ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF MARYLAND

IN THE MATTER OF:	*	
VANGUARD MARKETING CORPORATION (CRD No. 7452),	*	Securities Docket No 2022-0022
and	*	
THE VANGUARD GROUP, INC. (CRD No. 105958)	*	
Respondents.	*	

* * * * * * * * * * * * *

CONSENT ORDER

WHEREAS, pursuant to the authority granted to the Securities Division of the Office of the Maryland Attorney General (the "Division") under section 11-701 of the Maryland Securities Act, Corporations and Associations Article, Title 11, Annotated Code of Maryland (2014 Repl. Vol. and Supp. 2024) ("Securities Act"), and after investigation, careful review, and due consideration of the facts and statutory provisions set forth below, the Maryland Securities Commissioner hereby finds that there is good cause, and it is in the public interest to enter into this Consent Order (the "Consent Order") with Vanguard Marketing Corporation and The Vanguard Group, Inc. (together, "Vanguard" or "Respondents"), which hereby agree to resolve any and all issues in controversy regarding the specific conduct described herein on the terms set forth in this Consent Order; and

WHEREAS, The Vanguard Group Inc. ("VGI") (CRD No. 105958) is registered with the United States Securities and Exchange Commission (the "SEC") as an investment adviser. VGI is owned by its U.S. mutual funds, and provides services to the funds at Vanguard's cost of operations;

and

WHEREAS, Vanguard Marketing Corporation ("VMC") (CRD No.7452), with a main address of 100 Vanguard Blvd., Malvern, Pennsylvania 19355, has been registered with the State of Maryland as a broker-dealer since October 3, 1981. VMC maintains no branch office in Maryland. VMC is a wholly-owned subsidiary of VGI; and

WHEREAS, parallel to a concurrent investigation conducted by the SEC, the North American Securities Administrators Association ("NASAA"), with Connecticut, New Jersey, and New York among five other states, conducted an investigation into the circumstances surrounding the recommendation of VGI to the Vanguard Chester Funds (the "Trust") to lower the investment minimum of its Institutional Target Retirement Funds ("TRFs"), effective December 11, 2020, and the resulting capital gains tax distributions in December 2021 to shareholders of Investor TRFs ("Investor TRFs") who held the funds in taxable accounts; and

WHEREAS, Vanguard has agreed to resolve the Investigation upon the terms specified in the Settlement Term Sheet executed as of January 15, 2025, between Vanguard and the participating NASAA jurisdictions, with all participating states and territories identified in Appendix A to the Settlement Term Sheet (each, a "Jurisdiction" and collectively, the "Jurisdictions"); and

WHEREAS, Vanguard consents to the form, content, and entry of this Consent Order; and

WHEREAS, Vanguard neither admits nor denies the findings of fact contained herein;

NOW, THEREFORE, the Securities Commissioner, as administrator of the Securities Act, hereby enters this Consent Order:

I. FINDINGS OF FACT

1. The Trust has been organized as a Delaware statutory trust since 1998. The Trust is registered with the SEC under the Investment Company Act as an open-end management investment company.

2. Except as otherwise expressly stated, the conduct described herein occurred during the approximate time period of December 1, 2019, to December 31, 2021 (the "Relevant Time Period").

A. Reduction of the Institutional TRF Investment Minimum

3. Vanguard markets and distributes the TRFs to investors who hold TRF shares in qualified accounts that offer special tax treatment, including deferred taxes, as well as to investors who hold TRF shares in taxable accounts.

4. The TRFs are mutual fund investments designed for investors who plan to retire close to the target year indicated in the fund's name. As an investor approaches the target retirement age, the TRFs' asset allocation strategy moves toward more conservative investments.

5. During the Relevant Time Period, Vanguard marketed and distributed two suites of TRFs on behalf of the Trust: Institutional TRFs and Investor TRFs. Each suite offered 12 vintages of TRFs with different target retirement years. Each vintage of the Institutional and Investor TRFs distributed to shareholders virtually all of its net short- and long-term capital gains realized from the sale of its holdings or received from the TRFs' underlying funds.

6. During the Relevant Time Period, the Institutional TRFs had lower expense ratios than the Investor TRFs. Prior to December 2020, the investment minimum for the Institutional TRFs was $100 million and the investment minimum for the Investor TRFs was $1,000.

