vanguard Marketing Corporation (“Distributor”), a wholly owned subsidiary of VGI and a registered broker-dealer under the Exchange Act, provides distribution and marketing services for the Vanguard Funds.

C. Management of the Funds - Indexing Approach

The International Index Trust’s Board of Trustees (“Board”) has responsibility for the overall management of the Funds. The Adviser, subject to the supervision of the Board, is responsible for the investment management of each Fund. As described in the prospectus that is part of the Registration Statement, the Funds are not managed according to traditional methods of “active” investment management, which involve the buying and selling of securities based upon economic, financial and market analysis and investment judgment. Instead, each of the Funds utilizes a “passive” or indexing investment approach, designed to approximate the investment performance of its Target Index, described briefly below.

In seeking to track its Target Index, each Fund uses the “replication” method, in which *each* stock found in the Target Index is held in about the same proportion as represented in the index itself. For example, if 5% of the MSCI Europe Index were made up of the stocks of a specific company, the Vanguard European Stock Index Fund would invest 5% of *its* assets in that company.

⁶ Two Vanguard investment companies, neither of which is an applicant, have no ownership interest in VGI.

Historically, each of the Funds has tracked its Target Index very closely. Measured over virtually any time period, the gap between each Fund and its Target Index rarely exceeds one percentage point per annum, and in almost all cases is significantly less than that. It is expected that the Funds will continue to track their Target Indexes with the same degree of precision that they have in the past and in all cases will have a tracking error of less than five percentage points per annum.

D. VIPER Shares

The International Index Trust's organizational documents permit each of the Funds to issue Shares of different classes. Currently, the Vanguard European and Pacific Stock Index Funds issue three classes of Shares. Generally, "Investor Shares" require a minimum investment of \$3,000 (\$1,000 for IRA accounts); "Institutional Shares" require a minimum investment of \$10 million; and "Admiral" Shares require different minimum investment amounts that vary with the length of time an investor has owned shares of the Fund. Vanguard Emerging Markets Stock Index Fund issues Investor and Institutional Shares only. Investor Shares, Institutional Shares and Admiral Shares are collectively referred to hereafter as "Conventional Shares." Conventional Shares are not, and will not, be traded on any Market and are purchased from, and redeemed by, their issuing Funds at a price calculated once daily, in the same manner as other mutual fund shares.

The International Index Trust intends that the Funds issue a fourth class of Shares that will be listed and traded on the AMEX or another Market. The new class of Shares is referred to herein as "VIPER Shares" for "Vanguard Index Participation Equity Receipts"⁷.

As described in Parts I.E. and I.I. below, each Fund will issue and redeem VIPER Shares only in aggregations of a specified number ("Creation Units"). Purchasers of Creation Units will be able to unbundle the Creation Units into the individual VIPER Shares comprising such Creation Unit. It is expected that a Creation Unit for each of the Funds will have an initial value of approximately \$5 million and that the number of VIPER Shares in a Creation Unit will be 100,000. The number of VIPER Shares in a Creation Unit will not change (except in the event of a stock split or similar revaluation). For each of the Funds, the initial value of an individual VIPER Share will be \$50. That value will change, of course, once the Funds commence investment operations.

It is not expected that the Funds' Distributor nor any other entity will maintain a secondary market in individual VIPER Shares. The Market will designate one or more member firms to act as a specialist or market-maker and maintain a market for the VIPER Shares that

⁷ One motivation for creating this new class of Shares is to enhance the ability of the Adviser to manage the Funds free from the effects of short-term investors. The International Index Trust expects that VIPER Shares of any Fund, because they can be bought and sold continuously throughout the day, will appeal to short-term investors, market timers, short-term traders and other investors interested in the intra-day prices of their Shares, more than such Fund's Conventional Shares which can be bought and sold only at a price calculated once a day. There are clear benefits to the Funds' moving transactions by such persons onto an Exchange. The most important benefit is that transactions effected on a Market directly between buyers and sellers would not involve the Funds, and therefore would not disrupt the Funds' portfolio management or cause the Funds to incur any transaction costs. See the International Index Trust Application for further discussion of this issue.

trade on the Market (“Specialist”). The VIPER Shares will trade on a Market in a manner similar to existing VIPERs, SPDRs, MidCap SPDRs, streetTRACKS Shares, iShares, DIAMONDS, Select Sector SPDRs, and the individual securities of the other ETFs that trade on the AMEX or another Market.⁸

VIPER Shares will be registered in book-entry form only; the Funds will not issue individual share certificates for VIPER Shares. The Depository Trust Company (“DTC”) will serve as securities depository for VIPER Shares and DTC or its nominee will be the record or registered owner of all outstanding VIPER Shares. Beneficial ownership of VIPER Shares will be shown on the records of DTC or a broker-dealer that is a participant in DTC (a “DTC Participant”).⁹ Any retail investor wishing to own VIPER Shares must do so through an account maintained by a broker-dealer that (i) is a DTC Participant or (ii) has a relationship with another broker-dealer that is a DTC Participant. Beneficial owners of VIPER Shares (“Beneficial Owners”) will receive all of the statements, notices, and reports required under the 1940 Act and other applicable laws (“Required Materials”).

The International Index Trust understands that under existing industry practice, in the event the Trust requests any action of Beneficial Owners of VIPER Shares, or a Beneficial Owner desires to take any action that DTC, as the record owner of all outstanding VIPER Shares, is entitled to take, DTC would authorize the DTC Participants to take such action and that the DTC Participants would authorize the indirect participants and Beneficial Owners acting through such DTC Participants to take such action and would otherwise act upon the instructions of Beneficial Owners owning VIPER Shares through them. As described above, the Trust will recognize DTC or its nominee as the record owner of VIPER Shares for all purposes.

Accordingly, to exercise any rights of a holder of VIPER Shares, each Beneficial Owner must rely upon the procedures of (1) DTC, (2) DTC Participants and (3) brokers, dealers, banks and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly, through which such Beneficial Owner holds its interest. Moreover, because the International Index Trust’s records will reflect ownership of VIPER Shares by DTC only, the Trust will furnish the Required Materials to the DTC Participants who, in turn, will be responsible for distributing them to the Beneficial Owners. This arrangement is identical to that of existing VIPERs, as well as SPDRs, MidCap SPDRs, DIAMONDS, streetTRACKS Shares, iShares, Select Sector SPDRs, QQQs and the shares of other ETFs.

E. Purchasing VIPER Shares

Except in connection with the Conversion Privilege (see Part I.H. below), the Funds will issue VIPER Shares only in Creation Units and only in exchange for an in-kind deposit of securities by the purchaser, together with a deposit of a specified cash payment described more fully in Part I.G. below. The in-kind deposit will consist of a basket of securities (“Deposit Securities”)¹⁰ selected by the Adviser from among the stocks contained in the issuing Fund’s

⁸ The International Index Trust expects that the trading of VIPER Shares on another Market would be conducted in a similar manner.

⁹ In addition to brokers and dealers, DTC Participants include banks, trust companies, clearing companies, and other organizations.

