

# Vanguard Brokerage Services Annual Notice

April 2024

Read this document carefully and keep it with your account records.

## Practices, policies, and other important information

Various federal laws and regulations require that Vanguard Brokerage Services® (Vanguard Brokerage), a division of Vanguard Marketing Corporation (VMC), member FINRA and SIPC, disclose the following information to you. Any capitalized terms used but not defined in this notice shall have the meaning set forth in the Vanguard Brokerage Account Agreement and related documents.

### Your Vanguard Brokerage Account

All orders and transactions shall be solely for your account and shall be subject to: (1) the constitution, rules, regulations, customs, usages, rulings, and interpretations of the exchange, market, and clearing facility, if any, where the transactions are executed and/or settled; (2) the regulations of FINRA, if applicable; and (3) all applicable laws and regulations.

### VMC's financial condition

Pursuant to the Securities Exchange Act of 1934, Vanguard Brokerage must provide individual investors with certain financial information on a semiannual basis.

On December 31, 2023, VMC's net capital of \$424,145,726 was 38.75% of aggregate debit balances and exceeded the minimum requirement by \$402,255,172.

A copy of the December 31, 2023, Statement of Financial Condition is available on [vanguard.com](http://vanguard.com). You may also request free, printed copies by contacting us.

### How your accounts are protected

- Securities in your brokerage account are held in custody by Vanguard Brokerage, a division of VMC. VMC is a member of the Securities Investor Protection Corporation (SIPC). Securities in your account are protected up to \$500,000. For details about SIPC coverage visit [sipc.org](http://sipc.org).
- Vanguard Brokerage maintains additional coverage through an insurer. Account protection, either under SIPC or the additional insurance maintained by Vanguard Brokerage, does not cover fluctuations in the market value of the investments in Your Account.
- Positions held away from Vanguard Brokerage are not in the custody or control of Vanguard Brokerage, nor are they covered by Vanguard Brokerage's SIPC coverage or the additional insurance maintained by VBS.
- If your Vanguard mutual funds, including your settlement fund, are held in custody by Vanguard Brokerage, the funds are covered by Vanguard Brokerage's SIPC and additional coverage. Vanguard mutual funds, including settlement funds, held through The Vanguard Group, Inc., are not protected by SIPC. To determine if your Vanguard funds are held by Vanguard Brokerage, refer to your account statement.
- Certain brokerage clients and accounts may be eligible to enroll in Vanguard's Bank Sweep Product, which is a bank sweep program that automatically sweeps Free Credit Balances into one or more Program Banks where they earn interest and are eligible for insurance provided by Federal Deposit Insurance Corporation (FDIC) subject to applicable limits. Eligible Balances that are swept to Program Banks are not securities and are not balances held by VBS: they are not covered by SIPC. Refer to the Vanguard Bank Sweep Products Terms of Use on [vanguard.com](http://vanguard.com) for more information.

### Information about callable securities

To review Vanguard Brokerage's procedures for the client allocation of securities to be redeemed or selected as called in the event of a partial redemption or call, visit [investor.vanguard.com/investment-products/cds](http://investor.vanguard.com/investment-products/cds) and select **Review our partial call allocation procedures**. To request a free, printed copy of Vanguard Brokerage's allocation procedures, please contact us.

### Best execution and payment for order-flow practices

Vanguard Brokerage routes equity and options orders to various market participants. We use a top-down approach in selecting the market participants with which we will establish a relationship. This approach includes a review of system availability, quality of service, and financial and regulatory standing. The designated market participants to which orders are routed are selected based on the consistent high quality of their executions in one or more market segments. In analyzing quality of executions, Vanguard Brokerage considers factors such as liquidity enhancement, price improvement, execution speed, and overall effective price compared with the national best bid and offer (NBBO). We regularly conduct analysis and review reports for quality of execution purposes.

Vanguard Brokerage is required to make publicly available quarterly reports that disclose the venues to which orders were routed as well as the nature of our routing relationships, including any payment for order-flow arrangements. You can access this information by visiting [vanguard.com](http://vanguard.com) and selecting **Brokerage built for you** from the **Why We're Different** tab.

In addition to the publicly available reports, Vanguard Brokerage, upon written request, will provide information related to your order(s) that was (were) routed for execution in the past six months. This information will include the venue to which your order(s) was (were) routed, whether the order(s) was (were) directed or nondirected, and the time of the transaction(s).

Vanguard Brokerage does not receive compensation for directing order flow in equity or option securities.