7. VGI recoups the expenses it incurs for its investment advisory services to the Trust

from the expense ratios paid by TRF shareholders. VGI monitors the TRFs' expense ratios to ensure that any difference between the expense ratios and the costs VGI incurs to service the funds does not exceed certain guidelines.

8. By the middle of 2019, due in part to increased investments by small- and medium-sized retirement plans, Investor TRF assets had grown substantially. The growth in assets resulted in economies of scale that lowered VGI's expenses in servicing the Investor TRFs, creating a gap between the expense ratios and VGI's expenses. As a result, in early 2020 Vanguard formed a Pricing Working Group (the "PWG") to reduce the gap between the expense ratios and VGI's expenses for the Investor TRFs, and to return value to shareholders.

9. VGI tasked the PWG with analyzing various options to return value to shareholders and to recommend solutions to VGI's Global Investment Committee (the "GIC"), which would in turn make a recommendation to the Trust's Board of Trustees. The PWG concluded its analysis in March 2020. At the time the PWG performed its analysis, the financial markets had suffered substantial losses due to the Covid-19 pandemic.

10. The PWG considered several options, but in October 2020 ultimately recommended to the GIC lowering the minimum investment of the Institutional TRFs from $100 million to $5 million, and also to lower the Investor TRFs' expense ratios by 0.01% to 0.02%. In November 2020, the GIC recommended the investment minimum reduction to the Trust's Board of Trustees, which approved the change.

11. The PWG failed to update its March 2020 analysis regarding potential capital gains impacts, or consider whether significant market appreciation could impact its evaluation of potential capital gains or tax consequences from investors redeeming Investor TRF shares in 2021, when it made its recommendation to the GIC in October 2020. Thus, the GIC and the Board of

Trustees relied on outdated data in approving the lowering of the Institutional TRF investment minimum. Accordingly, in making its recommendation to the GIC and ultimately to the Board of Trustees, the PWG failed to account for the significant market rebound that occurred between March and October 2020, and the potential for continued market appreciation, in its analysis of potential capital gains impacts to the Investor TRFs. As a result, the size of the capital gains distributions from the Investor TRFs in December 2021 was significantly larger than the PWG anticipated it would be based on market conditions in March 2020.

12. On December 11, 2020, Vanguard announced, via press release and Institutional TRF prospectus supplement, the lowering of the investment minimum in Institutional TRFs from $100 million to $5 million, effective immediately.

13. After the December 11, 2020 announcement, and through the first half of 2021, a substantial number of small- and medium-sized retirement plan investors in the Investor TRFs redeemed fund shares to switch to the Institutional TRFs due to the lower expense ratio. To meet these redemptions, the Investor TRFs had to sell underlying assets at elevated prices due to the rising financial markets that had rebounded from pandemic lows and reached new highs. As compared to prior years, the redemptions resulted in large capital gains distributions to investors holding the Investor TRFs in taxable accounts in December 2021.

14. In 2020, for example, Investor TRF shareholders holding the funds in taxable accounts at Vanguard received long and short-term capital gains distributions of approximately $290 million. At the end of 2021, after VGI lowered the investment minimum for Institutional TRFs, Investor TRF shareholders holding the funds in taxable accounts at Vanguard received approximately $2.5 billion in long- and short-term capital gains distributions. The TRFs distributed long and short-term capital gains to more than 6254 Maryland accounts.

15. In February 2022, the Trust merged the Investor and Institutional TRFs.

B. VMC's Supervisory System During the Relevant Time Period

16. The members of the PWG comprised individuals from various business groups within Vanguard, including certain FINRA registered VMC agents. Among the options explored by the PWG was reducing the investment minimum of the Institutional TRFs, expense reductions, and merging the Institutional and Investor TRFs.

17. By March 2020, the PWG had identified that lowering the investment minimum of the Institutional TRFs could potentially result in capital gains and tax consequences for shareholders holding the Investor TRFs in taxable accounts. The PWG estimated that approximately 5.79% or $17 billion of Investor TRF assets were held by investors in taxable accounts at Vanguard. The PWG further estimated that approximately 40% of total Investor TRF assets were held by investors in non-Vanguard brokerage accounts. Additionally, the PWG assumed that redemptions from the Investor TRFs would be staggered over time, potentially reducing the sale of assets to meet redemptions and related capital gains.