¹⁰ The Funds reserve the right, in their sole discretion, to allow a purchaser to substitute cash for some or all of the Deposit Securities.

portfolio. The identities and amounts of the Deposit Securities will be determined by the Adviser and made available to Authorized Participants.¹¹ By requiring that purchase (and redemption) transactions involving VIPER Shares be primarily in kind, rather than in cash, the Funds can minimize portfolio turnover, brokerage expenses, and other transaction costs.

The Funds will offer and sell VIPER Shares through the Distributor on a continuous basis at the net asset value (“NAV”) per share next determined after receipt of an order in proper form. The NAV of VIPER Shares, like that of Conventional Shares, will be determined as of the close of trading on the NYSE on each day that the NYSE is open. It is expected that the daily portfolio composition and redemption file for each Fund will be made available to Authorized Participants by the Adviser through DTC or the Distributor on each business day, prior to the opening of trading on the Market.

Individual VIPER Shares will be listed on the AMEX (or another Market) and traded in the secondary market in the same manner as other listed equity securities. The price of VIPER Shares trading in the secondary market will be based on a current bid/offer market. No secondary sales will be made to brokers or dealers at a concession by the Distributor or by any Fund. Transactions involving the sale of VIPER Shares in the secondary market – which will be between purchasers and sellers and will not involve a Fund – will be subject to customary brokerage commissions and charges. This also is the method employed by existing VIPERs, SPDRs, MidCap SPDRs, DIAMONDS, streetTRACKS, iShares, QQQs, Select Sector SPDRs and other ETFs. Like those products, the price at which VIPER Shares trade will be disciplined by arbitrage opportunities created by the ability to purchase or redeem Creation Units at NAV, which should ensure that VIPER Shares do not trade at a material premium or discount in relation to NAV.

F. Placement of Orders to Purchase Creation Units

All orders to purchase Creation Units of VIPER Shares must be placed with the Distributor by or through an “Authorized Participant,” which is a DTC Participant that has executed a “Participant Agreement” with the Distributor.

a. Clearing Process

The purchase of a Creation Unit will operate as follows.¹² Once a purchase order has been placed with the Distributor, the Distributor will inform the Adviser and the Fund’s custodian. The custodian will then inform the appropriate sub-custodians. The Authorized Participant will deliver to the appropriate sub-custodians, on behalf of itself or the party on whose behalf it is acting, the relevant Deposit Securities (or the cash value of all or a part of such securities, in the case of a permitted or required cash purchase or “cash in lieu” amount), with

¹¹ The Funds reserve the right to include one or more American Depositary Receipts (“ADRs”) in a list of Deposit Securities. This would be done only when the Adviser believes that the security underlying the ADR would be difficult or costly for Authorized Participants to obtain. The Funds’ use of ADRs would be designed to enhance pricing and liquidity.

¹² Because the Funds hold foreign securities, the clearing process described herein is different from the clearing process described in the Prior VIPER Letters, which involved funds that hold domestic securities.

any appropriate adjustments as determined by the Adviser. Deposit Securities must be delivered to the accounts maintained at the applicable sub-custodians.¹³

b. Transaction Fee

Each Fund will impose a “Transaction Fee” on investors purchasing or redeeming Creation Units. The purpose of the Transaction Fee is to compensate the Funds for the transfer and other transaction costs associated with the issuance of Creation Units.¹⁴ Transaction Fees will differ for each Fund, depending on the transaction expenses related to each Fund’s Securities. The maximum Transaction Fees will be fully disclosed in the VIPER Shares prospectus and Statement of Additional Information (“SAI”) for the Funds.

G. Payment for Creation Units

Persons purchasing Creation Units from a Fund must make an in-kind deposit of Deposit Securities together with an amount of cash specified by the Adviser (“Balancing Amount”), plus the applicable Transaction Fee. The Deposit Securities and the Balancing Amount collectively are referred to as the “Creation Deposit.” The Balancing Amount is a cash payment designed to ensure that the NAV of a Creation Deposit is identical to the NAV of the Creation Unit it is used to purchase. The Balancing Amount is an amount equal to the difference between the NAV of a Creation Unit and the market value of the Deposit Securities.¹⁵ In the case of Emerging Markets Index Fund, the Balancing Amount will be higher than for other VIPER Funds. Five countries in which the Emerging Markets Index Fund invests -- Brazil, Chile, India, Korea, and Taiwan -- effectively require purchases and sales of domestic securities to be for cash; in-kind transactions are prohibited. For this reason, cash will be substituted for the securities from those countries that would otherwise be Deposit Securities.¹⁶

The Funds reserve the right to permit or require a purchasing investor to substitute an amount of cash or a different security to replace any prescribed Deposit Security.¹⁷ Substitution might be permitted or required, for example, because one or more Deposit Securities may be unavailable, may not be available in the quantity needed to make a Creation Deposit, or may not be eligible for trading by an Authorized Participant (or the investor on whose behalf the Authorized Participant is acting) due to local trading restrictions or other circumstances. Except for the Emerging Markets Index Fund, brokerage commissions incurred by a Fund to acquire any Deposit Security not part of a Creation Deposit are expected to be immaterial, and in any event

¹³ If a Deposit Security is an ADR or similar domestic instrument, it may be delivered to the Fund’s custodian.

¹⁴ If a Fund permits an in-kind purchaser to deposit cash in lieu of depositing one or more Deposit Securities, the purchaser may be assessed a higher Transaction Fee to offset the transaction cost to the Fund of buying those particular Deposit Securities.

¹⁵ If the market value of the Deposit Securities is greater than the NAV of a Creation Unit, then the Balancing Amount will be a negative number, in which case the Balancing Amount will be paid by the Fund to the purchaser, rather than vice-versa.

¹⁶ If ADRs are available for securities from those five countries, the ADRs will be used as Deposit Securities rather than substituting cash.

¹⁷ In certain instances, a Fund may require a purchasing investor to purchase a Creation Unit entirely for cash. For example, on days when a substantial rebalancing of a Fund’s portfolio is required, the Adviser might prefer to receive cash rather than in-kind stocks so that it has liquid resources on hand to make the necessary purchases.

the Adviser may adjust the relevant Transaction Fee to ensure that the Fund collects the extra expense from the purchaser.¹⁸

H. Conversion of Conventional Shares into VIPER Shares

Each Fund intends to offer all current and future holders of its Conventional Shares the opportunity to convert such shares, except those who own their shares through a 401(k) plan or other employer-sponsored retirement or benefit plan, into VIPER Shares of equivalent value (the “Conversion Privilege”). The Conversion Privilege is intended to facilitate the movement of investors currently holding Conventional Shares, but desiring intraday trading flexibility, out of their Conventional Shares and into VIPER Shares in an expeditious and tax efficient manner.

The Conversion Privilege will be a “one-way” transaction only. Holders of Conventional Shares may convert those shares into VIPER Shares but Beneficial Owners of VIPER Shares will not be permitted to convert those shares for Conventional Shares. The decision to convert will be solely at the option of the Conventional Shareholder. Under no circumstances will a Conventional Shareholder be *required* to convert his or her shares into VIPER Shares. Under applicable tax law, the conversion of Conventional Shares of a Fund into VIPER Shares of the same Fund is not a taxable transaction (except as noted below).

