

VANDA PHARMACEUTICALS INC.
POLICY MEMORANDUM
CONCERNING SECURITIES TRADING

(As of February 6, 2017)

I. Statement of Company Policy Regarding Securities Trading

A. Officers, directors and employees of Vanda Pharmaceuticals Inc. and its subsidiaries (collectively, the “Company”) who obtain material non-public information about the Company’s affairs shall maintain the confidentiality of that information and shall not, while in possession of such information, engage in personal transactions in Company Common Stock or other securities. Similarly, they shall not convey (“tip”) such information to any other person who may use that information for personal benefit.

B. Officers, directors and employees of the Company who, while carrying out their duties, obtain material non-public information about the affairs or prospects of other companies whose securities are publicly traded, including information about possible transactions between such other companies and the Company shall not, while in possession of such information, engage in personal transactions in the securities of any such companies. Similarly, they shall not convey (“tip”) such information to any other person who may use that information for personal benefit.

C. Company officers and employees who are not Insiders (as set forth on Schedule 1 to this Policy Memorandum) may engage in personal transactions in Company Common Stock or other securities so long as they are not in possession of material non-public information and so long as such transactions do not occur within a “blackout” period, as described in this Policy Memorandum.

D. Company Insiders (as set forth on Schedule 1 to this Policy Memorandum) may not engage in personal transactions in Company Common Stock or other securities without the prior approval of the Company’s Compliance Officer. The Compliance Officer may not engage in personal transactions in Company Common Stock or other Company securities without the prior approval of the Chief Financial Officer or, solely in the event that the Compliance Officer is the Chief Financial Officer, without the prior approval of the Chairperson of the Audit Committee.

E. Notwithstanding the above, officers, directors and employees of the Company may engage in personal transactions in Company Common Stock pursuant to a written trading plan if (1) the person does not possess any material non-public information when the plan is established and (2) the plan complies with the requirements of the securities laws (including Rule 10b5-1, as defined below) and the procedures outlined in this Policy Memorandum.

F. Officers, directors and employees of the Company are prohibited from posting any information about the Company, its business or future performance on the Internet, in chat rooms, on bulletin boards or through any social media or other means.

G. Officers, directors and employees of the Company shall observe the foregoing policy and the procedures regarding securities transactions outlined in this Policy Memorandum at all times. Failure to do so will be grounds for disciplinary action, up to and including dismissal. Failure to obey the mandates of this Policy Memorandum may also result in civil or criminal penalties (including imprisonment, criminal and civil fines).

H. Any person with supervisory authority over any the Company personnel shall report violations of these Company policies and procedures to the Company's Compliance Officer.

II. Legal Background

"Insider trading" has become a top enforcement priority of the Securities and Exchange Commission and the Department of Justice in recent years. The Securities and Exchange Commission and the stock exchanges have established sophisticated methods to detect trading patterns that suggest possible trading on inside information. Criminal prosecutions for insider trading are commonplace and may result in substantial fines and/or imprisonment. Because the Company's Common Stock is publicly traded, "insider trading" is an issue for all officers, directors and employees of the Company.

While the term "insider trading" is not specifically defined in the Federal statutes, the prohibition against such trading generally is understood to prohibit any person from (1) trading on the basis of material, non-public information, (2) tipping such information to others or recommending the purchase or sale of securities on the basis of such information or (3) assisting someone who is engaged in any of the above activities. The term "insider" applies to anyone who, by virtue of a special relationship with a company, possesses material, non-public information regarding the business of that company. Thus, in the case of the Company, the term "insider" covers directors, officers and all other employees who may become aware of such information concerning the Company or other public companies.

"Insider trading" occurs when a person trades in securities while in possession of information which is both material and non-public. Information is generally deemed to be "material" if a "reasonable investor" would rely on it in making a decision to purchase, sell or hold a security to which the information relates. As a practical matter, materiality often is determined after the fact, when it is known that someone has traded on the information and after the information itself has been made public and its effects upon the market are more certain. Filings with the Securities and Exchange Commission, press releases, brokerage reports and other information disclosed by the Company in accordance with Regulation FD (Fair Disclosure) are generally regarded as public information. Information about undisclosed financial results or projections or a possible acquisition, new contract or other material development, whether

concerning the Company or otherwise, obtained in the normal course of employment or through a rumor, tip or just “loose talk”, are generally not considered public information.

