



<b>EDGA &amp; EDGX STOCK EXCHANGES</b>			
Regulatory Information Circular			
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**Subject:** Vanguard Consumer Discretionary ETF  
Vanguard Consumer Staples ETF  
Vanguard Emerging Markets ETF  
Vanguard Energy ETF  
Vanguard European ETF  
Vanguard Extended Market ETF  
Vanguard Financials ETF  
Vanguard Growth ETF  
Vanguard Health Care ETF  
Vanguard Industrials ETF  
Vanguard Information Technology ETF  
Vanguard Large-Cap ETF  
Vanguard Materials ETF  
Vanguard Mid-Cap ETF  
Vanguard Pacific ETF  
Vanguard REIT ETF  
Vanguard Small-Cap ETF  
Vanguard Small-Cap Growth ETF  
Vanguard Small-Cap Value ETF  
Vanguard Telecommunication Services ETF  
Vanguard Total Stock Market ETF  
Vanguard Utilities ETF  
Vanguard Value ETF

### **Background Information on the Funds**

Each of the above-noted Funds is an “index fund” that issues ETF Shares (“ETF Shares” or “Shares”) and is an open-end management investment company registered under the Investment Company Act of 1940, as amended (“1940 Act”). Each Fund also issues a conventional class of mutual fund shares called “Investor Shares,” which are not exchange-traded. Investor Shares (excluding shares held through a 401(k) plan or other employer-sponsored retirement or benefit plan) may be converted into ETF Shares of equivalent value. ETF Shares, however, may not be converted into or exchanged for Investor Shares. The prospectus of the Shares of a Fund contains additional information on the conversion privilege, including applicable fees.

The investment objective of each of the Funds is to replicate, as closely as possible, before expenses, the performance of a specified market index. The Funds will invest in all, or substantially all, of the securities in the relevant index in the same proportion as the weighting of the securities in the index. However, under various circumstances, it may not be possible or

practical to purchase all of the stocks in such proportion and the Funds may instead purchase a sample of the stocks in the relevant index.

The Vanguard Group, Inc. (“Vanguard”) serves as investment advisor to the Funds. Vanguard Marketing Corporation, a wholly owned subsidiary of Vanguard and a registered broker-dealer, is the distributor for the Funds (“Distributor”).

As described more fully in the prospectus and statement of additional information (“SAI”) for a Fund, each Fund issues and redeems shares (“Shares”) only through an Authorized Participant in large blocks of Shares (i.e., 50,000 and 100,000) (each, a “Creation Unit”). Creation Units will be issued and redeemed principally in-kind for securities included in the relevant index and a specified cash payment. Except when aggregated in Creation Units, the Shares are not redeemable securities of the Fund. Investors who cannot afford to purchase a Creation Unit can acquire Shares either on the secondary market or by converting Investor Shares of a Fund into ETF Shares. The prospectus for each Fund contains additional information about buying and selling the Shares and on the conversion privilege of converting Investor Shares to ETF Shares, including applicable fees.

The Depository Trust Company (“DTC”) serves as securities depository for the Shares, which may be held only in book-entry form; stock certificates will not be issued. DTC, or its nominee, is the record or registered owner of all outstanding Shares.

The net asset value (“NAV”) for the Funds will be calculated and disseminated daily after 4:00 pm ET each trading day. NAV is calculated by dividing the net assets allocated to the ETF Shares by the number of ETF Shares outstanding. NAV will be available from Vanguard ([www.vanguard.com](http://www.vanguard.com)) and will also be available to National Securities Clearing Corporation (“NSCC”) participants through data made available from NSCC. Vanguard’s website will also disclose the closing market price for the Shares. Secondary-market transactions occur not at NAV, but at market prices.

The registration statement for a Fund describes the various fees and expenses for the Fund’s Shares.

For a more complete description of the Funds and the underlying indexes, visit [www.vanguard.com](http://www.vanguard.com).

### **Purchases and Redemptions in Creation Unit Size**

Exchange members and member organizations are hereby informed that procedures for purchases and redemptions of Shares in Creation Unit Size are described in the Funds’ prospectus and Statement of Additional Information, and that Shares are not individually redeemable but are redeemable only in Creation Unit Size aggregations or multiples thereof.