VIPER Shares must be held through a brokerage account. Some brokers, however, are unable to handle fractional shares. Investors who choose to hold their VIPER Shares through such brokers may have to redeem a few Conventional Shares to avoid creating a fractional VIPER Share. These investors will realize a gain or loss on the redemption (in no case more than the value of a single VIPER Share) that must be reported on their tax returns.

The process by which Conventional Shares can be converted into VIPER Shares will be described in the prospectus provided to purchasers of Conventional Shares. The Adviser may also distribute educational and/or marketing materials that describe the Conversion Privilege. Investors will have the opportunity to read these documents prior to making a purchase decision.

The Conversion Privilege is an exchange offer under Section 11(a) of the 1940 Act. The terms of the Conversion Privilege will conform to the requirements of Section 11(a). In particular, the conversion will be made at the relative net asset values of the respective securities. The Index Trust will impose a fee on shareholders who effect a conversion. This fee will be applied in compliance with rule 11a-3 under the 1940 Act. In addition, the broker through whom the investor will own VIPER shares may impose its own fee for processing a conversion request. VIPER Shares of a Fund issued to a shareholder as part of a conversion transaction will be newly issued shares, not shares purchased by such Fund on the secondary market. The issuance of VIPER Shares in connection with the Conversion Privilege will comply with the 1933 Act.

¹⁸ In the event an Authorized Participant has submitted a purchase order and is unable to transfer all or certain Deposit Securities, the Fund may nonetheless accept the purchase order in reliance on the Authorized Participant’s undertaking to deliver the missing Deposit Securities as soon as possible, which undertaking shall be secured by the Authorized Participant’s delivery and maintenance of collateral. The Authorized Participant Agreement will permit the Fund to buy the missing Deposit Securities at any time and will subject the Authorized Participant to liability for any shortfall between the cost to the Fund of purchasing the Deposit Securities and the value of the collateral. The SAI may contain further details relating to such collateral procedures.

I. Redemption of VIPER Shares

Just as VIPER Shares can be *purchased* from a Fund only in Creation Units (except in connection with the Conversion Privilege), such shares similarly may be *redeemed* only if tendered in Creation Units (except in the event such Fund or its VIPER Share class is liquidated). As required by law, redemption requests in good order will receive the NAV next determined after the request is made.

VIPER Shares in Creation Units will be generally redeemable on any day on which the New York Stock Exchange is open in exchange for a basket of securities (“Redemption Securities”). As it does for Deposit Securities, the Adviser will make available to Authorized Participants on each business day prior to the opening of trading a list of the names and number of shares of Redemption Securities for each Fund. The Redemption Securities received by a redeeming investor in most cases will be the same as the Deposit Securities required of investors purchasing Creation Units on the same day. Depending on whether the NAV of a Creation Unit is higher or lower than the market value of the Redemption Securities, the redeemer of a Creation Unit will either receive from or pay to the Fund a cash amount equal to the difference. (In the typical situation where the Redemption Securities are the same as the Deposit Securities, this cash amount will be equal to the Balancing Amount described above in Part I.G.). The redeeming investor also must pay to the Fund a Transaction Fee to cover transaction costs.¹⁹

A Fund has the right to make redemptions in kind, in cash, or a combination of each, provided that the value of its redemption payments equals the NAV of the VIPER Shares tendered for redemption.²⁰ Applicants currently contemplate that Creation Units of each Fund will be redeemed principally in kind, except as follows. In the case of the Emerging Markets Index Fund, the redemption basket will contain more cash than for the other VIPER Funds (whether domestic or international) because of the restrictions on in-kind transactions in several countries²¹. For any of the three international VIPER Funds (European, Pacific or Emerging Markets), a Fund may make redemptions partly or wholly in cash in lieu of transferring one or more Redemption Securities to a redeeming investor if the Fund determines, in its discretion, that such alternative is warranted due to unusual circumstances. This could happen if the redeeming investor is unable, by law or policy, to own a particular Redemption Security. For example, a foreign country’s regulations may restrict or prohibit a redeeming investor from holding shares of a particular issuer located in that country. The Adviser may adjust the Transaction Fee

¹⁹ See text accompanying footnote 14. Redemptions in which cash is substituted for one or more Redemption Securities may be assessed a higher Transaction Fee to offset the transaction cost to the Fund selling those particular Redemption Securities.

²⁰ In the event an Authorized Participant has submitted a redemption request in good order and is unable to transfer all or part of a Creation Unit-size aggregation for redemption, the Fund may nonetheless accept the redemption request in reliance on the Authorized Participant’s undertaking to deliver the missing VIPER Shares as soon as possible, which undertaking shall be secured by the Authorized Participant’s delivery and maintenance of collateral. The Authorized Participant Agreement will permit the Fund to buy the missing VIPER Shares at any time and will subject the Authorized Participant to liability for any shortfall between the cost to the Fund of purchasing the VIPER Shares and the value of the collateral. The SAI may contain further details relating to such collateral procedures.

²¹ See text accompanying footnote 16.

imposed on a redemption wholly or partly in cash to take into account any additional brokerage or other transaction costs incurred by the Fund.

In order to facilitate delivery of Redemption Securities, each redeeming Beneficial Owner or DTC participant acting on behalf of such Beneficial Owner must have arrangements with a broker-dealer, bank or other custody provider in each jurisdiction in which any of the Redemption Securities are customarily traded. If neither the redeeming Beneficial Owner nor the Authorized Participant has such arrangements, and it is not otherwise possible to make other arrangements, the Fund may in its discretion redeem the VIPER Shares for cash.

J. Dividend Reinvestment Service

The International Index Trust intends to make available to Beneficial Owners of VIPER Shares the DTC book-entry dividend reinvestment service. Without this service, Beneficial Owners would have to take their distributions in cash. Information about the dividend reinvestment service will appear in each Fund's prospectus relating to its VIPER Shares and in its Product Description (described in Part II below). The cash proceeds of dividends and capital gain distributions payable to all Beneficial Owners participating in DTC's reinvestment service will be used to purchase additional VIPER Shares for such Beneficial Owners. These additional VIPER Shares will be purchased on the secondary market. Some DTC Participants may elect not to utilize the dividend reinvestment service. Beneficial Owners who hold VIPER Shares through these DTC Participants may not be able to reinvest their dividends and distributions. The Fund's prospectus relating to its VIPER Shares and Product Description will disclose this fact.

PART II

Disclosure Documents

The primary disclosure documents with respect to the VIPER Shares will be the statutory prospectus and the Product Description, described below. In part to reduce any potential for confusion, VIPER Shares will be offered through their own prospectus (the "VIPER Shares Prospectus"), separate from the prospectuses that cover the Conventional Shares (collectively referred to as the "Conventional Shares Prospectus").

