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WELLINGTON
MANAGEMENT

25 May 2018
Mr. Brent J. Fields
Secretary
United States Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

VIA E-MAIL: rule-comments@sec.gov

Re: Comment on Proposed Transaction Fee Pilot for NMS Stocks
(File No. S7-05-18)

Dear Mr. Fields:

Wellington Management Company LLP ("Wellington Management") appreciates the opportunity to respond to the request for comments from the Securities and Exchange Commission (the "Commission" or "SEC") on the proposed rules regarding the Transaction Fee Pilot for NMS Stocks (the "Pilot program"). Wellington Management is a private partnership registered as an investment adviser. Tracing our history to 1928, Wellington Management is one of the world's largest independent investment management firms. As of March 31, 2018, we managed over \$1 trillion in assets across a wide variety of equity, fixed income, and asset allocation strategies. We serve as a trusted adviser to clients in over 60 countries.

We fully support the Commission's initiative to establish the Transaction Fee Pilot program to study how transaction fees and rebates affect order routing behavior, execution quality, and market quality generally. Investment advisers would appreciate having data available to perform a meaningful analysis of the effects of transaction-based fees and rebates. Given the complexity of the marketplace today, drawing definitive conclusions on the impact of existing pricing models can only be done through an actual implementation. This Pilot program will provide evidence to evaluate the following key concerns that Wellington Management has with the existing model:

Best Execution and Conflicts of Interest

As an investment adviser and trusted fiduciary, Wellington Management is obligated to seek best execution of securities transactions for our clients. Transaction fees and rebates create incentives that conflict with a broker's legal duty to seek best execution, and in turn, potentially limit our ability to achieve best execution for our clients over time. Transaction fees and rebates create an inherent conflict of interest for brokers. Maker-taker pricing gives brokers an incentive to route customer orders based on economics (maximizing rebates and minimizing fees) rather than routing orders based on sourcing available liquidity. It is our belief that all investors benefit when brokers are focused on execution quality and service, as opposed to pricing factors.

Transparency

With maker-taker pricing, quoted prices do not account for transaction fees or rebates. These implicit costs create a lack of transparency in the marketplace.

Wellington Management supports implementation of the Pilot program as designed. We believe that the following components are critical to a successful implementation:

- The Pilot program project timeline is clearly defined. A one to two year timeframe should be sufficient to collect meaningful data.
- The scope of the Pilot program encompasses all NMS securities, ensuring a comprehensive dataset across all sectors and market capitalizations.
- Exchanges employing inverted pricing systems are incorporated. To effectively study the impact of rebates, all NMS exchanges should be included.
- If the thesis of the Pilot program is to study market distortion related to rebates, the presence of a zero rebate bucket should flush out the potential impact transaction fees and rebates are having on broker routing behavior.

We understand that it is impractical for the Commission to include off-exchange venues such as alternative trading systems and wholesale market makers into the Pilot program; however, we note that these off-exchange venues could skew the Pilot program's results in two ways. First, the revised transaction fees could create incentives for market participants to move more order flow to off-exchange platforms; second, the absence of these venues could create an imperfect picture of the overall impact of the transaction fees put in place under the Pilot program. Advance consideration may help minimize the potential adverse impact on the overall success of the Pilot program, as well as the potential for other unintended market structure changes.

Wellington Management believes that the Pilot program would provide the data required for a more informed discussion on the market impact of transaction fee and rebate pricing models. We appreciate the opportunity to comment on the Pilot program. If you have any questions about our comments or would like any additional information, please contact me or Ruby Salter at the number above.

Sincerely,



Lisa Mahon Lynch
Director, Trading and Counterparty Services
Wellington Management Company LLP

cc: The Honorable Jay Clayton, Chairman
The Honorable Robert J. Jackson, Jr.
The Honorable Hester M. Peirce, Commissioner
The Honorable Michael S. Piwowar, Commissioner
The Honorable Kara M. Stein, Commissioner

Brett Redfearn, Director, Division of Trading and Markets