### **Principal Risks**

Interested persons are referred to the discussion in the prospectus for a Fund of the principal risks of an investment in that Fund. These include tracking error risk (factors causing a Fund’s performance to not match the performance of the underlying index), market trading risk (for example, trading halts, trading above or below net asset value), stock market risk, investment style risk, interest rate risk, investment approach risk, concentration risk, non-diversification risk,

issuer-specific risk, management risk, lack of market liquidity, lack of governmental insurance or guarantee, and fiscal policy risk.

### **Trading Hours**

Trading in the shares on the Exchanges is on a UTP basis and is subject to the Exchanges equity trading rules. The shares will trade from 8:00 a.m. until 8:00 p.m. Eastern Time. Members trading the shares during the Extended Market Sessions (Pre-opening and Post-closing sessions) are exposed to the risk of the lack of the calculation or dissemination of underlying index value or intraday indicative value ("IIV"). For certain derivative securities products, an updated underlying index value or IIV may not be calculated or publicly disseminated in the Extended Market hours. Since the underlying index value and IIV are not calculated or widely disseminated during Extended Market hours, an investor who is unable to calculate implied values for certain derivative securities products during Extended Market hours may be at a disadvantage to market professionals.

### **Trading Halts**

The Exchanges will halt trading in the Shares of a Trust in accordance with Exchange Rules 14.1(c)(4). The grounds for a halt under this Rule include a halt by the primary market because it stops trading the Shares and/or a halt because dissemination of the IIV or applicable currency spot price has ceased, or a halt for other regulatory reasons. In addition, the Exchanges will stop trading the Shares of a Trust if the primary market de-lists the Shares.

### **Exchange Rules Applicable to Trading in the Shares**

The Shares are considered equity securities, thus rendering trading in the Shares subject to the Exchanges' existing rules governing the trading of equity securities.

### **Delivery of a Prospectus**

Pursuant to federal securities laws, investors purchasing Shares must receive a prospectus prior to or concurrently with the confirmation of a transaction. Investors purchasing Shares directly from the Fund (by delivery of the Deposit Amount) must also receive a prospectus.

Prospectuses may be obtained through the Distributor or on the Fund's website. The Prospectus does not contain all of the information set forth in the registration statement (including the exhibits to the registration statement), parts of which have been omitted in accordance with the rules and regulations of the SEC. For further information about the Fund, please refer to the Trust's registration statement.

### **Exemptive, Interpretive and No-Action Relief Under Federal Securities Regulations**

The SEC has issued exemptive, interpretive or no-action relief from certain provisions of rules under the Securities Exchange Act of 1934 (the "Act") regarding trading in the above mentioned exchange-traded funds.

### **Regulation M Exemptions**

Generally, Rules 101 and 102 of Regulation M prohibit 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 the Rules apply to underwriters, prospective underwriters, brokers, dealers, and other persons who have agreed to participate or are participating in a distribution of securities.

The Commission issued a No-Action Letter by which persons participating in a distribution of shares of a fund may engage in secondary market transactions in such shares during their participation in such a distribution, despite the requirements of from Rule 101 under Regulation M. In addition, the Commission has permitted persons who may be deemed to be participating in the distribution of shares of a fund (i) to purchase securities for the purpose of purchasing creation unit aggregations of fund shares and (ii) to tender securities for redemption in Creation Unit Aggregations. Further, the Commission has clarified that the tender of fund shares to the Fund for redemption does not constitute a bid for or purchase of any of the Funds' securities during the restricted period of Rule 101. The Commission has issued a No-Action Letter to paragraph (e) of Rule 102 under Regulation M which allow the redemption of fund shares in creation unit aggregations during the continuous offering of shares.

### **Customer Confirmations for Creation or Redemption of Fund Shares (SEC Rule 10b-10)**

Broker-dealers who handle purchases or redemptions of Fund shares in Creation Units for customers will be permitted to provide such customers with a statement of the number of Creation Unit Aggregations created or redeemed without providing a statement of the identity, number and price of shares of the individual securities tendered to the Fund for purposes of purchasing creation unit aggregations ("Deposit Securities") or the identity, number and price of shares to be delivered by the Trust to the redeeming holder ("Redemption Securities"). The composition of the securities required to be tendered to the Fund for creation purposes and of the securities to be delivered on redemption will be disseminated each business day and will be applicable to requests for creations or redemption, as the case may be, on that day. This exemptive relief under Rule 10b-10 with respect to creations and redemptions is subject to the following conditions:

- 1) Confirmations to customers engaging in creations or redemptions must state that all information required by Rule 10b-10 will be provided upon request;
- 2) Any such request by a customer for information required by Rule 10b-10 will be filed in a timely manner, in accordance with Rule 10b-10(c);
- 3) Except for the identity, number and price of shares of the component securities of the Deposit Securities and Redemption Securities, as described above, confirmations to customers must disclose all other information required by Rule 10b-10(a).