18. Merging the Institutional and Investor TRFs would have eliminated the gap between the Investor TRFs' expense ratios and Vanguard's expenses, and could have been achieved with no capital gains or tax consequences for taxable investors, but the PWG decided not to recommend this option to the GIC because it would result in an immediate reduction in Vanguard's revenues that was significantly larger than the other options considered, and would impair Vanguard's ability to make expense reductions in other products. The PWG determined that the potential capital gains and tax consequences to investors holding the Investor TRFs in taxable accounts did not "present a hindrance" to lowering the investment minimum of the Institutional TRFs.

19. In March 2020, the PWG, including the FINRA registered VMC agents, settled on the recommendation to reduce the Institutional TRF investment minimum from $100 million to $5 million and to also lower the Investor TRFs' expense ratios.

20. On October 5, 2020, the PWG recommended to the GIC to lower the investment minimum of the Institutional TRFs from $100 million to $5 million and to lower the Investor TRF expense ratios by 0.01% to 0.02%. The VMC agents who served on the PWG, however, failed to disclose to the GIC the risk that reducing the investment minimum of the Institutional TRFs could cause significant redemptions from the Investor TRFs, potentially resulting in high capital gains distributions and tax consequences for investors who held the Investor TRFs in taxable accounts.

21. VMC, through its registered agents, knew or should have known that reducing the investment minimum for the Institutional TRFs could result in significant redemptions of shares from the Investor TRFs, and potential tax impacts in the form of historically large capital gains distributions to Investor TRF shareholders who held the funds in taxable accounts.

22. VMC's supervisory system was not reasonably designed to ensure that the registered VMC agents who served on the PWG would disclose to the GIC the risk that Investor TRF shareholders holding the funds in taxable accounts could potentially receive higher than usual capital gains distributions as a result of lowering the investment minimum for Institutional TRFs.

C. VGI's Failure to Disclose the Potential Capital Gains Tax Consequences

23. VGI prepared the prospectuses for the Investor and Institutional TRFs, and distributed the prospectuses to investors.

24. In the TRF prospectuses, VGI represented to investors that "Capital gains distributions may vary considerably from year to year as a result of the Fund's normal investment activities and cash flows," and that "funds with high turnover rates may be more likely to generate

capital gains."

25. However, VGI recommended lowering the Institutional TRF investment minimum in order to reduce expenses for a substantial number of small- and medium-sized retirement plans that would redeem Investor TRF shares to move to lower-cost Institutional TRFs. The resulting surge of redemptions in Investor TRFs, and historically high capital gains distributions, were not "normal investment activities and cash flows."

26. Despite VGI's knowledge that retail investors holding approximately 5.79% of Investor TRF assets could potentially experience substantially higher than normal capital gains distributions and taxes on those distributions, Vanguard failed to disclose this risk to investors, including in the Investor TRFs' prospectuses and the December 11, 2020, press release.

II. CONCLUSIONS OF LAW

27. The Securities Commissioner has jurisdiction over this matter pursuant to sections 11-701.1 and 11-801 of the Securities Act.

28. Pursuant to section 11-412(a)(10) of the Securities Act, it is a violation for a registered broker-dealer firm to fail to establish and maintain a system to reasonably supervise its agents.

29. Pursuant to section 11-402(a) of the Securities Act, certain members of the PWG were registered agents of VMC. The VMC registered agents knew or should have known of the risk that reducing the investment minimum for the Institutional TRFs could potentially result in higher than usual capital gains distributions to investors holding the Investor TRFs in taxable accounts and potentially cause adverse tax impacts on those investors.

30. VMC failed to have an adequate supervisory system to ensure that its agents sufficiently communicated to the GIC the risk that investors holding the Investor TRFs in taxable

accounts could potentially receive significant capital gains distributions and related tax obligations.

31. These failures by VMC constitute a failure to enforce a reasonably designed supervisory system, in violation of section 11-412(a)(10) of the Securities Act.

32. VGI's decision to lower the investment minimum of the Institutional TRFs and the resulting surge of redemptions from the Investor TRFs, and historically high capital gains distributions to shareholders of the Investor TRFs, were not normal investment activities and cash flows of the TRFs. VGI's failure to disclose the potential for higher capital gains distributions from lowering the investment minimum of the Institutional TRFs was materially misleading to investors holding Investor TRFs in taxable accounts.

33. Pursuant to 11-301(2) of the Securities Act, it is a violation to omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading to investors in connection with the offer and sale of securities.