As with all investment company securities, the purchase of VIPER Shares in Creation Units from a Fund will be accompanied or preceded by a VIPER Shares Prospectus. Investors who convert their Conventional Shares into VIPER Shares also will receive a VIPER Shares Prospectus as required by the 1933 Act. A statutory prospectus will not accompany secondary market trades of VIPER Shares, however, because the Commission has granted the Trust an exemption from Section 24(d) of the 1940 Act (see the International Index Trust Order). The exemption is based in part on an undertaking that investors purchasing from or through dealers in the secondary market will receive a short "Product Description." The Product Description will provide a plain English description of the relevant Fund and the VIPER Shares it issues.

Because the VIPER Shares Prospectus will be delivered to investors dealing directly with the Funds, while the Product Description will be delivered to investors purchasing on the secondary market, the two documents will be tailored to meet the information needs of their

particular audiences.

The VIPER Shares Prospectus will make clear that VIPER Shares may be bought from a Fund only in Creation Units (except in connection with the Conversion Privilege) and redeemed with a Fund only if tendered in Creation Units (except in the event the Fund or VIPER Share class is liquidated), and will contain a detailed explanation of the procedures for purchasing and redeeming Creation Units. It will note that an investor may incur brokerage costs in purchasing enough VIPER Shares to constitute a Creation Unit. The VIPER Shares Prospectus also will disclose certain legal risks that are unique to persons purchasing Creation Units from a Fund. For example, a broker-dealer firm and/or its client may be deemed a statutory underwriter if it purchases Creation Units from a Fund, breaks them down into the constituent VIPER Shares, and sells those VIPER Shares directly to customers, or if it chooses to couple the creation of a supply of new VIPER Shares with an active selling effort involving solicitation of secondary market demand for VIPER Shares. The VIPER Shares Prospectus will state that whether a person is an underwriter depends upon all of the facts and circumstances pertaining to that person's activities. The VIPER Shares Prospectus also will caution dealers who are not "underwriters" but are participating in a distribution (as contrasted to ordinary secondary trading transactions), and thus dealing with VIPER Shares that are part of an "unsold allotment" within the meaning of Section 4(3)(C) of the 1933 Act, that they would be unable to take advantage of the prospectus delivery exemption provided by Section 4(3) of the 1933 Act.

By contrast, the Product Description will not mention such legal risks, since these are not issues relevant to investors purchasing VIPER Shares on the secondary market. The Product Description will provide a plain English overview of the Fund, including its investment objective and investment strategies and the material risks and potential rewards of owning the Fund's Shares. It also will provide a brief, plain English description of the salient aspects of VIPER Shares, including: the manner in which the Target Index value is reported; the manner in which VIPER Shares will be traded on the Market, including application of trading halt procedures; the identity of the Adviser; the composition and frequency of dividend and capital gains distributions; and the actions, if any, that would be taken by the Fund if its VIPER Shares are delisted or if its license with the compiler or sponsor of the Target Index is terminated. It also will clearly disclose, among other things, that VIPER Shares are not redeemable individually, and that an investor selling VIPER Shares on the secondary market may incur brokerage commissions when selling such shares and may receive less than the NAV of such shares. Finally, the Product Description will also identify a website where investors can obtain information about the composition and compilation methodology of a Fund's Target Index.

The Product Description is not intended to substitute for a full statutory prospectus, and other than as described above, will not contain information that is not also contained in the VIPER Shares Prospectus. The Product Description will indicate that a VIPER Shares Prospectus and Statement of Additional Information about the Fund may be obtained, without charge, from the investor's broker or from the Distributor.

The Distributor will coordinate the production and distribution of Product Descriptions to broker-dealers. It will be the responsibility of the broker-dealers to ensure that a Product Description is provided to each secondary market purchaser of VIPER Shares.

PART III

Comparison of the Funds to the Other ETFs That Have Sought Similar Commission Action and Received Similar Relief.

The relief requested in this letter is substantially similar to the relief granted by the Commission to the other ETFs, including the Prior VIPER Trusts, which are currently listed and traded on a Market (see footnotes 2, 3 and 4, supra).

PART IV

A. Dissemination of Information about Creation and Redemption Baskets.

As discussed above in Part I.G., the Adviser will make available through the DTC or the Distributor on each business day, prior to the opening of trading on the AMEX, a list of names and the required number of shares of each Deposit Security to be included in the Creation Deposit for each Fund.²² The Adviser also will make available on a daily basis information about the previous day's Balancing Amount. Similarly, the Adviser will make available to Authorized Participants on each business day prior to the opening of trading on the AMEX, a list of the names and number of shares of Redemption Securities for each Fund.

B. Dissemination of Information on Trading in a Fund's Securities

The closing prices of each Fund's Securities are readily available from, as applicable, the relevant exchanges, automated quotation systems, public sources such as newspapers and other publications and from a variety of on-line information services.

C. Dissemination of Information about VIPER Shares

In order to provide current VIPER Share pricing information for use by investors, professionals and persons wishing to create or redeem VIPER Shares, the AMEX will disseminate: (i) continuously throughout the trading day, through the facilities of the consolidated tape, the market value of a VIPER Share, and (ii) every 15 seconds throughout the trading day, separately from the consolidated tape, a calculation of the estimated NAV of a VIPER Share.²³

²² In accordance with Vanguard's Code of Ethics and Inside Information Policy, personnel of the Adviser with knowledge about the composition of a Creation Deposit will be prohibited from disclosing such information to any other person, except as authorized in the course of their employment, until such information is made public.

²³ A third party vendor will calculate the estimated NAV of a Fund's VIPER Shares by multiplying the value of each Deposit Security (converted into dollars based on current foreign currency exchange rates) by the number of shares of that security contained in the Creation Deposit, adding the resulting figure to the previous day's Balancing Amount, and dividing that sum by the number of VIPER Shares in a Creation Unit. The value of each Deposit Security will be either its most recent closing price or its then-current market price on its primary trading market, depending on whether the particular security trades in a country whose markets have closed or are still open. Throughout the U.S. trading day at 15-second intervals, the vendor will recalculate the estimated NAV of a Fund's VIPER Shares to reflect changes in market values (for those Deposit Securities trading in countries whose markets are open) and changes in foreign currency exchange rates.

Comparing these two figures allows an investor to determine whether, and to what extent, VIPER Shares are selling at a premium or a discount to NAV. As with other Exchange listed stocks, VIPER Shares closing prices, and certain other daily trading information, will be expected to be published in such newspapers as the Wall Street Journal. The International Index Trust anticipates that similar information to that described above will be disseminated with respect to VIPER Shares which are primarily listed on another Market.

Vanguard's website, which is publicly accessible at no charge, will contain the following information on a per VIPER Share basis, for each Fund: (i) the prior business day's closing NAV and closing market price (based on the mid-point of the bid-asked spread at the time the Fund's NAV is calculated ("Bid-Asked Price")), and a calculation of the premium or discount of the Bid-Asked Price in relation to the closing NAV; and (2) data for a period covering at least the four previous calendar quarters (or life of a Fund, if shorter) indicating how frequently each Fund's VIPER Shares traded at a premium or discount to NAV based on the daily Bid-Asked Price and closing NAV, and the magnitude of such premiums and discounts. Also, each Fund's Product Description will state that Vanguard's website contains such information.

