Commission and other regulatory agencies with monitoring transfer agents and ensuring compliance with the rule.

Because the information required by Rule 17Ad–11 is already available to transfer agents, any collection burden for small transfer agents is minimal. The staff estimates that the average number of hours necessary to comply with Rule 17Ad–11 is one hour annually. Based upon past submissions, the total burden is 150 hours annually for transfer agents.

Written comments are invited on: (a) Whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information shall have practical utility; (b) the accuracy of the agency's estimates of the burden of the proposed collection of information; (c) ways to enhance the quality, utility, and clarity of the information to be collected; and (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology. Consideration will be given to comments and suggestions submitted in writing within 60 days of this publication.

Please direct your written comments to Kenneth A. Fogash, Acting Associate Executive Director/CIO, Office of Information Technology, Securities and Exchange Commission, 450 5th Street, NW., Washington, DC 20549.

Dated: October 31, 2003.

Jill M. Peterson,

Assistant Secretary.

[FR Doc. 03–28068 Filed 11–6–03; 8:45 am]

BILLING CODE 8010–01–P

SECURITIES AND EXCHANGE COMMISSION

Proposed Collection; Comment Request

Upon Written Request, Copies Available From: Securities and Exchange Commission, Office of Filings and Information Services, Washington, DC 20549.

Extension:

Rule 17Ad–13; SEC File No. 270–263; OMB Control No. 3235–0275.

Notice is hereby given that pursuant to the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 *et seq.*), the Securities and Exchange Commission (''Commission'') is soliciting comments on the collection of information summarized below. The Commission plans to submit this existing collection of information to the Office of Management and Budget for extension and approval.

- Rule 17Ad–13 Annual Study and Evaluation of Internal Accounting Control

Rule 17Ad–13 requires approximately 200 registered transfer agents to obtain an annual report on the adequacy of internal accounting controls. In addition, transfer agents must maintain copies of any reports prepared pursuant to Rule 17Ad–13 plus any documents prepared to notify the Commission and appropriate regulatory agencies in the event that the transfer agent is required to take any corrective action. These recordkeeping requirements assist the Commission and other regulatory agencies with monitoring transfer agents and ensuring compliance with the rule. Small transfer agents are exempt from Rule 17Ad–13.

The staff estimates that the average number of hours necessary for each transfer agent to comply with Rule 17Ad–13 is one hundred seventy-five hours annually. The total burden is 35,000 hours annually for transfer agents, based upon past submissions.

Written comments are invited on: (a) Whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information shall have practical utility; (b) the accuracy of the agency's estimates of the burden of the proposed collection of information; (c) ways to enhance the quality, utility, and clarity of the information to be collected; and (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology. Consideration will be given to comments and suggestions submitted in writing within 60 days of this publication.

Please direct your written comments to Kenneth A. Fogash, Acting Associate Executive Director/CIO, Office of Information Technology, Securities and Exchange Commission, 450 5th Street, NW., Washington, DC 20549.

Dated: October 31 , 2003.

Jill M. Peterson,

Assistant Secretary.

[FR Doc. 03–28069 Filed 11–6–03; 8:45 am]

BILLING CODE 8010–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. IC–26246; 812–12860]

Vanguard International Equity Index Funds, et al.; Notice of Application

November 3, 2003.

AGENCY: Securities and Exchange Commission (''Commission'')

ACTION: Notice of an application for an order under section 6(c) of the Investment Company Act of 1940 (the ''Act'') for exemptions from sections 2(a)(32), 18(f)(1), 18(i), 22(d), 22(e) and 24(d) of the Act and rule 22c–1 under the Act, and under sections 6(c) and 17(b) of the Act for exemptions from sections 17(a)(1) and (2) of the Act.

SUMMARY OF APPLICATION: Applicants request an order that would permit the following: (a) An open-end management investment company, the series of which consist of the component securities of certain foreign equity securities indices, to issue a class of shares (''VIPER Shares'') that can be purchased from the investment company and redeemed only in large aggregations (''Creation Units''); (b) secondary market transactions in VIPER Shares to occur at negotiated prices on a national securities exchange, as defined in section 2(a)(26) of the Act (''Exchange''); (c) dealers to sell VIPER Shares to purchasers in the secondary market unaccompanied by a prospectus when prospectus delivery is not required by the Securities Act of 1933 (''Securities Act''); (d) certain affiliated persons of the series to deposit securities into, and receive securities from, the series in connection with the purchase and redemption of Creation Units; and, (e) the series to pay redemption proceeds, under certain circumstances, more than seven days after the tender of a Creation Unit of VIPER Shares for redemption.

APPLICANTS: Vanguard International Equity Index Funds (''Trust''), The Vanguard Group, Inc. (''VGI''), and Vanguard Marketing Corporation (''VMC'').

FILING DATES: The application was filed on July 25, 2002, and amended on October 7, 2003.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Commission's Secretary and serving applicants with a copy of the request, personally or by mail. Hearing requests should be received by the Commission by 5:30 p.m. on November 28, 2003, and

should be accompanied by proof of service on applicants, in the form of an affidavit, or for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request notification by writing to the Commission's Secretary.

ADDRESSES: Secretary, Commission, 450 Fifth Street, NW., Washington, DC 20549–0609. Applicants, c/o Barry A. Mendelson, The Vanguard Group, Inc., P.O. Box 2600, Valley Forge, PA 19482.