### **SEC Rule 14e-5**

The Commission has permitted any person acting as a dealer-manager of a tender offer for a component security of fund (1) to redeem fund shares in creation unit aggregations from the issuer that may include a security subject to such tender offer and (2) to purchase fund shares during such tender offer. In addition, a No-Action has been issued under Rule 14e-5 states that if a broker-dealer acting as a dealer-manager of a tender offer for a security of the Fund purchases or arranges to purchase such securities in the secondary market for the purpose of tendering such securities to purchase one or more creation unit aggregations of shares, it must be made in conformance with the following:

- i. such bids or purchases are effected in the ordinary course of business, in connection with a basket of 20 or more securities in which any security that is the subject of a distribution, or any reference security, does not comprise more than 5% of the value of the basket purchased; or
- ii. purchases are effected as adjustments to such basket in the ordinary course of business as a result of a change in the composition of the underlying index; and
- iii. such bids or purchases are not effected for the purpose of facilitating such tender offer.

#### **Section 11(d)(1); SEC Rules 11d1-1 and 11d1-2**

Section 11(d)(1) of the 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. The Commission has clarified that Section 11(d)(1) does not apply to broker-dealers that are not authorized participants (and, therefore, do not create creation unit aggregations) that engage in both proprietary and customer transactions in shares of a fund in the secondary market, and for broker-dealer authorized participants that engage in creations of creation unit aggregations. This relief is subject to specific conditions, including the condition that such broker-dealer (whether or not an authorized participant) does not, directly or indirectly, receive from the fund complex any payment, compensation or other economic incentive to promote or sell the shares of a fund to persons outside the fund complex, other than non-cash compensation permitted under NASD Rule 2830 (I)(5)(A), (B) or (C). See letter dated November 22, 2005 from Brian A Bussey, Assistant Chief Counsel, Division of Market Regulation, to Barclays Global Investors, N.A., dated November 22, 2005. The Commission has issued a No-Action Letter under Section 11(d)(1) of the Act states that broker-dealers may treat shares of a fund, 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 extend credit or maintain or arrange for the extension or maintenance of credit on shares that have been owned by the persons to whom credit is provided for more than 30 days, in reliance on the exemption contained in the rule.

#### **SEC Rule 15c1-5 and 15c1-6**

The SEC has taken a no-action position with respect to Rule 15c1-5 and Rule 15c1-6 as to the required disclosure of control by a broker or dealer with respect to creations and redemptions of Fund shares and secondary market transactions therein.

**This Regulatory Information Circular is not a statutory Prospectus. Members should consult the Trust's Registration Statement, SAI, Prospectus and the Fund's website for relevant information.**

## Appendix A

<b>Ticker</b>	<b>Fund Name</b>	<b>Cusip</b>
VAW	Vanguard Materials ETF	92204A801
VB	Vanguard Small-Cap ETF	922908751
VBK	Vanguard Small-Cap Growth ETF	922908595
VBR	Vanguard Small-Cap Value ETF	922908611
VCR	Vanguard Consumer Discretionary ETF	92204A108
VDC	Vanguard Consumer Staples ETF	92204A207
VDE	Vanguard Energy ETF	92204A306
VFH	Vanguard Financials ETF	92204A405
VGK	Vanguard European ETF	922042874
VGT	Vanguard Information Technology ETF	92204A702
VHT	Vanguard Health Care ETF	92204A504
VIS	Vanguard Industrials ETF	92204A603
VNQ	Vanguard REIT ETF	922908553
VO	Vanguard Mid-Cap ETF	922908629
VOX	Vanguard Telecommunication Services ETF	92204A884
VPL	Vanguard Pacific ETF	922042866
VPU	Vanguard Utilities ETF	92204A876
VTI	Vanguard Total Stock Market ETF	922908769
VTV	Vanguard Value ETF	922908744
VUG	Vanguard Growth ETF	922908736
VV	Vanguard Large-Cap ETF	922908637
VWO	Vanguard Emerging Markets ETF	922042858
VXF	Vanguard Extended Market ETF	922908652