If any officer, director or employee has any doubt as to whether information he or she has received is “material” or “non-public,” the question should be referred to the Compliance Officer prior to any trading by such person in the Company’s Common Stock or other securities.

The Securities Exchange Act of 1934, and Rule 10b-5 thereunder, make it unlawful for any person to make false statements or omit to state material facts in connection with the purchase or sale of any security. This rule applies to trading activities by persons in possession of material, non-public information who fail to disclose that information prior to engaging in trading. The Insider Trading and Securities Fraud Enforcement Act of 1988 has expanded the liability of persons who engage in such trading to include explicitly the employer of such persons if the employer knowingly or recklessly disregarded the likelihood of a violation and failed to take appropriate steps to prevent a violation. The procedures regarding securities trading outlined below are designed to deter and, to the extent possible, prevent such improper trading.

Rule 10b5-1 under the Securities Exchange Act of 1934 (“Rule 10b5-1”) permits an officer, director or employee to establish a written trading plan for trading securities. By establishing a written trading plan while not in possession of material, non-public information, future sales under the plan are not prohibited, even if the person later becomes aware of material, non-public information. Any trading plan must be in writing, state the amount, price and date of planned transactions, not be subject to future influence by the insider and generally comply with the limitations described in Rule 10b5-1. Trading plans must also comply with the procedures outlined below.

The Company’s directors and executive officers are subject to the reporting and “short-swing profit” liability provisions of Section 16 of the Securities Exchange Act of 1934 (“Section 16”) and the restrictions applicable to “affiliates” under SEC Rule 144. These individuals will be informed of their status by the Company and provided with additional policies and procedures applicable to them. The establishment of a trading plan does not lessen the reporting obligations or potential liabilities of directors and executive officers under Section 16.

III. Procedures Concerning Securities Trading

For purposes of this Policy Memorandum, the procedures set forth below apply to all persons who in the course of providing service to the Company as a director, officer or employee are likely to come into possession of material, non-public information regarding the Company’s business and/or the business of other public companies. As used herein, “Insiders” shall mean the persons set forth on Schedule 1 of this Policy Memorandum, as the same may be amended from time to time.

A. Blackout Periods. The Company's announcement of its quarterly financial results almost always has the potential to have a material effect on the market for the Company's securities. Therefore, to avoid even the appearance of trading on the basis of material nonpublic information, no Insider or other officer or employee may trade in the Company's securities during a "blackout period".

(1) *Quarterly Blackout Periods.* Insiders and other officers and employees must not trade in Company Common Stock or other securities during the period beginning on the 16th day of the last month of each fiscal quarter and ending after the second full trading day following the release of the Company's earnings news for that fiscal quarter.

(2) *Interim Earnings Guidance; Material Announcements.* The Company may on occasion issue interim earnings guidance or other potentially material information (such as clinical trial results) by means of a press release and or SEC filing on Form 8-K, or other means designed to achieve widespread dissemination of the information. In preparation for such an announcement the Company may announce the commencement of an additional blackout period while it prepares the information to be released. This blackout period will generally remain in effect until the information has been released and fully absorbed by the market (usually within 48 hours). The Company has full discretion to determine the time period during which trading may be limited or "blacked out".

(3) *Event-Specific Blackouts.* From time to time, an event may occur that may be considered material to the Company and is not publicly known. As long as the event may be considered material and remains nonpublic, the persons who are aware of the event may not trade in the Company's securities.

In addition, whenever the Company considers it necessary or desirable to promote compliance with the securities laws, it may notify all or any group of directors, officers or employees that they are not permitted to trade in the Company's securities or in the securities of another public company. This trading restriction is known as an "event-specific blackout." The Company has full discretion to determine the time period during which trading will be "blacked out".

Because it is often difficult to assess the materiality of nonpublic information, the Company may impose an event-specific blackout if there is risk that nonpublic information may be material, even though the matter is not free from doubt. Moreover, the existence of an event-specific blackout does not create any obligation on the Company, whether contractual or otherwise, to disclose the nonpublic information that results in the blackout.