PART V

A. Requests for Relief - Introduction

The International Index Trust, on behalf of itself, the AMEX and other Markets, and persons or entities engaging in transactions in VIPER Shares, requests that the Commission grant exemptive, interpretive or no-action relief from Rules 10a-1, 10b-10, 10b-17, 11d1-2, 14e-5, 15c1-5 and 15c1-6 under the Exchange Act, Rules 101 and 102 of Regulation M and Section 11(d)(1) of the Exchange Act and Rule 200(g) of Regulation SHO in connection with secondary market transactions in VIPER Shares, and the creation or redemption of VIPER Shares, as discussed below. As noted above, this relief is substantially similar to relief granted to the Index Funds.

Rule 10a-1 and Rule 200 (g) of Regulation SHO

For the reasons set forth below, the International Index Trust requests that the Commission grant an exemption from Rule 10a-1 to permit sales of VIPER Shares without regard to the "tick" requirements of Rule 10a-1. The Trust also requests that the Staff confirm that it will not recommend enforcement action to the Commission under Rule 200(g) of Regulation SHO²⁴ against any broker-dealer that marks "short" rather than "short exempt", a short sale effected in VIPER Shares.

i. Exchange Act Rule 10a-1

Rule 10a-1(a)(1)(i) provides that a short sale of an exchange-traded security may not be

²⁴ Regulation SHO, recently adopted by the Commission, provides a new regulatory framework governing short sales of securities and had a compliance date of January 3, 2005 (Rel. No. 34- 50103, July 28, 2004, 69 FR 48008 (August 6, 2004) (the "SHO Release"). Among other things, Rule 200(g) of Regulation SHO requires broker-dealers to mark all sell orders of any equity security as "long," "short," or "short exempt." Rule 200(g)(2) requires that a short sale order is to be marked "short exempt" if the seller is relying on an exception from a price test.

effected below the last regular-way sale price, or at such price unless such price is above the next preceding price at which a sale was reported. The Trust believes that relief from the application of Rule 10a-1 to secondary market transactions in VIPER Shares of each Fund is appropriate insofar as VIPER Shares are derivative securities based on a stock index. Application of Rule 10a-1 to VIPER Share transactions would not further the Rule's purposes, and exempting such transactions from the Rule would not be inconsistent with such Rule.

A primary purpose of Rule 10a-1 is to prevent the market price of stock from being manipulated downward by unrestricted short selling. The Trust expects that the market price of VIPER Shares of any Fund will be based primarily upon the current value of the component securities in such Fund's Target Index. Although the forces of supply and demand at work on the Market will have an effect on market prices for VIPER Shares, the Trust anticipates that the market price of VIPER Shares of any Fund will rise or fall primarily in accordance with the changes in the value of the component securities of a Fund's relevant Target Index and therefore expects that such VIPER Shares should not experience a significant decline in market value unless the value of such component securities had similarly declined. This has been the consistent experience of the Prior VIPER Trusts and the other ETFs that trade on national securities exchanges.

Further, the Trust believes that any temporary disparities in market value between VIPER Shares and the relevant component securities would tend to be corrected immediately by arbitrage activity. Moreover, VIPER Shares in Creation Unit aggregations or multiples thereof may be redeemed with the Trust on any business day. Under these circumstances, it would appear to be economically futile for short sales in VIPER Shares to be utilized to depress VIPER Share prices. Moreover, it would similarly be economically futile for short sales in VIPER Shares to be utilized to depress particular stocks in any relevant Target Index, each of which contains a large number of component securities. Each Target Index is comprised of approximately 500 or more component securities, as discussed in Part I.A. above. No single stock currently comprises more than 6% of any Target Index, and only a handful of stocks currently comprise more than 3% of any Target Index; therefore, a short seller with manipulative intent would have to spend at least \$16 for every \$1 of market impact, and in most cases substantially more. This is clearly an economically impractical strategy for a manipulative short seller to adopt. Each Fund's portfolio will be comprised of at least twenty (20) securities and all or substantially all of its assets will be invested in the component securities of its respective Target Index.

The trading market for VIPER Shares would be adversely affected if Rule 10a-1 operated to prevent dealers or any Specialist from making short sales of VIPER Shares to satisfy customer demand in the absence of an uptick. Requiring an investor to utilize another means to achieve such investor's investment goals would be detrimental to the market for VIPER Shares and contrary to the public interest in liquid, efficient securities markets.

The Trust notes that it is not requesting relief from Rule 10a-1 for secondary market portfolio sales which may be made in connection with redemptions of VIPER Shares. The short sale rule will apply (or not apply) to such transactions as to any other portfolio trade.

For the reasons set forth above, the Trust respectfully requests that the Commission grant an exemption from Rule 10a-1 to permit sales of VIPER Shares without regard to the "tick"

requirements of Rule 10a-1.

ii. Rule 200(g) of Regulation SHO

Rule 200(g) of Regulation SHO (“Rule 200(g)”) provides that a broker-dealer must mark all sell orders of any equity security as "long," "short," or "short exempt." Rule 200(g)(2) requires that a short sale order must be marked "short exempt" if the seller is relying on an exception from the tick test of Rule 10a-1 of the Exchange Act or any short sale price test of any exchange or national securities association.

ETFs, among certain other financial products, have received various exemptions from the Commission from short sale price test restrictions. In granting these exemptions to ETFs, the Commission noted that its decision was generally based on the fact that the market value of ETF shares would rise or fall primarily based on changes in the net asset value of the component stocks in the particular index. As stated in the recent SIA Request Letter²⁵, this relief was conditioned on the ETFs meeting certain stated conditions, either specific to certain products or included as part of a broader "class exemption." Various market centers that execute short sales in the ETFs (such as exchanges, executing brokers, Nasdaq and ECNs) have made programming changes to "mask" (i.e., remove) the price test restrictions²⁶. These market centers also monitor on a regular basis to confirm that any such product continues to meet the conditions for the exemptive relief, and make programming changes to re-institute the price test for any product that fails to satisfy such conditions.²⁷ Based on the fact that the market centers have automatic programming procedures for these broad classes of securities, the SIA successfully argued that it is not necessary for market participants submitting orders in ETFs to distinguish between "short" and "short exempt" orders, and the market centers generally allow orders marked "short" in these products to be executed without regard to a price test.²⁸

The requested relief is subject to the four conditions stated as follows:

1. For each exempt short sale, the various market centers that execute such sales have instituted procedures to "mask" the short sale character of the transaction so that they are executed as short exempt;

2. Such market centers monitor on a regular basis to confirm that any such product or transaction continues to meet the conditions for the exemptive relief and re-institute the price test for any product or transaction that fails to satisfy such conditions;

3. A broker-dealer executing exempt short sales will mark such sales as "short," and in no event will such sales be marked "long;" and

²⁶Letter from Ira Hammerman, Senior Vice President and General Counsel, Securities Industry Association, dated January 3, 2005 (“SIA Request Letter”) and response letter from James A. Brigagliano, Assistant Director, Division of Market Regulation, dated January 3, 2005 (“SIA Response Letter”). See footnote 10 of the SIA Request Letter which recites the conditions for the ETF “class exemption” in the “Letter re ETFs” dated August 17, 2001.