FOR FURTHER INFORMATION CONTACT: Stacy L. Fuller, Senior Counsel, or Michael W. Mundt, Senior Special Counsel, at 202–942–0564 (Division of Investment Management, Office of Investment Company Regulation).

SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application may be obtained for a fee at the Commission's Public Reference Branch, 450 Fifth Street, NW., Washington, DC 20549–0102 (telephone 202–942–8090).

Applicants' Representations

1. The Trust is an open-end management investment company registered under the Act and organized as a Delaware statutory trust. The Trust currently has three series (''Existing Funds''). Each Existing Fund currently offers separate classes of shares for retail and institutional investors (such classes of shares collectively, ''Conventional Shares''). In the future, the Trust or another registered open-end management investment company may offer other series (''Future Funds,'' and together with Existing Funds, ''Funds''). Any Future Fund will (a) be advised by VGI or an entity controlled by or under common control with VGI and (b) comply with the terms and conditions of any order granted pursuant to the application.

2. VGI is a Pennsylvania corporation that is wholly and jointly owned by 35 investment companies, and the series thereof (each, a ''Vanguard Fund'' and collectively, the ''Vanguard Fund Complex''). VGI is registered as an investment adviser under the Investment Advisers Act of 1940 and as a transfer agent under the Securities Exchange Act of 1934 (''Exchange Act''). VGI provides each Vanguard Fund, with corporate management, administrative, and transfer agency services at cost. VGI also provides advisory services at cost to certain Vanguard Funds, including each of the Existing Funds. VMC, a wholly owned subsidiary of VGI, is registered as a broker-dealer under the Exchange Act. VMC provides all distribution and marketing services to the Vanguard Funds, including each of the Existing Funds.

3. Each Existing Fund seeks to track as closely as possible the performance of an international equity securities index (each, a ''Target Index'').[1] In seeking to track their Target Indexes, the Existing Funds use a replication strategy, pursuant to which each Existing Fund holds each of the component securities in the Target Index in about the same proportion as represented in the Target Index itself. Future Funds may use the replication strategy or a representative sampling strategy, pursuant to which they would hold a representative sample of the component securities in the relevant Target Index that resembles the full Target Index in terms of industry weightings, market capitalization, price/earnings ratio, dividend yield and other characteristics.[2] Applicants state that, measured over virtually any period, the difference between the performance of an Existing Fund and the performance of its Target Index rarely exceeds one percentage point per annum and in almost all cases is significantly less. Applicants expect that, in the future, the Funds will track the relevant Target Indexes with a similar degree of precision, and have a tracking error of less than 5% per annum. No entity that creates, compiles, sponsors or maintains a Target Index will be an affiliated person, as defined in section 2(a)(3) of the Act, or an affiliated person of an affiliated person, of the Trust, VGI, VMC, or any promoter of the Trust.

4. Applicants state that a small percentage of investors frequently trade in and out of the Existing Funds, often as part of a market timing strategy, and that to meet these investors' redemption requests, a Fund must buy and sell portfolio securities. Applicants state that such purchases and sales of portfolio securities are detrimental in that they can increase a Fund's realization of capital gains, increase expenses, and hinder a Fund's ability to achieve its investment objective of tracking the relevant Target Index as closely as possible. Applicants further state that the Existing Funds have adopted policies designed to deter these investors but that such policies have been insufficient.

5. Each Fund proposes to create VIPER (Vanguard Index Participation Equity Receipts) Shares, a class of shares that would be listed on an Exchange and trade in the secondary market at negotiated prices. Applicants state that, by creating an exchange-traded class of shares, the Funds will offer short-term investors an attractive means of investing in the Funds.[3] Applicants further assert that offering VIPER Shares will benefit holders of Conventional Shares by reducing the portfolio disruption and transaction costs caused by market timing activity.

6. Except in connection with the Conversion Privilege (as defined below) or the liquidation of a Fund (or of the VIPER Share class of a Fund), the Funds will issue VIPER Shares only in Creation Units, aggregations of a specified number of shares ranging from 20,000 to 250,000 shares. The price of a Creation Unit will range from $500,000 to $30,000,000.[4] Orders to purchase Creation Units must be placed with VMC by or through an ''Authorized Participant,'' which is a Depository Trust Company (''DTC'') participant that has executed a participant agreement with VMC. Creation Units will be issued in exchange for an in-kind deposit of securities and cash (''Creation Deposit''). The Creation Deposit will consist of a basket of securities selected by VGI from among the securities contained in the Fund's portfolio (''Deposit Securities''),[5] and a cash

[1] The Target Indexes are the Select Emerging Markets Free Index, Morgan Stanley Capital International Europe Index, and the Morgan Stanley Capital International Pacific Index. Each Fund reserves the right to substitute a different index for the Target Index that it currently tracks. Any substitute index will measure the same general market as the current Target Index. Investors will receive notification of any such substitution.

[2] Each Fund will invest at least 90% of its assets in the component securities of its Target Index but may invest up to 10% of its assets in convertible securities, stock and index futures, options on stock and index futures, swap agreements, cash investments, forward foreign currency investments, foreign currency exchange contracts, and other instruments not inconsistent with the investment policies described in its registration statement, which VGI believes will help the Fund to track its Target Index.