III. ORDER

On the basis of the Findings of Fact, Conclusions of Law, and Vanguard's consent to the entry of this Order,

IT IS HEREBY ORDERED:

34. Vanguard shall permanently cease and desist from conduct in violation of sections 11-412(a)(10) and 11-301(2) of the Securities Act as described herein.

35. On about January 15, 2025, Vanguard entered into the following settlement agreements: (i) the Settlement Term Sheet; (ii) the Order Instituting Administrative and Cease-and-Desist Proceedings against Vanguard Group, Inc., Admin. Proc. File No. 3-22435 with the

SEC (the "SEC Order"); and (iii) the Assurance of Discontinuance, No. 25-003, with the Attorney General of the State of New York (together, the "Settlement Agreements").

36. Under the Settlement Agreements, Vanguard agreed to pay $135 million in remediation to the SEC Fair Fund for the benefit of Harmed Investors (the "Remediation Payment"). "Harmed Investors" includes certain shareholders who held Investor TRFs as of December 28, 2021, in a taxable brokerage account at VMC, a taxable account directly through the VGI, or a taxable account through a third-party broker-dealer, and who received taxable capital gains distributions in 2021 attributable to the Investor TRFs.[1] Under the Settlement Agreements, Vanguard is entitled to receive the following offsets to the Remediation Payment:

i. the amount of $40 million for Vanguard's and/or its affiliates' settlement of a class action against VGI and certain related parties pending in the U.S. District Court for the Eastern District of Pennsylvania captioned, *In re Vanguard Chester Funds Lit.*, Case No. 2:22-cv-955-JFM, under a Stipulation of Settlement submitted by plaintiffs for preliminary and final Court approval ("Class Action Settlement"), and

ii. the amount of $2.09 million for Vanguard's settlement of certain individual investor arbitration claims filed or threatened to be filed against Vanguard or its affiliates before FINRA.

37. The total amount of remediation inclusive of the offsets in paragraph 36 is $92.91 million, which Vanguard paid into the Fair Fund on or about January 24, 2025.

[1]On July 6, 2022, the Massachusetts Securities Division and VMC entered into the Agreement and Acknowledgment of Undertakings (the "Agreement"), where the parties agreed to conclude and resolve, with prejudice, Massachusetts's investigation into VMC's "marketing practices in connection with investment minimum changes to Institutional Vanguard Target-date Retirement Mutual Funds." Under the terms of the Agreement, VMC agreed, in part, to "establish a non-reversionary escrow account" to make restitution payments to Massachusetts Investor TRF shareholders "with a primary address of record in Massachusetts who held [Investor TRFs] as of December 28, 2021, either in taxable brokerage accounts at VMC or directly through the Vanguard Group, Inc." The Agreement does not preclude Massachusetts investors who purchased through a broker dealer other than VMC from submitting claims to the SEC Fair Fund for the benefit of Harmed Investors and consistent with the SEC Order.

38. In the event Vanguard does not pay the $40 million under the Class Action Settlement, as a result of the termination or withdrawal of the Stipulation of Settlement or the Court's rejection of the Class Action Settlement, Vanguard shall pay the $40 million into the Fair Fund within 10 days of such termination or rejection.

39. On or about January 24, 2025, Vanguard paid an administrative penalty of $13,500,000 into the SEC Fair Fund for distribution to Harmed Investors (the "Penalty").

40. Pursuant to the terms of the SEC Order, Vanguard will pay disgorgement in the amount of $14,700,000, plus prejudgment interest in the amount of $3,500,000 into the SEC Fair Fund for distribution to Harmed Investors. These amounts in this paragraph 40 will be deemed satisfied by Vanguard's payment of the amounts in paragraphs 35-39 above.

41. Payment of the full Remediation Payment and the Penalty by Vanguard, less any offsets or credits to which Vanguard is entitled, concludes the investigation by the Division into any other action that the Division could commence against Vanguard and its officers, directors, and present or former employees under applicable Maryland securities laws on behalf of Maryland as it relates to the Findings of Fact and Conclusions of Law herein, provided however, that excluded from and not covered by this paragraph 41 are any claims by the Division arising from or relating to Respondents' failures to comply with the undertakings contained herein.