²⁶ See footnote 11 of the SIA Request Letter.

²⁷ See footnote 11 of the SIA Request Letter.

²⁸ See footnote 11 of the SIA Request Letter

4. The market centers will maintain an audit trail of all such trade executions, which is capable of being produced and subject to review upon request by the Securities and Exchange Commission and other appropriate regulatory authorities.

Appendix A to the SIA Request Letter listed all ETFs, including the Prior VIPER Trusts, which received relief from Rule 200(g) of Regulation SHO, however it did not name the International Index Trust, which had yet to issue its VIPERs for trading as of the date of the SIA Request Letter. The Trust believes that the VIPERs issued by each Fund will be traded in the secondary market in the same manner as the shares of the Prior VIPER Trusts and the other ETFs identified in Appendix A to the SIA Request Letter²⁹. Therefore, the Trust respectfully requests that the Staff not recommend to the Commission enforcement action under Rule 200(g) if a broker-dealer marks "short," rather than "short exempt," a short sale that is effected in its VIPER Shares or in the crossing sessions in the same manner and to the same extent as the Prior VIPER Trusts and ETFs named in Appendix A to the SIA Request Letter, as well as in the PowerShares Letter.

B. Rule 101 of Regulation M

Generally, Rule 101 of Regulation M is an anti-manipulation regulation that, subject to certain exemptions, prohibits any "distribution participant" and "its affiliated purchasers" from bidding for, purchasing, or attempting to induce any person to bid for or purchase, any security which is the subject of a distribution until after the applicable restricted period, except as specifically permitted in Regulation M. The provisions of Rule 101 apply to underwriters and prospective underwriters, brokers, dealers, and other persons who have agreed to participate or are participating in such distribution.

The Trust understands that while broker-dealers that (i) tender Deposit Securities to the Trust through the Distributor in return for Creation Unit(s) or (ii) redeem Creation Units for receipt of Redemption Securities generally will not be part of a syndicate or selling group, and while no broker-dealer will receive fees, commissions or other remuneration from the Trust or the Distributor for the sale of Creation Units, under certain circumstances such broker-dealers could be deemed to be "underwriters" or "distribution participants" as such terms are defined in Rule 100(b).

The Trust respectfully requests that the Commission grant an exemption from Rule 101, as discussed below, to permit persons participating in a distribution of VIPER Shares to bid for or purchase, redeem or engage in other secondary market transactions in such VIPER Shares during their participation in the distribution.

Paragraph (c)(4) of Rule 101 exempts from its application, *inter alia*, redeemable securities issued by an open-end management investment company (as such terms are used in the

²⁹ Applicants also note that the Staff very recently granted the identical no-action relief to the PowerShares Exchange-Traded Fund Trust and its PowerShares WilderHill Clean Energy Portfolio with respect to Rule 200(g) of Regulation SHO. *See* PowerShares WilderHill Clean Energy Portfolio, letter from James A. Brigagliano, Assistant Director, Division of Market Regulation, to Stuart M. Strauss, Clifford Chance, dated March 2, 2005 ("PowerShares Letter").

1940 Act). The Trust is registered as an open-end management investment company under the 1940 Act. However, individual VIPER Shares are not redeemable except in Creation Units. Due to the redeemability of the VIPER Shares in Creation Units, there should be little disparity between the VIPER Shares' market price and their net asset value per VIPER Share. Accordingly, the rationale for exempting redeemable securities of open-end management investment companies from the application of Rule 101 is equally applicable to the VIPER Shares. Although redemption is subject to the condition of tendering the appropriate number of VIPER Shares, the Trust otherwise will continue to function as an open-end fund continuously offering its shares. It is in recognition of the special nature of such offerings that open-end management investment company and unit investment trust securities are exempted under paragraph (c)(4). Without such an exemption, the Funds could not operate as intended. In view of the foregoing, the Trust requests that the Commission confirm that as a result of registration of the Trust as an open-end management investment company and the redeemable nature of the VIPER Shares in Creation Units, transactions in the VIPER Shares would be exempted from Rule 101 on the basis of the exception contained in (c)(4) of such Rule.

The purpose of Rule 101 is to prevent persons from conditioning the market to facilitate a distribution. Creation Units of VIPER Shares may be created and redeemed, in kind, (or in cash in certain cases) at NAV, on any business day. Holders of VIPER Shares also have the benefit of intra-day secondary market liquidity by virtue of their Market listing. Thus, the secondary market price of a Fund's VIPER Shares should not vary substantially from the NAV of such VIPER Shares. Because of the redeemability of VIPER Shares in Creation Units, coupled with the open-end nature of the Trust, any significant disparity between the market price of the VIPER Shares and their NAV should be eliminated by arbitrage activity. Because the NAV of a Fund's VIPER Shares is largely based on the market value of the Fund's portfolio, transactions involving VIPER Shares (creations from and redemptions with the Fund, as well as purchases and sales in the secondary market) will not affect net asset value. Similarly, such transactions should not have a significant effect on the market price of VIPER Shares.

The Trust also respectfully requests relief from the provisions of Rule 101 to the extent necessary to permit persons or entities that may be deemed to be participating in the distribution of VIPER Shares or shares of any securities included as Deposit Securities (i) to purchase Deposit Securities for the purpose of tendering them to a Fund as part of a Creation Deposit, for the purchase of Creation Units of VIPER Shares and (ii) to tender VIPER Shares for redemption in Creation Units and to receive Redemption Securities as part of redemption proceeds.

The Trust requests that the Commission clarify that the tender of the VIPER Shares to a Fund for redemption and the receipt of Redemption Securities upon redemption does not constitute a bid for or purchase of any of such securities, or an "attempt to induce any person to bid for or purchase a covered security, during the applicable restricted period" for the purposes of Rule 101. Redemption entails no separate bid for any of the Redemption Securities. As described above, following notice of redemption, a Fund will deliver the specified Redemption Securities after the redemption request is received in proper form, except in those cases where redemption proceeds are paid in cash. Absent unusual circumstances, the Trust will not purchase Redemption Securities in the secondary market to fulfill a redemption request. Therefore, redemptions of VIPER Shares cannot be expected to affect the market price of the Redemption Securities. As indicated above, the Distributor will not engage in any secondary market transactions in VIPER Shares, either for its own account or for investors. In addition, the

Trust believes that the purchase of Deposit Securities, while engaged in a distribution with respect to such stock, for the purpose of acquiring a Creation Unit of VIPER Shares should be exempted from Rule 101. The purpose of Rule 101 is to prevent persons from conditioning the market to facilitate a distribution. The Trust believes there would be little financial incentive to engage in transactions in stock baskets valued at approximately \$5,000,000 in order to manipulate the price of a single stock in the applicable Target Index. Furthermore, as discussed above, aberrations in the price should be readily detected by the marketplace and corrected by arbitrage activity when detected, thus eliminating the need for the limitations contained in Rule 101. Application of Rule 101 in this context would not further the anti-manipulative purposes underlying the Rule.