The existence of an event-specific blackout will be announced only to those persons who are prohibited from trading. It applies to these persons whether or not they are aware of the event that triggered the blackout. A person who was made aware of the existence of

an event-specific blackout should not disclose the existence of the blackout to anyone else, including other employees.

The failure of the Compliance Officer to subject a person to an event-specific blackout will not relieve that person of the obligation not to trade while aware of material nonpublic information. Even if a blackout is not in effect, you may never trade in Company securities if you are aware of material nonpublic information about the Company.

(4) *Hardship Exceptions.* An individual who is subject to a quarterly earnings blackout period and who has an unexpected and urgent need to sell Company stock in order to generate cash may, in limited and appropriate circumstances, be permitted to sell Company stock even during the quarterly blackout period. Hardship exceptions may be granted only by the Compliance Officer and must be requested at least two trading days in advance of the proposed trade. A hardship exception may be granted only if the Compliance Officer concludes that the Company's earnings information for the applicable quarter does not constitute material nonpublic information. Under no circumstance will a hardship exception be granted during an event-specific blackout period (see above) or to Insiders who are subject to Section 16 of the Securities Exchange Act of 1934. Additionally, under no circumstance will a hardship exception apply to any person in possession of material non-public information regarding the Company.

B. Insiders. In addition to the restrictions contained above, no Insider may purchase or sell Company Common Stock except as follows:

(1) No Insider may trade in Company Common Stock or other securities without the prior written approval of the Compliance Officer or pursuant to a written trading plan meeting the requirements contained in this Policy Memorandum and applicable laws and regulations. Approval from the Compliance Officer may be sought by submitting a "Request for Prior Approval of Securities Transactions" (Exhibit A) at least three days in advance of any proposed trade. The Compliance Officer is not obligated to specify the reason for any denial of trading approval.

(2) To assist in monitoring compliance with this Policy Memorandum, and to ensure timely filing of Forms 4 and 5 with the SEC by persons subject to Section 16, Insiders who are subject to Section 16 shall submit a "Transaction Report" (Exhibit B) in writing or by e-mail to the Compliance Officer within six hours after any transaction in Company Common Stock or other securities (including any change pursuant to a pre-existing written trading plan). **In nearly every case, Insiders who are subject to Section 16 must file a Form 4 with the SEC within two business days after any transaction in Company Common Stock or other securities.**

C. Trading Plans. Without regard to the restrictions listed above, Insiders and other officers and employees may sell Company Common Stock or other securities pursuant to a pre-existing written plan meeting the requirements of Rule 10b5-1 under the Securities Exchange Act of 1934. All such written trading plans must be entered into in good faith and not as part of a scheme to evade the securities laws. All written trading plans must be pre-approved by the Compliance Officer and may be subject to review by the Company's outside legal counsel. Each written trading plan must:

(1) Be established by the Insider or other officer or employee (a) while not in possession of material, non-public information and (b) during an open trading window (i.e., not during a blackout period, as described above).

(2) State clearly how determinations as to amount, price and date of transactions are to be made, or delegate discretionary trading authority to a named party who is neither subject to the influence of the person establishing the plan nor privy to material, non-public information about the Company, in accordance with Rule 10b5-1. Amounts may be determined by formula, algorithm or computer program. Prices may be determined by market order or limit order. Market order plans must specify the day on which a transaction will occur. Limit order plans must specify the day or days on which a limit order will remain open.

(3) Provide for no subsequent control over the trading plan while the Insider or other officer or employee possesses material, non-public information.

(4) Provide that first trade under the trading plan may not occur before the 31st day after the trading plan was established.

(5) Provide that no hedging transactions may be entered into with respect to securities subject to the trading plan.

(6) Specify a termination date, unless it is clearly stated in the plan that it will continue for an indefinite period, and provide for early termination.

(7) Contain an automatic termination or suspension provision triggered upon notice that the trading activity will have an adverse effect on the Company or cause a violation of law. For example, continued trades could interfere with lock-up obligations imposed on Insiders in connection with an underwritten public offering or violate Regulation M when the Company is engaged in a public offering of its securities.