### FINRA's public disclosure

FINRA sponsors a program called BrokerCheck that is designed to give investors convenient access to information about the professional background, business practices, and conduct of FINRA member firms and brokers with whom they invest. The hotline number for this program is 800-289-9999. An investor brochure that describes the public disclosure program may be obtained from FINRA by phone or at [finra.org](http://finra.org).

### Municipal securities customer education and protection disclosure

Vanguard Marketing Corporation is a broker-dealer registered with the U.S. Securities and Exchange Commission and the Municipal Securities Rulemaking Board (MSRB). An investor brochure that describes the protections that may be provided by the MSRB rules and how to file a complaint with an appropriate regulatory authority can be obtained at [msrb.org](http://msrb.org).

### General information about mutual fund share classes for non-Vanguard funds available through Vanguard Brokerage

This section will give you general background information about the purchase of non-Vanguard mutual funds made available through Vanguard Brokerage's program, including information pertaining to share classes. Share classes and associated sales charges, expenses, management fees, and discounts vary from fund to fund. Therefore, you should review each fund's prospectus and statement of additional information, available at [investor.vanguard.com/other-funds/](http://investor.vanguard.com/other-funds/), to obtain specific information.

When considering whether to purchase a mutual fund, you should consider first whether the fund's investment strategy is compatible with your objectives. You also should be aware that many funds offer different share classes and consider which is best for you. Although each share class represents a similar interest in a fund's portfolio, the fund will charge you different fees and expenses depending upon which share class you choose. In other circumstances, a mutual fund company may decide to grant waivers from sales charges to investors who satisfy its established criteria. The specific terms of each method are described in each fund's prospectus and/or statement of additional information.

As a general rule, Class A shares carry a front-end sales charge or load that is deducted from your investment at the time you buy the fund shares and is a percentage of your total purchase. Also, many funds offer volume discounts—known as breakpoint discounts—to the front-end sales charge assessed on Class A shares if your purchases meet certain predetermined levels.

The other standard share classes—B and C—usually do not carry any front-end sales charges or offer any volume discounts. Investors may be required to pay a contingent deferred sales charge when they sell their shares, depending upon the rules of the particular mutual fund. This is known as a back-end sales charge or load. Please note that Class B and C shares are not available for new purchases through Vanguard Brokerage's program, but such shares may be transferred to your Vanguard Brokerage Account.

#### For more information

Vanguard Brokerage investment professionals can also explain the investment options available to investors. You can also research mutual funds from other fund companies at [investor.vanguard.com/other-funds/](http://investor.vanguard.com/other-funds/).

If you wish to learn more about mutual fund share classes, you can also review investor alerts at [finra.org](http://finra.org).

*(Over for more important information)*

## Non-Vanguard mutual fund fees

### Non-Vanguard mutual fund shareholder servicing fees

Vanguard Brokerage may receive fees for the provisioning of various shareholder services in connection with the participation of certain non-Vanguard mutual funds in Vanguard Brokerage's program. These fees may be considered revenue sharing and represent a significant source of revenue. Determined in accordance with an asset-based formula, these payments may equal up to 0.40% of a mutual fund's assets under management at Vanguard Brokerage on an annual basis.

### Non-Vanguard mutual fund networking fees

Vanguard Brokerage may also receive operational payments from mutual funds in the form of networking or per-position processing fees of up to \$20 for each customer position in a mutual fund on an annual basis. These fees are reimbursed to Vanguard Brokerage for the work it performs on behalf of the funds, which may include but is not limited to subaccounting services, dividend calculation and posting, accounting, reconciliation, client confirmation and statement preparation and mailing, and tax statement preparation and mailing.

### 12b-1 fees

Vanguard Brokerage receives 12b-1 payments from certain mutual funds, which may equal up to 1% of a mutual fund's assets under management at Vanguard Brokerage on an annual basis.

### Setup fees

Vanguard Brokerage may receive a one-time payment from mutual funds or their affiliates in the form of a setup fee of up to \$3,500 per CUSIP in order to add non-Vanguard mutual funds to Vanguard Brokerage's program. This fee is paid at the beginning of the mutual fund's relationship with Vanguard Brokerage and is reimbursed to Vanguard Brokerage for the operational and technology work required to add the mutual funds to its trading platform.

## Important tax and foreign transaction information

### Federal and state tax withholding for retirement accounts

Subject to changes in prevailing rules—or changes in your circumstances—you may change the federal tax withholding election, as well as the election for certain states, for IRA distributions by contacting Vanguard Brokerage. Visit [vanguard.com](http://vanguard.com) to update Form W-4R for one time retirement distributions or scheduled automated distributions.