In view of the lack of any special financial incentive to create Creation Units of VIPER Shares, combined with a predictable lack of any meaningful potential for the issuance and the secondary market trading of VIPER Shares to affect significantly VIPER Share pricing, application of Rule 101 to a broker-dealer or other person who may be participating in a distribution of VIPER Shares or a Deposit or Redemption Security is unnecessary and inappropriate, and could unnecessarily hinder broker-dealers or other persons in their creation and redemption activities, in their day-to-day ordinary business of buying and selling securities and the VIPER Shares and thus undermine the potential beneficial market effect of VIPER Share trading.

C. Rule 102 of Regulation M

The International Index Trust also requests that the Commission confirm that, as a result of registration of the Trust as an open-end management investment company and the redeemable nature of the VIPER Shares in Creation Units, for the reasons previously stated under the request for relief under Rule 101(c)(4), transactions in VIPER Shares would be exempted from Rule 102 on the basis of the exception contained in paragraph (d)(4) of such Rule. Application of Rule 102 in this context would not further the anti-manipulative purposes underlying the Rule.

The purpose of Rule 102 is to prevent persons from manipulating the price of a security during a distribution and to protect the integrity of the offering process by prohibiting activities that could artificially influence the market for that particular security. The Trust respectfully requests that the Commission grant an exemption under paragraph (e) of Rule 102 to allow each of the Funds to redeem VIPER Shares in Creation Units during the continuous offering of the VIPER Shares. The Trust respectfully submits that the redemptions described in this letter do not constitute a manipulative or deceptive practice within the purpose of Rule 102 and are eligible for an exemption from the provisions of Rule 102 to allow each of the Funds to redeem VIPER Shares in Creation Units during the continuous offering of the VIPER Shares.

For the reasons described in connection with the requested Rule 101 relief, redemption transactions and secondary market transactions in the VIPER Shares are not viable means to manipulate the price of a Deposit or Redemption Security during a distribution of such security. The Trust will redeem the Creation Units of VIPER Shares at the NAV of the VIPER Shares. Although VIPER Shares are traded on the secondary market, VIPER Shares may only be redeemed in Creation Units. Thus, the Trust believes that the redemption by an issuing Fund of its VIPER Shares at NAV value in consideration principally for Redemption Securities does not involve the abuses that Rule 102 was intended to prevent.

D. Exchange Act Rule 10b-10

Rule 10b-10 requires a broker or dealer effecting a transaction in a security for a customer to give or send written notification to such customer disclosing the information specified in paragraph (a) of Rule 10b-10, including the identity, price and number of shares or units (or principal amount) of the security purchased or sold. The International Index Trust requests that the Commission grant an exemption from Rule 10b-10, as discussed below, with respect to the creation (*i.e.*, issuance) or redemption of VIPER Shares (all of which are in Creation Units). The Trust is not requesting exemptive or interpretive relief from Rule 10b-10 in connection with purchases and sales of VIPER Shares in the secondary market.

The Trust proposes that broker-dealers either creating or redeeming VIPER Shares in Creation Units for their customers be permitted to provide such customers with a statement of the number of such Creation Units created or redeemed without providing a statement of the identity, number and price of shares of individual Deposit Securities included in the Creation Deposit tendered to the Trust for purposes of creation of Creation Units, or the identity, number and price of shares of Redemption Securities to be delivered by the Trust to the redeeming holder. The composition of the Deposit or Redemption Securities required for tender or delivery will be disseminated by the Adviser through NSCC on each business day and will be applicable to requests for creations or redemption, as the case may be, on that day. This information will be publicly available at the primary listing Market and will be made available to requesting broker-dealers or other persons through NSCC. Moreover, institutions and market professionals will be readily able to calculate independently such information based on publicly available information. The Trust anticipates that any institution or broker-dealer engaging in creation or redemption transactions would have done so only with knowledge of the composition of the applicable Deposit or Redemption Securities, so that specific information in the Rule 10b-10 notification would be redundant.

The International Index Trust agrees that any exemptive or interpretive relief under Rule 10b-10 with respect to creations and redemptions be subject to the following conditions:

(1) Confirmation statements of creation and redemption transactions in VIPER Shares will contain all of the information specified in paragraph (a) of by Rule 10b-10 other than identity, price and number of shares of each component stock of the Deposit Securities or the Redemption Securities tendered or received by the customer in the transaction;

(2) Any confirmation statement of a creation or redemption transaction in VIPER Shares that omits the identity, price or number of shares of component securities will contain a statement that such omitted information will be provided to the customer upon request; and

(3) All such requests will be fulfilled in a timely manner in accordance with paragraph (c) of Rule 10b-10.

E. Exchange Act Rule 14e-5

Rule 14e-5 prohibits a “covered person” from directly or indirectly purchasing or arranging to purchase any subject securities of a tender offer (or related security) except as part

of such tender offer. The dealer-manager of a tender offer is included in a “covered person” subject to the Rule.

The International Index Trust respectfully requests that the Commission grant an exemption from Rule 14e-5 to permit any person (including a member or member organization of the AMEX or another Market) acting as a dealer-manager of a tender offer for a security contained in a basket of Deposit or Redemption Securities, during the existence of such offer, to: (1) redeem VIPER Shares in Creation Units to the Trust for a basket of Redemption Securities that may include a security subject to the tender offer, and (2) engage in secondary market transactions in VIPER Shares during such tender offer. The acquisition of individual Redemption Securities by means of redemptions of VIPER Shares would be impractical and extremely inefficient in view of the relatively small number of shares of any one security included in a basket of Redemption Securities, and the requirement that a minimum of 100,000 VIPER Shares of a Fund, or multiples thereof, be redeemed. In addition, as discussed above in the request for relief under Regulation M, application of the Rule’s prohibition would impede the valid and useful market and arbitrage activity which would assist secondary market trading and improve VIPER Shares pricing efficiency.

In addition, the Trust requests that the Staff of the Commission take a no-action position under Rule 14e-5 if a broker-dealer (including a member or member organization of the AMEX or other Market) acting as a dealer-manager of a tender offer for a Deposit Security purchases or arranges to purchase shares of such Deposit Security in the secondary market for the purpose of tendering them to purchase one or more Creation Units, if such transaction is effected as an adjustment to a basket of Deposit Securities in the ordinary course of business as a result of a change in the composition of the relevant Target Index. This requested relief is substantially similar to that afforded to the Vanguard Index Funds, iShares Trust, the WEBS Fund, Select Sector Trust and the NASDAQ-100 Trust. (see footnotes 3 and 4 supra.)

F. Exchange Act Rule 10b-17

Rule 10b-17 requires an issuer of a class of publicly traded securities to give notice of certain specified actions (e.g., dividends, stock splits, rights offerings) relating to such class of securities in accordance with Rule 10b-17(b). Paragraph (c) of Rule 10b-17 states that the Rule shall not apply to redeemable securities issued by open-end investment companies and unit investment trusts registered under the 1940 Act. But for the fact that VIPER Shares must be redeemed only in Creation Units, VIPER Shares are redeemable securities issued by the Trust, which is an open-end investment company.³⁰ It is in recognition of the foregoing that the Commission has issued the International Index Trust Order as well as prior orders to various index funds permitting them to issue shares with limited redeemability while still treating them like any other open-end investment company or unit investment trust, respectively. Therefore, the exemption under paragraph (c) of Rule 10b-17, which covers open-end investment companies with fully redeemable shares, should be applicable to the VIPER Shares of each Fund of the Trust.