(8) Name a single broker-dealer or other financial institution to execute all trades under the trading plan.

(9) Contain a provision requiring timely notification to the Company of all transactions pursuant to the trading plan to assure compliance with applicable reporting requirements.

D. The requirements of paragraphs A, B and C above apply to every securities transaction in which an Insider or other officer or employee has, or may acquire, a direct or indirect beneficial ownership interest. Persons are considered to have a “beneficial interest” in securities held by them, their spouse, their minor children, and any relative who resides with them or in securities held by anyone else if by contract, understanding, agreement or arrangement, the person enjoys the benefit of ownership. This paragraph is not meant to, and shall not be construed as to, (1) affect the ability of the Company to grant stock options, stock appreciation rights and other securities to Insiders or other officers or employees under employee benefit plans or agreements adopted by the Board of Directors or (2) affect the ability of Insiders or other officers or employees to exercise any stock options, provided, however, that the trading restrictions set forth in this Policy Memorandum, and the requirements of paragraphs A, B and C above, do apply with respect to any sale of the underlying stock or to a cashless exercise of the option through a broker (often called a “same-day sale”).

E. Every reasonable effort will be made to protect the confidentiality of all pre-clearance requests and stock reports. Requests and reports will be used solely to monitor and prevent unlawful trading and to enforce this Policy Memorandum.

ACKNOWLEDGMENT AND CONSENT

The undersigned has read and understands the foregoing Policy Memorandum Concerning Securities Trading, as amended and restated on June 18, 2015, and agrees to abide by the terms contained therein.

Printed Name

Signature

Date

Confidential Memorandum

TO: Kathryn C. Arnold
Compliance Officer

FROM: _____

DATE: _____

SUBJECT: REQUEST FOR PRIOR APPROVAL OF SECURITIES TRANSACTIONS

The undersigned proposes to engage in a transaction involving the following security:

- ___ Company Common Stock
- ___ Other Company Security (Specify type: _____)
- ___ Other Securities _____
[Name of Issuer and Security]

The transaction proposed is an:

- ___ Open-Market Purchase (Limit order ___/Market order ___)
- ___ Open-Market Sale (Limit order ___/Market order ___)
- ___ Trading Plan (attach description)
- ___ Other [Please explain: _____]

[The transaction is proposed to be effected on _____.] [or,][The limit order will remain open for ___ days beginning on _____.]
[Date]

[Signature]

[Print Name, Title and Department]

___ This transaction may not be effected

___ Authorization of this transaction extends to _____, 20___. **Copies of brokers confirmations of effected transactions must be forwarded to the Compliance Officer within four hours after the transaction for reporting compliance purposes.**

Date

[Signature of approving person or his designee]

Confidential Memorandum

TO: Kathryn C. Arnold
Compliance Officer

FROM: _____

DATE: _____

SUBJECT: TRANSACTION REPORT

Date of transaction: _____

Number of shares acquired: _____

Number of shares transferred: _____

Was this transaction effected pursuant to an approved trading plan? [Yes] [No]

If acquisition or transfer was effected indirectly (e.g., for your spouse, through an individual or entity who has agreed with you to acquire or transfer the security on your behalf, etc.), please identify the person through whom the transaction was effected and your relationship with such person:

Name of Individual or Entity: _____

Relationship to you: _____

(Signed)

[Print Name]

(THIS REPORT IS DUE WITHIN SIX HOURS OF A CHANGE IN BENEFICIAL OWNERSHIP, EITHER DIRECTLY OR INDIRECTLY. A FORM 4 MUST BE PREPARED AND FILED WITH THE SECURITIES AND EXCHANGE COMMISSION WITHIN TWO BUSINESS DAYS AFTER THE CHANGE IN BENEFICIAL OWNERSHIP.)

Insiders

All Member of the Board of Directors

President and Chief Executive Officer

Chief Financial Officer

Chief Medical Officer

Chief Commercial Officer

Any Senior Vice President

Compliance Officer

Any other employee or person whom the Compliance Officer, in consultation with the Company's outside counsel, determines should be subject to the restrictions imposed on Insiders pursuant to paragraphs A and B of Article III of the Policy Memorandum Concerning Securities Trading.