[3] Applicants expect VIPER Shares to appeal to short-term investors because they can be bought and sold continuously throughout the day at market price rather than at net asset value (''NAV''), which is calculated only once per day at the close of trading on the New York Stock Exchange (''NYSE''). Transactions in Conventional Shares will continue to be priced at NAV.

[4] A Fund may require investors to purchase a minimum number of Creation Units.

[5] Applicants state that, for Funds holding fewer than approximately one thousand portfolio securities, the Deposit Securities typically will be identical to the Fund's portfolio. For Funds holding more than that number of portfolio securities, VGI will select a subset of the Fund's portfolio using a representative sampling strategy, similar to that discussed above. American Depositary Receipts (''ADRs'') will not be component securities of a Target Index and Authorized Participants will not be able, on their own initiative, to substitute the ADR of a Deposit Security in place of the actual Deposit Security. However, Applicants may include one or more ADRs in a list of Deposit Securities

payment to equalize any difference between the total aggregate market value of the Deposit Securities and the NAV per Creation Unit of the Fund (''Balancing Amount'').[6] An investor purchasing a Creation Unit from a Fund will be charged a fee (''Transaction Fee'') to prevent any dilution of the interests of remaining shareholders due to the Fund incurring costs in connection with the investor's purchase of the Creation Unit(s).[7] Each purchaser of a Creation Unit will receive a prospectus for the VIPER Shares (the ''VIPER Prospectus'') that discloses the maximum Transaction Fee, and the method of calculating Transaction Fees will be disclosed in the Fund's statement of additional information (''SAI''). A Fund's Conventional Shares will be covered by a separate prospectus (the ''Conventional Prospectus'').

7. All orders to purchase Creation Units must be received by VMC no later than the closing time of the NYSE on the date the order is placed in order to receive NAV as determined that day. VMC will transmit all purchase orders to the Funds, maintain a record of each Creation Unit purchaser, and send out a VIPER Prospectus and confirmation to such purchasers.

8. The purchaser of a Creation Unit will be able to separate the Creation Unit into individual VIPER Shares.[8] VIPER Shares will be listed on an Exchange and traded in the secondary market in the same manner as shares of other exchange-traded funds. One or more Exchange specialists (''Specialists'') will be assigned to make a market in the VIPER Shares. The price of VIPER Shares traded on an Exchange will be based on a current bid/offer market, and each VIPER Share is expected to have an initial market value of between $10 and $150. Transactions involving the sale of VIPER Shares in the secondary market will be subject to customary brokerage commissions and charges.

9. Applicants expect that purchasers of Creation Units will include institutional investors and arbitrageurs. A Specialist, in providing for a fair and orderly secondary market for VIPER Shares, also may purchase Creation Units for use in its market making activities on the Exchange. Applicants expect that secondary market purchasers of VIPER Shares will include both institutional and retail investors.[9] Applicants believe that arbitrageurs will purchase or redeem Creation Units to take advantage of discrepancies between the VIPER Shares' market price and the VIPER Shares' NAV. Applicants expect that this arbitrage activity will provide a market discipline that will result in a close correspondence between the price at which the VIPER Shares trade and their NAV. Applicants do not expect VIPER Shares to trade at a significant premium or discount to their NAV.[10]

10. Applicants will make available a VIPER Shares product description (''Product Description'') for distribution in accordance with an Exchange rule requiring Exchange members and member organizations effecting transactions in VIPER Shares to deliver a Product Description to investors purchasing VIPER Shares, whether on or away from the Exchange. Applicants state that any other Exchange that applies for unlisted trading privileges in VIPER Shares will have to adopt a similar rule, requiring delivery of the Product Description. The Product Description will provide a plain English overview of a Fund, including its investment objective and investment strategies, the identity of VGI, the material risks of investing in the Fund, and the composition and frequency of distributions. The Product Description also will provide a brief, plain English description of the salient features of VIPER Shares. The Product Description will advise investors that a VIPER Prospectus and SAI may be obtained, without charge, from the investor's broker or from VMC. The Product Description also will identify a Web site address where investors can obtain information about the composition and compilation methodology of the Target Index. Applicants expect that the number of purchases of VIPER Shares in which an investor will not receive a Product Description will not constitute a significant portion of the market activity in VIPER Shares.

11. Except in connection with the liquidation of a Fund (or of a Fund's VIPER Share class), VIPER Shares will only be redeemable in Creation Unit aggregations through each Fund. An investor redeeming a Creation Unit generally will receive (a) a basket of securities (''Redemption Securities''), which in most cases will be the same as the Deposit Securities required of investors purchasing Creation Units on the same day, and (b) a cash amount equal to the difference in the value of the Redemption Securities and the NAV of a Creation Unit, which in most cases will be the same as the Balancing Amount paid (or received) by investors purchasing Creation Units on the same day. 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 that such alternative is warranted. The Fund may make such a determination if, for example, a foreign country's regulations restrict or prohibit a redeeming investor from holding a particular issuer's securities. In order to cover the Fund's transaction costs, redeeming investors will pay a Transaction Fee.[11]

12. The Funds intend to offer holders of Conventional Shares (except those holding Conventional Shares through a 401(k) or other participant-directed employer-sponsored retirement plan) the opportunity to exchange some or all of those shares for the Fund's VIPER

when the security underlying the ADR is difficult or costly for Authorized Participants to obtain or designating the ADR as a Deposit Security will otherwise enhance pricing and liquidity.