**Note:** You may be subject to tax penalties if your estimated tax payments and withholding, if any, are not adequate under the estimated tax payment rules.

## Foreign transactions

Vanguard Brokerage provides brokerage services for investments in foreign securities for its clients, with J.P. Morgan (JPM) facilitating clearance and settlement. Clients' foreign securities will be held at JPM through an account established for our clients and may be custodied through JPM or a foreign-jurisdiction local subcustodian.

**Withholding:** Payments from a foreign security may be subject to withholding tax under the laws of the jurisdiction of the issuer of the security. Withholding is not handled directly by Vanguard Brokerage. Tax is withheld "at source" by a "facilitating vendor," with the net payment delivered to Vanguard Brokerage and credited to a client's account on the date Vanguard Brokerage receives payment.

**Reductions or exemptions from withholding:** Clients may be entitled to an exemption or reduced rate of withholding based on an income tax treaty between the United States and the jurisdiction of the securities issuer. In certain cases, at-source exemption will be based on broker representations regarding the beneficial owner's residence, with the broker required to provide proof of residency at a later date through documentation, including a Form 6166-Certification of U.S. Tax Residency (Form 6166). In these cases, Vanguard Brokerage will make elections for clients that have previously certified their residency on U.S. tax forms and will expect such clients to provide any certifications subsequently requested, including a Form 6166. Clients may also obtain exemptions or reduced withholding through reclaims filed with the issuer's jurisdiction, which may require documentary proof, including a Form 6166.

**Currency of transaction settlement/conversion of foreign currency to U.S. dollars:** Foreign security trades entered into through Vanguard Brokerage will be settled in U.S. dollars, and proceeds from foreign securities transactions, including trades, transfers, dividends, and corporate actions, may be automatically converted to or from U.S. dollars.

### Special note for non-U.S. accounts

You should understand that income with respect to assets custodied by Vanguard Brokerage may be subject to U.S. withholding tax imposed on nonresident investors as well as tax in your home jurisdiction. Please consult your tax advisor for the appropriate tax treatment of your securities transactions.

### Special note for IRAs

If your IRA holds assets such as partnerships that generate unrelated business taxable income (UBTI), such income may be subject to taxes and may be reportable to the IRS. If your IRA is subject to taxes on UBTI, you will receive a notice explaining how the tax will be reported and paid. Refer to the Vanguard Brokerage Services commission and fee schedules for more information about the costs associated with the IRS tax filings.

## Questions?

If you have questions, contact Vanguard Brokerage.

## Vanguard Cash Plus Account Annual Error Resolution Notice

**This notice applies only to Vanguard Cash Plus Accounts.** ACH transactions within Your Vanguard Cash Plus Account ("Account"), a brokerage account offered by VBS, are subject to Regulation E issued by the Consumer Financial Protection Bureau. Under Regulation E, We're required to notify You of Your rights concerning these transactions.

### Examine Your Account statements and other documents regularly:

It's important to review Your Account statements and other documents regularly for errors. In cases of errors or questions about Your ACH Transactions notify Us as soon as possible, including if You think Your statement or confirmation is wrong or if You need more information about an ACH Transaction listed on the statement or confirmation. We must hear from You no later than 60 days after We sent the FIRST statement on which the problem or error appeared.

**To report an error, You must call VBS at 800-242-7455 or write to Us at:**

### Vanguard Brokerage Services

**Attn: Investment Services**

**P.O. Box 982901, El Paso, TX 79998-2901**

**When You contact Us, here's what You'll need to provide:** (1) Tell Us Your name and Account number; (2) Describe the error or the ACH Transaction You are questioning and explain as clearly as You can why You believe it is an error or why You need more information; (3) Tell Us the dollar amount of the suspected error. Note: If You tell Us orally, We may require that You send Us Your complaint or question in writing within 10 Business Days.

**What We'll do:** We will determine whether an error occurred within 10 Business Days after We hear from You and will correct any error promptly. If We need more time, however, We may take up to 45 days to investigate Your complaint or questions. If We decide to do this, We will credit Your Account within 10 Business Days for the amount You think is in error, so that You will have the use of the money during the time it takes Us to complete Our investigation. If We ask You to put Your complaint or question in writing and We do not receive it within 10 Business Days, We may not credit Your Account. For errors involving new Accounts, We may take up to 90 days to investigate Your complaint or questions. For new Accounts, We may take up to 20 days to credit Your Account for the amount You claim is in error. We will tell You the results within three Business Days after completing Our investigation. If We decide there was no error, We will withdraw any credit We made to Your Account and send You a written explanation. You may ask for copies of the documents that We used in our investigation.