³⁰ In the International Index Trust Order (see footnote 1 supra.) the Commission granted the Trust and its co-applicants an exemption from Section 2(a)(32) of the 1940 Act to permit it, as an open-end investment company, to issue VIPER Shares in Creation Units.

G. Exchange Act Section 11(d)(1) and Exchange Act Rule 11d1-2

Section 11(d)(1) of the Exchange Act generally prohibits a person who is both a broker and a dealer from effecting any transaction in which the broker-dealer extends credit to a customer on any security which was part of a new issue in the distribution of which he participated as a member of a selling syndicate or group within thirty days prior to such transaction. Exchange Act Rule 11d1-2 provides an exemption from Section 11(d)(1) for securities issued by a registered open-end investment company or unit investment trust with respect to transactions by a broker-dealer who extends credit on such security, provided the person to whom credit has been extended has owned the security for more than thirty days. The International Index Trust hereby requests clarification that Section 11(d)(1) does not apply to broker-dealers that engage in transactions in VIPER Shares in the secondary market but do not create Creation Units. The Trust believes that the application of the thirty-day restriction in Rule 11d1-2 to broker-dealers engaging exclusively in secondary market transactions in VIPER Shares does not further the purposes of Section 11(d)(1) or Rule 11d1-2³¹. The only compensation a broker-dealer will receive for representing a customer in purchasing VIPER Shares is the commission charged to that customer, which in all likelihood is the same compensation the broker-dealer would receive in connection with any stock purchased by a customer. There is no special financial incentive to a broker-dealer, except the broker-dealer's regular commission, to engage in secondary market transactions in Shares, whether as principal or agent.

H. Exchange Act Rules 15c1-5 and 15c1-6

Rule 15c1-5 requires a broker or dealer controlled by, controlling, or under common control with, the issuer of a security who induces the purchase or sale by a customer of a security, to disclose the existence of such control before entering into a contract with or for such customer for the purchase or sale of such security. Rule 15c1-6 requires a broker or dealer to send a customer written notification of its participation in the primary or secondary distribution of a security in which it effects any transaction in or for such customer's account or induces the purchase or sale of such security by such customer.

For the reasons discussed above, the International Index Trust believes that disclosure by a broker-dealer of a control relationship with the issuer of a component stock in the relevant Target Index, or of a participation in the distribution of one of the Deposit (or Redemption) Securities would impose an unnecessary and unjustifiable burden on broker-dealers engaging in VIPER Share transactions for their customers. There is no realistic potential for manipulating the market price of a Deposit (or Redemption) Security by transactions in VIPER Shares. Such a strategy would be both expensive and inefficient and, moreover, no Fund will own more than 10% of any one company's voting securities. Application of the Rules could adversely affect the attractiveness of the VIPER Shares to broker-dealers and thereby affect market liquidity and the utility of the VIPER Shares as a form of basket trading. The International Index Trust, therefore,

³¹ The Trust also requests that the Staff not recommend enforcement action to the Commission under Section 11(d)(1) of the Exchange Act if broker-dealers treat VIPER Shares, for purposes of Rule 11d1-2, as "securities issued by a registered open-end investment company . . . as defined in the Investment Company Act" and thereby, in reliance on the exemption contained in Rule 11d1-2, directly or indirectly extend credit or maintain or arrange for the extension or maintenance of credit on VIPER Shares that have been owned by the persons to whom credit is provided for more than 30 days.

requests the Staff to grant no-action relief from application of the Rules 15c1-5 and 15c1-6 with respect to creations and redemptions of VIPER Shares and secondary market transactions therein.

PART VI

Conclusion

Based on the foregoing, the International Index Trust respectfully requests that the Commission and the Staff grant the relief requested herein. The forms of relief requested are virtually identical to those actions which the Commission and the Staff have taken in similar circumstances.

Thank you for your consideration of this request. The International Index Trust intends to launch the trading of the VIPER Shares of one or more of the Funds as soon as practicable after the appropriate regulatory relief has been obtained. In light of this schedule and given the ample precedent for the requested relief, the Trust is hopeful that the requests contained herein will be handled expeditiously. Should you have any questions or require additional information, please do not hesitate to call the undersigned at (212) 238-8665 or David W. Selden at (212) 238-8856.

Very truly yours,

Kathleen H. Moriarty
KHM:cd

cc: Ms. Liza Orr
Division of Market Regulation

Mr. Sean O'Malley
Division of Market Regulation

Mr. Michael W. Mundt, Branch Chief
Division of Investment Management

Barry A. Mendelson, Esq.
The Vanguard Group, Inc.

APPENDIX A

Vanguard Emerging Markets Stock Index Fund (VEIEX)

Holdings as of 12/31/2004

Rank	Holding	Percentage
1	Samsung Electronics Co., Ltd.	5.5%
2	Taiwan Semiconductor Manufacturing Co., Ltd.	2.0%
3	Teva Pharmaceutical Industries Ltd.	1.7%
4	China Mobile (Hong Kong) Ltd.	1.6%
5	Petroleo Brasileiro SA Pfd.	1.4%
6	Standard Bank Group Ltd.	1.4%
7	America Movil SA de CV	1.2%
8	Sasol Ltd.	1.2%
9	Kookmin Bank	1.2%
10	Petroleo Brasileiro SA	1.1%

Ten largest holdings = 18.3% of total net assets

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Vanguard Pacific Stock Index Fund Investor Shares (VPACX)

Holdings as of 12/31/2004

Rank	Holding	Percentage
1	Toyota Motor Corp.	4.4%
2	Mitsubishi Tokyo Financial Group Inc.	1.7%
3	Canon, Inc.	1.7%
4	Takeda Chemical Industries Ltd.	1.7%
5	BHP Billiton Ltd.	1.6%
6	Mizuho Financial Group, Inc.	1.5%
7	Honda Motor Co., Ltd.	1.5%
8	NTT DoCoMo, Inc.	1.4%
9	Sony Corp.	1.3%
10	Matsushita Electric Industrial Co., Ltd.	1.3%

Ten largest holdings = 18.1% of total net assets

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Vanguard European Stock Index Fund Investor Shares (VEURX)

Holdings as of 12/31/2004

Rank	Holding	Percentage
1	BP PLC	3.0%
2	HSBC Holdings PLC	3.0%
3	Vodafone Group PLC	2.5%
4	GlaxoSmithKline PLC	2.2%
5	Total SA	2.0%
6	Novartis AG (Registered)	1.9%
7	Royal Dutch Petroleum Co.	1.9%
8	Nestle SA (Registered)	1.7%
9	Royal Bank of Scotland Group PLC	1.7%
10	UBS AG (Registered)	1.4%

Ten largest holdings = 21.3% of total net assets

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