[6] On each business day, prior to the opening of trading on the Exchange, VGI will make available through DTC or VMC the list of the names and the required number of shares of each Deposit Security to be included in the Creation Deposit for each Fund. Each Fund reserves the right to permit or require the purchaser of a Creation Unit to substitute cash or a different security to replace a Deposit Security under certain circumstances.

[7] When a Fund permits an investor to substitute cash for a Deposit Security, the investor may be assessed a higher Transaction Fee to offset the increased cost to the Fund of buying the necessary Deposit Security for its portfolio.

[8] Applicants state that persons purchasing Creation Units will be cautioned in the VIPER Prospectus that some activities on their part may, depending on the circumstances, result in their being deemed a statutory underwriter and subject them to the prospectus delivery and liability provisions of the Securities Act. 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 VIPER Shares directly to its customers, or if it chooses to couple the purchase of a supply of new VIPER Shares with an active selling effort involving solicitation of secondary market demand for VIPER Shares. The VIPER Prospectus will state that whether a person is an underwriter depends on all the facts and circumstances pertaining to that person's activities. The VIPER Prospectus also will state that broker-dealer firms should note that dealers who are not ''underwriters'' but are participating in a distribution (as contrasted to an ordinary secondary trading transaction), and thus dealing with VIPER Shares that are part of an ''unsold allotment'' within the meaning of section 4(3)(C) of the Securities Act, would be unable to take advantage of the prospectus delivery exemption provided by section 4(3) of the Securities Act.

[9] VIPER Shares will be registered in book-entry form only. DTC or its nominee will be the registered owner of all outstanding VIPER Shares. Records reflecting the beneficial owners of VIPER Shares will be maintained by DTC or its participants.

[10] Every 15 seconds throughout the trading day, the Exchange will disseminate via the facilities of the Consolidated Tape Association the market value of a VIPER Share and, separate from the consolidated tape, a calculation of the estimated NAV of a VIPER Share. Applicants state that an investor comparing the two figures will be able to determine whether, and to what extent, VIPER Shares are selling at a premium or discount to NAV.

[11] Investors who redeem for cash, rather than in kind, may pay a higher Transaction Fee.

Shares (''Conversion Privilege'').[12] A Fund would not offer holders of VIPER Shares the opportunity to exchange some or all of their shares for Conventional Shares.[13] Applicants state that the Conversion Privilege would facilitate the movement of investors, who currently hold Conventional Shares but desire intraday trading flexibility, out of Conventional Shares and into VIPER Shares in an expeditious and tax efficient manner.[14] Around the time that a Fund's VIPER Shares begin trading, VGI may send to existing holders of the Fund's Conventional Shares a notice describing the Conversion Privilege and explaining the process by which an investor may exchange his or her Conventional Shares for VIPER Shares. The notice will comply with section 10(b) of the Securities Act and rule 482 under the Securities Act. Comparable information about a Fund's Conversion Privilege also will be contained in a separate section of the Conventional Prospectus. To effect an exchange through the Conversion Privilege, the investor must have a brokerage account and must contact his or her broker to initiate the exchange. The investor will receive a VIPER Prospectus in connection with the exchange transaction, as required by the Securities Act. Subsequent to the exchange, the investor will have to contact his or her broker for account information relating to the VIPER Share holdings.

Applicants' Legal Analysis

1. Applicants request an order under section 6(c) of the Act for exemptions from sections 2(a)(32), 18(f)(1), 18(i), 22(d), 22(e) and 24(d) of the Act and rule 22c–1 under the Act; and under sections 6(c) and 17(b) of the Act for exemptions from sections 17(a)(1) and (2) of the Act.

2. Section 6(c) of the Act provides that the Commission may exempt any person, security, or transaction, or any class or classes of persons, securities, or transactions, from any provision or provisions of the Act, or any rule or regulation thereunder, if and to the extent that such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act.

Section 2(a)(32) of the Act

3. Section 2(a)(32) of the Act defines ''redeemable security'' as any security, other than short-term paper, under the terms of which the holder, upon its presentation to the issuer, is entitled to receive approximately his proportionate share of the issuer's current net assets, or the cash equivalent. Applicants request an order under section 6(c) to permit VIPER Shares to be redeemed in Creation Units only. Applicants note that because of the arbitrage possibilities created by the redeemability of Creation Units, it is expected that the market price of a VIPER Share will not vary much from its NAV.

Section 18(f)(1) and 18(i) of the Act

4. Section 18(f)(1) of the Act, in relevant part, prohibits a registered open-end company from issuing any class of ''senior security,'' which is defined in section 18(g) to include any stock of a class having a priority over any other class as to the distribution of assets or payment of dividends. Section 18(i) of the Act requires that every share of stock issued by a registered management company be voting stock, with the same voting rights as every other outstanding voting stock. Rule 18f–3 permits an open-end fund to issue multiple classes of shares representing interests in the same portfolio without seeking exemptive relief from section 18(f)(1) and 18(i), provided that the fund complies with certain requirements. Applicants state that they will comply in all respects with rule 18f–3, except the requirements that (a) each class have the same rights and obligations as each other class (other than the differences allowed by the rule), and (b) if a class has a different distribution arrangement, the class must pay all of the expenses of the arrangement. Because applicants, therefore, may not rely on rule 18f–3, they request an exemption under section 6(c) from sections 18(f)(1) and 18(i).

