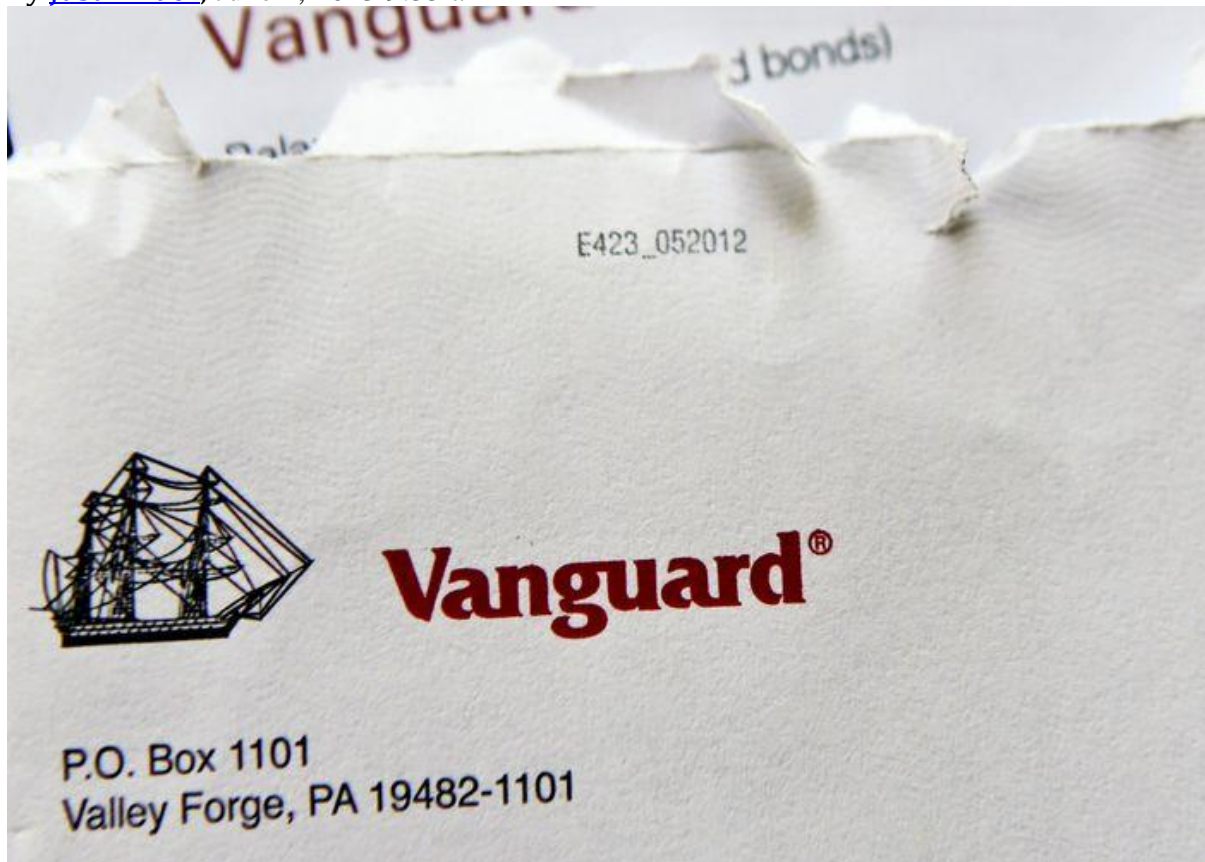


Vanguard Fined for Misleading Money-Market Fund Customers

Finra says asset manager sent statements with incorrect information about yields, income

By [Justin Baer](#); June 1, 2023 9:55 am ET



Vanguard overstated projected yield and annual income for nine money-market funds, a Wall Street regulator said. PHOTO: KEITH SRAKOCIC/ASSOCIATED PRESS

Vanguard Group was fined and censured by the Financial Industry Regulatory Authority for errors that appeared in more than eight million account statements.

Finra, Wall Street's self-regulator, said Vanguard had overstated projected yield and projected annual income for nine money-market funds. In a filing, signed last month by representatives of both Finra and Vanguard, it ordered the investing giant to pay \$800,000.

Finra said a technical glitch caused the errors: Newer information from an automated data feed stopped overwriting certain existing data. For nearly a year, Vanguard sent out statements with inaccurate figures. For instance, September 2020 statements displayed an estimated yield of 1.87% for one money-market fund. A month later, after Vanguard corrected the error, statements showed the same fund with an estimated yield of 0.06%.

Vanguard was slow to fix the problem, Finra said, even after some 50 customers pointed out the errors.

The filing said Vanguard “accepts and consents” to Finra’s findings without admitting or denying them. Vanguard has fixed the problems, which didn’t affect customers’ actual returns.

“Vanguard Marketing takes its regulatory obligations seriously, and the firm is pleased to have resolved this matter,” a Vanguard spokeswoman said in a statement. “Vanguard continues to make significant investments to improve our client and digital experience.”

After Finra began to investigate the problems with estimated yield and income, Vanguard self-reported three other errors that had affected customers’ statements around the same time, the regulator said.

In one instance, some statements incorrectly identified deposits as increases in market value. In another, Vanguard misstated customers’ margin accounts. A third problem related to the way the company reported the effects of stock splits and other corporate actions on customer returns.

The misleading statements were sent in 2019, 2020 and 2021, Finra said.

The missteps may reflect [Vanguard’s struggle to keep pace](#) with the torrid growth of its investing platforms, which have flourished in the past decade as investors flocked to the low-cost index funds the company once pioneered, said Jeff DeMaso, editor of The Independent Vanguard Adviser, an investing newsletter.

“Vanguard’s tech systems have definitely lagged behind its peers,” DeMaso said. “Their whole value proposition is to keep costs really low, but to do that you have to cut back somewhere. The service side is where Vanguard historically cuts things to the bone to keep costs down.”

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