42. If Respondents fail to comply materially with any of the terms set forth in this Order, the Division may institute an action to have this Order declared null and void. In the event that a Jurisdiction believes that Respondents have defaulted in the performance of any obligation set forth in this Settlement, the Jurisdiction will provide written notice of such default to the designated representative of Respondents. Respondents shall then have fourteen (14) days to respond and an additional thirty (30) days to certify that any default has been cured, which periods

may be extended by the Commissioner ("Response and Cure Period"). Unless the Commissioner in her sole discretion determines that exigent circumstances exist, the Commissioner will not initiate any civil action or other proceeding to enforce or for violations of this Settlement until after the expiration of the Response and Cure Period. Upon issuance of an appropriate order, after a fair hearing, the Commissioner may reinstitute the actions and investigations referenced in this Final Order and the Settlement Term Sheet.

IV. JURISDICTION, CONSTRUCTION, AND DEFAULT

43. Jurisdiction shall be retained by the Securities Commissioner for such further orders and directions as may be necessary or appropriate for the construction or enforcement of this Order.

44. Subject to the provisions of paragraph 42, if Respondents fails to comply with any term of this Order, the Securities Commissioner may institute administrative or judicial proceedings against Respondents and may take any other action authorized under the Securities Act or under any other applicable law, including the issuance of fines or penalties as provided by the Securities Act. In any such proceeding in which, after an opportunity for a hearing, the Securities Commissioner or the court finds that Respondents have violated this Order, the Division also may seek other sanctions for violations that initiated this matter. Solely for the purpose of determining those sanctions, the Findings of Fact and violations of the Securities Act set forth in this Order shall be deemed admitted and may be introduced into evidence against Respondents.

45. In the event that judicial intervention in this matter is sought by the Securities Commissioner or Respondents, subject matter jurisdiction will lie in the Circuit Court for Baltimore City pursuant to section 11-702 of the Securities Act. Respondents agree that the Court will have personal jurisdiction over them, and that venue will be proper in that Court.

46. This Order is not intended to (a) form the basis for any disqualifications of Respondent from registration as a broker-dealer, investment adviser, or issuer under the laws, rules, and regulations of any state, or for any disqualification from relying upon the securities registration exemptions or safe harbor provisions to which Respondent or any of its affiliates may be subject under the laws, rules, and regulations of the settling states; or (b) form the basis for any disqualifications of Respondents under the laws of any state, the District of Columbia, Puerto Rico, or the U.S. Virgin Islands; under the rules or regulations of any securities or commodities regulator of self-regulatory organizations; or under the federal securities laws or the Commodity Exchange Act, including but not limited to, § 3(a)(39) of the Securities Exchange Act of 1934, Rule 262 of Regulation A and Rules 504 and 506(d) of Regulation D under the Securities Act of 1933 and Rule 503 of Regulation CF or safe harbor provisions; this Order is not a final order of any court; or (c) form the basis for disqualification of Respondent under the FINRA rules prohibiting continuance in membership or disqualification under other SRO rules prohibiting continuance in membership.

47. Except in an action by the Securities Commissioner to enforce the obligations in this Order, this Order is not intended to be deemed or used as (a) an admission of, or evidence of, the validity of any alleged wrongdoing, liability, or lack of any wrongdoing or liability; or (b) an admission of, or evidence of, any such alleged fault or omission of Respondents in any civil, criminal, arbitration, or administrative proceeding in any court, administrative agency, or other tribunal. Nothing in this Order affects Respondents' testimonial obligations or right to take legal positions in litigation in which the Securities Commissioner is not a party. Evidence of any compromise offers and negotiations of the parties related to the Order, including the Order and its terms and any conduct or statements made during compromise negotiations, should not be used as

evidence against any Party in any proceeding to prove or disprove the validity or amount of a disputed claim except in an action or proceeding to interpret or enforce the Order.

48. This Order shall be binding upon Respondents and their successors and assigns, as well as to successors and assigns of relevant affiliates, with respect to all conduct subject to the provisions above and all future obligations, responsibilities, undertakings, commitments, limitations, restrictions, events, and conditions.

49. This Order and any dispute related thereto shall be construed and enforced in accordance with, and governed by, the laws of the state of Maryland without regard to any choice of law principles.

SO ORDERED:

Commissioner's Signature is On File w/Original Document

Date:_December 10, 2025

_____
Melanie Senter Lubin
Maryland Securities Commissioner

The Vanguard Group, Inc.

By: _____ Dated: _____
Jaliya Faulkner
Principal, Deputy General Counsel

Vanguard Marketing Corporation

By: _____ Dated: _____
Jaliya Faulkner
Authorized Signatory