5. Applicants state that there are three ways in which the Conventional Shares and VIPER Shares of each Fund will have different rights: (a) Conventional Shares will be individually redeemable, while VIPER Shares will be redeemable in Creation Units only; (b) VIPER Shares will be traded on an Exchange, while Conventional Shares will not; and (c) Conventional Shares may be exchanged for VIPER Shares through the Conversion Privilege, while VIPER Shares may not be exchanged for Conventional Shares. Applicants assert that these different rights are necessary if their proposal is to have the desired benefits. Applicants note that a Fund's VIPER Shares will be tradable on an Exchange and redeemable only in large aggregations, and that its Conventional Shares will be exchangeable for VIPER Shares in order to encourage short-term investors to conduct their trading activities in a way that does not disrupt the management of the Fund's portfolio. Applicants assert that there is no reason to make Conventional Shares tradable and that it would be counterproductive to facilitate the ability of market timers to disrupt a Fund by making VIPER Shares individually redeemable or exchangeable for Conventional Shares.

6. Applicants assert that the different rights do not implicate the concerns underlying section 18 of the Act, including conflicts of interest and investor confusion. With respect to the potential for investor confusion, applicants will take a variety of steps to ensure that investors understand the key differences between Conventional Shares and VIPER Shares. Applicants state that the VIPER Shares will not be marketed as a mutual fund investment. Marketing materials may refer to VIPER Shares as an interest in an investment company or fund, but will not make reference to an ''open-end fund'' or ''mutual fund,'' except to compare or contrast the VIPER Shares with the shares of a conventional open-end management investment company. Any marketing or advertising materials addressed primarily to prospective investors will emphasize that (a) VIPER Shares are not redeemable from a Fund other than in Creation Units, (b) VIPER Shares, other than in Creation Units, may be sold only through a broker, and the shareholder may have to pay brokerage commissions in connection with the sale, and (c) a selling shareholder may receive less than NAV in connection with the sale of VIPER Shares. The same type of disclosure will be provided in the Conventional Prospectus, VIPER Prospectus, Product

[12] Investors who own Conventional Shares through an employer-sponsored retirement plan can sell those shares and use the proceeds to buy VIPER Shares without tax consequences. It is therefore unnecessary to offer such investors the Conversion Privilege.

[13] The terms of an exchange made pursuant to the Conversion Privilege will comply with section 11(a) of the Act and rule 11a–3 under the Act. The Conversion Privilege would offer a ''one way'' exchange only. Therefore, a holder of a Fund's VIPER Shares who wishes to shift to the Fund's Conventional Shares would have to sell the VIPER Shares in the secondary market and use the sale proceeds (less any brokerage commission) to purchase Conventional Shares from the Fund. The sale of VIPER Shares would be a taxable transaction.

[14] Applicants note that an exchange of Conventional Shares for VIPER Shares of the same Fund generally would not be a taxable transaction. Applicants note that because DTC's systems are unable to handle fractional shares, exchange requests will be rounded down to the nearest whole VIPER Share. If an investor wishes to exchange all of his or her Conventional Shares, however, any fractional VIPER Share that results from the exchange will be liquidated and the cash will be sent to the investor's broker for the benefit of the investor.

Description, SAI and reports to shareholders. Applicants also note that (a) all references to a Fund's exchange-traded class of shares will use a form of the name ''VIPERS'' rather than the Fund name, (b) the cover and summary page of the VIPER Prospectus will state that the VIPER Shares are listed on an Exchange and are not individually redeemable, (c) VMC will only market Conventional Shares and VIPER Shares in the same advertisement or marketing material when the advertisement or marketing material contains appropriate disclosure explaining the relevant features of each class of shares and highlighting the differences between the share classes, and (d) applicants have prepared educational materials describing the VIPER Shares.

7. Applicants currently allocate distribution expenses among funds in the Vanguard Fund Complex according to a cost-sharing formula approved by the Commission in 1981 as part of an order allowing the Vanguard Fund Complex to internalize its distribution services (''1981 Order'').[15] For those funds in the Vanguard Fund Complex offering multiple classes of shares, applicants apply the formula in the 1981 Order by treating each class as a separate fund (''Multi-Class Distribution Formula'').

8. Applicants propose to apply the Multi-Class Distribution Formula to each Fund's class of VIPER Shares. Applicants acknowledge that, because VIPER Shares may have a distribution arrangement that differs from that for Conventional Shares, the proposed allocation method is inconsistent with rule 18f–3. Applicants contend, however, that the Multi-Class Distribution Formula is a fundamental feature of Vanguard's unique, internally-managed structure, and that the proposed allocation method is consistent with the method approved by the Commission in the 1981 Order. The Multi-Class Distribution Formula has been approved by the board of trustees (''Board'') of each Fund, and the Board of each Fund, including a majority of the trustees who are not interested persons, as defined in section 2(a)(19) of the Act (''Disinterested Trustees''), will review the application of the Multi-Class Distribution Formula on an annual basis and determine that the proposed allocation is in the best interests of each class of shareholders and of the Fund as a whole.

Section 22(d) of the Act and Rule 22c–1 under the Act

9. Section 22(d), among other things, prohibits a dealer from selling a redeemable security that is currently being offered to the public by or through an underwriter, except at a current public offering price described in the prospectus. Rule 22c–1 generally requires that a dealer selling, redeeming, or repurchasing a redeemable security do so only at a price based on its NAV. Applicants state that secondary market trading in VIPER Shares will take place at negotiated prices, not at a current offering price described in the VIPER Prospectus, and not at a price based on NAV. Thus, purchases and sales of VIPER Shares in the secondary market will not comply with section 22(d) and rule 22c–1. Accordingly, applicants request exemptions from these provisions under section 6(c) of the Act.

10. Applicants assert that the sale of VIPER Shares at negotiated prices does not present the opportunity for any of the abuses that section 22(d) and rule 22c–1 were designed to prevent. Applicants maintain that while there is little legislative history regarding section 22(d), its provisions, as well as those of rule 22c–1, appear to have been designed to (a) prevent dilution caused by certain riskless trading schemes by principal underwriters and contract dealers, (b) prevent unjust discrimination or preferential treatment among buyers resulting from sales at different prices, and (c) ensure an orderly distribution of investment company shares by eliminating price competition from dealers offering shares at less than the published sales price and repurchasing shares at more than the published redemption price. Applicants state that secondary market trading in VIPER Shares would not cause dilution for existing Fund shareholders because such transactions would not directly or indirectly affect the Fund's assets. Applicants further state that secondary market trading in VIPER Shares would not lead to discrimination or preferential treatment among purchasers because, to the extent that different prices exist during a given trading day or from day to day, these variances will occur as a result of market forces. Finally, applicants contend that the proposed distribution system will be orderly because, among other things, arbitrage activity will ensure that the difference between the market price of VIPER Shares and their NAV remains narrow.

Section 22(e) of the Act

11. Section 22(e) generally prohibits a registered investment company from suspending the right of redemption or postponing the date of payment of redemption proceeds for more than seven days after the tender of a security for redemption. The principal reason for the requested exemption is that settlement of redemptions for the Funds is contingent not only on the settlement cycle of the United States market, but also on currently practicable delivery cycles in local markets for underlying foreign securities held by the Funds. Applicants state that local market delivery cycles for transferring certain foreign securities to investors redeeming Creation Units of VIPER Shares, together with local market holiday schedules, will under certain circumstances require a delivery process in excess of seven calendar days for the Funds. Applicants request relief under section 6(c) of the Act from section 22(e) to allow the Funds to pay redemption proceeds up to 12 calendar days after the tender of VIPER Shares for redemption. At all other times and except as disclosed in the relevant SAI, applicants expect that each Fund will be able to deliver redemption proceeds within seven days.[16] With respect to Future Funds, applicants seek the same relief from section 22(e) only to the extent that circumstances similar to those described in the application exist.

12. Applicants state that section 22(e) was designed to prevent unreasonable, undisclosed and unforeseen delays in the payment of redemption proceeds. Applicants assert that their requested relief will not lead to the problems that section 22(e) was designed to prevent. Applicants state that the SAI for each Fund will disclose those local holidays (over the period of at least one year following the date of the SAI), if any, that are expected to prevent the delivery of redemption proceeds in seven calendar days, and the maximum number of days needed to deliver the proceeds for the Fund.

[15] Investment Company Act Release No. 11645 (Feb. 25, 1981) (Opinion of the Commission and Final Order). Under the formula, each Vanguard Fund's contribution is based 50% on its average month-end net assets during the preceding quarter relative to the average month-end net assets of the other Vanguard Funds, and 50% on its sales of new shares relative to the sales of new shares of the other Vanguard Funds during the preceding 24 months. So that a new fund is not unduly burdened, the formula caps each Vanguard Fund's contribution at 125% of the average expenses of the Vanguard Funds collectively, with any amounts above the cap redistributed among the other Vanguard Funds. In addition, no fund may pay more than 0.2% of its average month-end net assets for distribution.

[16] Rule 15c6–1 under the Exchange Act requires that most securities transactions be settled within three business days of the trade. Applicants acknowledge that no relief obtained from the requirements of section 22(e) will affect any obligations applicants may have under rule 15c6–1.

Section 24(d) of the Act

13. Section 24(d) provides, in relevant part, that the prospectus delivery exemption provided to dealer transactions by section 4(3) of the Securities Act does not apply to transactions in a redeemable security issued by an open-end investment company. Applicants request an exemption under section 6(c) of the Act from section 24(d) to permit dealers selling VIPER Shares to rely on the prospectus delivery exemption provided by section 4(3) of the Securities Act.[17]

14. Applicants state that VIPER Shares will be listed on an Exchange and will be traded in a manner similar to other equity securities, including the shares of closed-end investment companies. Applicants note that dealers selling shares of closed-end investment companies in the secondary market generally are not required to deliver a prospectus to the purchaser. Applicants contend that VIPER Shares, as a listed security, merit similar treatment, reducing compliance costs and regulatory burdens that result from the imposition of a prospectus delivery requirement on secondary market transactions. Applicants state that because VIPER Shares will be exchange-listed, prospective investors will have access to several types of market information about the VIPER Shares. Applicants state that information regarding market price and volume will be continually available on a real-time basis throughout the day on brokers' computer screens and other electronic services. The previous day's price and volume information also will be published daily in the financial section of newspapers.

15. Applicants further state that investors that purchase VIPER Shares in the secondary market will receive a Product Description, describing the Fund and its VIPER Shares. Applicants state that, while not intended as a substitute for a prospectus, the Product Description will contain information about VIPER Shares that is tailored to meet the needs of investors purchasing VIPER Shares in the secondary market.

Sections 17(a)(1) and (2) of the Act

16. Sections 17(a)(1) and (2) generally prohibit an affiliated person of a registered investment company, or an affiliated person of an affiliated person, acting as principal, from selling any security to, or purchasing any security from, the company. Sections 2(a)(3)(A) and (C) of the Act define ''affiliated person,'' respectively, as any person who owns 5% or more of an issuer's outstanding voting securities and any person who controls the fund. Section 2(a)(9) of the Act provides that a control relationship will be presumed where one person owns 25% or more of another person's voting securities. Applicants state that a large institutional investor or the Specialist could own 5% or more, or more than 25%, of a Fund's outstanding voting securities and, as a result, be deemed to be an affiliated person of the Fund under section 2(a)(3)(A) or (C). Applicants further state that, because purchases and redemptions of Creation Units would be in-kind, rather than for cash, those investors would be precluded by sections 17(a)(1) and (2) from purchasing or redeeming Creation Units from the Fund. Accordingly, applicants request an exemption under sections 6(c) and 17(b) of the Act to permit these affiliated persons, and affiliated persons of such affiliated persons who are not otherwise affiliated with the Fund, to purchase and redeem Creation Units through in-kind transactions.

17. Section 17(b) of the Act authorizes the Commission to exempt a proposed transaction from section 17(a) if evidence establishes that the terms of the transaction, including the consideration to be paid or received, are reasonable and fair and do not involve overreaching, and the proposed transaction is consistent with the policies of the registered investment company involved and the general purposes of the Act. Applicants contend that no useful purpose would be served by prohibiting persons affiliated with a Fund, as described above, from purchasing or redeeming Creation Units from the Fund. Applicants represent that Fund affiliates making in-kind purchases and redemptions would be treated no differently from non-affiliates making the same types of transactions. Applicants state that all purchases and redemptions of Creation Units would be at the Fund's next calculated NAV. Applicants also state that, in all cases, Deposit Securities and Redemption Securities will be valued in the same manner and using the same standards as those securities are valued for purposes of calculating the Fund's NAV. Applicants assert that, for these reasons, the requested relief meets the standards of sections 6(c) and 17(b).

Applicants' Conditions

Applicants agree that the order granting the requested relief will be subject to the following conditions:

1. No Future Fund will issue a class of VIPER Shares unless (a) applicants have requested and received with respect to such Future Fund either exemptive relief from the Commission or a no-action letter from the Division of Investment Management of the Commission, or (b) the Future Fund's VIPER Shares will be listed on an Exchange without the need for a filing pursuant to rule 19b–4 under the Exchange Act.

2. The VIPER Prospectus and the Product Description for each Fund will clearly disclose that, for purposes of the Act, VIPER Shares are issued by the Fund and the acquisition of VIPER Shares by investment companies is subject to the restrictions of section 12(d)(1) of the Act.

3. As long as a Fund operates in reliance on the requested order, the VIPER Shares will be listed on an Exchange.

4. The VIPER Shares of a Fund will not be advertised or marketed as shares of an open-end investment company or mutual fund. The VIPER Prospectus of each Fund will prominently disclose that VIPER Shares are not individually redeemable and will disclose that holders of VIPER Shares may acquire the shares from the Fund and tender the shares for redemption to the Fund in Creation Units only. Any advertising material that describes the purchase or sale of Creation Units or refers to redeemability will prominently disclose that VIPER Shares are not individually redeemable and that holders of VIPER Shares may acquire the shares from the Fund and tender the shares for redemption to the Fund in Creation Units only.

5. Before a Fund may rely on the order, the Commission will have approved pursuant to rule 19b–4 under the Exchange Act, an Exchange rule requiring Exchange members and member organizations effecting transactions in VIPER Shares to deliver a Product Description to purchasers of VIPER Shares.

6. On an annual basis the Board of each Fund, including a majority of Disinterested Trustees, must determine, for each Fund, that the allocation of distribution expenses among the classes of Conventional Shares and VIPER Shares in accordance with the Multi-Class Distribution Formula is in the best interests of each class and of the Fund as a whole. Each Fund will preserve for a period of not less than six years from

[17] Applicants do not seek relief from the prospectus delivery requirement for non-secondary market transactions, including purchases of Creation Units or those involving an underwriter and transactions pursuant to the Conversion Privilege.

the date of a Board determination, the first two years in an easily accessible place, a record of the determination and the basis and information upon which the determination was made. This record will be subject to examination by the Commission and its staff.

7. For six years following the issuance of a Fund's VIPER Shares, the Fund will (a) record and preserve any investor complaints or reports of confusion concerning the Conversion Privilege that are communicated to the Fund, VGI and/or VMC and (b) record data tracking the number of investors that, after VIPER Shares are offered, purchase the Fund's Conventional Shares and, within 90 days, convert those shares into VIPER Shares. The Fund will preserve this information in an easily accessible place, and the information will be subject to examination by the Commission and its staff.

8. Applicants' Web site, which is and will be publicly accessible at no charge, will contain the following information, on a per VIPER Share basis, for each Fund: (a) The prior business day's closing NAV and the midpoint 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 (b) data for a period covering at least the four previous calendar quarters (or the 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 Bid-Asked Price and closing NAV, and the magnitude of such premiums and discounts. In addition, the Product Description for each Fund will state that applicants' Web site has information about the premiums and discounts at which the Fund's VIPER Shares have traded.

9. The VIPER Prospectus and annual report will include, for each Fund: (a) The information listed in condition 8(b), (i) in the case of the VIPER Prospectus, for the most recently completed calendar year (and the most recently completed quarter or quarters, as applicable), and (ii) in the case of the annual report, for no less than the immediately preceding five fiscal years (or the life of the Fund, if shorter); and (b) the cumulative total return and the average annual total return for one, five and ten year periods (or the life of the Fund, if shorter) of (i) a VIPER Share based on NAV and Bid-Asked Price and (ii) the Fund's Target Index.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Jill M. Peterson,

Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–48740; File No. SR–Amex–2002–09]

Self-Regulatory Organizations; Order Approving a Proposed Rule Change and Amendments No. 1 through 11 thereto by the American Stock Exchange LLC Relating to Registered Options Traders Use of the Electronic Entry Device

November 3, 2003.

I. Introduction

On February 12, 2002, the American Stock Exchange LLC (''Amex'' or ''Exchange'') filed with the Securities and Exchange Commission (''Commission'' or ''SEC''), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'')[1] and Rule 19b–4 thereunder,[2] a proposed rule change relating to registered options traders use of the electronic entry device. The Exchange submitted Amendments No. 1, 2, 3, 4, 5, 6, 7, 8[3] 9,[4] 10,[5] and 11[6] on February 25, 2002, May 6, 2002, May 29, 2002, June 18, 2002, July 17, 2002, September 16, 2002, January 21, 2003, July 15, 2003, July 25, 2003, August 26, 2003, and September 12, 2003, respectively. The proposed rule change and Amendments No. 1 through 11 were published for comment in the **Federal Register** on September 25, 2003.[7] The Commission received no comments on the proposal. This order approves the proposed rule change and Amendments No. 1 through 11.

II. Description of the Proposed Rule Change

Given the number of series traded for each option class and the necessity for the re-calculating and re-quoting of each series in response to changes in the price of the underlying security, the Exchange developed an automated quotation updating system known as XTOPS. The specialist and registered options traders rely upon XTOPS to calculate and disseminate a single immediately updated quotation for each option series. XTOPS uses option valuation formulas (such as the Black-Scholes Model) to generate options quotations based on a number of variables.[8] It is the specialist's responsibility to determine for each option class the variables used in the XTOPS formula. However, the quotations generated and displayed by XTOPS may result in firm quote obligations of both the specialist and registered options traders to buy or sell options at quoted prices and sizes.[9] The dissemination of an XTOPS quote can be overridden when a customer limit order represents the best bid or offer or when a registered options trader chooses on a series-by-series basis to better the disseminated bid or offer.

The Exchange is now proposing new Commentary .04 to Amex Rule 933, to allow registered options traders' direct access to the Electronic Entry Device (''EE Device'') to input their own quotes for dissemination as the best bid or offer.[10] The EE Device would be

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] For Amendments No. 1 through 8, the Exchange filed a new Form 19b–4 each time, which replaced and superseded the original proposal and all previous amendments in their entirety.

[4] Letter from Claire P. McGrath, Senior Vice President and Deputy General Counsel, Amex, to Elizabeth King, Associate Director, Division of Market Regulation (''Division''), Commission, dated July 24, 2003 (''Amendment No. 9''). Amendment No. 9 transfers to the list of rules enforced by the Amex Enforcement Department under paragraph (g) of Amex Rule 590 the requirement set forth in proposed Amex Rule 933, Commentary .04(d) that the specialist use his best efforts to attempt to ensure that the registered options trader responsible for disseminating the best bid or offer receives an allocation of the next automatic execution.

[5] The Exchange filed a new Form 19b–4, which replaced and superseded the original proposal and all previous amendments in their entirety.

[6] Letter from Claire P. McGrath, Senior Vice President and Deputy General Counsel, Amex, to Elizabeth King, Associate Director, Division, Commission, dated September 11, 2003 (''Amendment No. 11''). Amendment No. 11 revises proposed changes to Amex Rule 590(g) to clarify that a specialist who fails to properly allocate executed contracts to the price-improving registered options trader must pay restitution in amount calculated by multiplying the number of contracts that should have been allocated to the price-improving registered options trader by the number of underlying shares represented by each contract, which would then be multiplied by half of the spread between the option's bid and offer at the time the order was executed.

[7] Securities Exchange Act Release No. 48495 (September 16, 2003), 68 FR 55422.

[8] These variables include the price of the underlying stock, time remaining to expiration, interest rates (or ''cost to carry'', the amount of interest on the money used to pay for the options position during the period prior to expiration of the option series), dividends (both declared and anticipated) and volatility.

[9] *See* Rule 11Ac1–1 under the Act (''Quote Rule''), 17 CFR 240.11Ac1–1, and Amex Rule 958A.

[10] The Exchange submitted the proposed rule change in response to subparagraph IV.B.h(i)(aa) of the Commission's September 11, 2000 Order (''Order''), which requires the Exchange to ''adopt new, or amend existing, rules concerning its

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