
Wellington Management Company, LLP

75 State Street
Boston
Massachusetts 02109
USA
Telephone: (617) 951-5000

June 22, 2010

Via Electronic Filing

Elizabeth M. Murphy
Secretary
US Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090

Re: Large Trader Reporting System, Rel. No. 34-61908; File No. S7-10-10

Dear Ms. Murphy:

Wellington Management Company, LLP ("Wellington Management") appreciates the opportunity to comment on the Commission's proposed new Rule 13h-1 and proposed Form 13H under Section 13(h) of the Securities Exchange Act of 1934 to establish a large trader reporting system.

Introduction

Wellington Management is a privately-owned investment management firm registered under the Investment Advisers Act of 1940 (the "Advisers Act") that provides investment services to investment companies, employee benefit plans, endowments, foundations and other institutions. As of March 31, 2010, Wellington Management served as an investment adviser to approximately 1,600 separate clients and had investment management authority with respect to approximately \$560 billion in assets. Wellington Management's investment services include portfolio management styles and approaches in equities, fixed income securities, and asset allocation across all asset categories.

We support the Commission's efforts to obtain relevant data regarding large traders and to require large traders to transmit their large trader identification numbers ("LTID") to broker-dealers when communicating regarding trades. We recognize the impetus for the proposal and believe it will assist the Commission and SROs in analyzing trading activity in the U.S. securities markets to help fulfill their market oversight functions. The proposed large trader identification requirements represent an indispensable first step toward achieving a comprehensive consolidated audit trail to increase the Commission's and SROs' surveillance and enforcement capabilities.

We support the Commission's efforts to strike a balance between the Commission's need for information and the burdens imposed on those who will provide it.

However, we believe that certain aspects of the proposed large trader reporting system can be simplified to reduce the costs and burdens on large traders without reducing the usefulness of the information that will be contained in trading data provided to, or available to, the Commission and SROs. Our recommendations are briefly summarized below:

1. The Commission should evaluate the burdens imposed by this rule in conjunction with the burdens that will be imposed by its proposal for implementation of a consolidated audit trail ("CAT") and narrow the focus of this proposal to information necessary for broker-dealers to be able to include the identity of large traders in the trading information sent to the Commission or SROs. Specifically, we recommend that the Commission amend the proposed rule and form to require only that large traders: 1) identify themselves to the Commission; and 2) provide their large trader identification number to broker-dealers when transmitting orders or allocation information to broker-dealers.

2. The Commission should consider narrowing the information required to be provided in Schedule 6 to proposed Form 13H. We believe that the Commission has underestimated the volume of data that large traders would be required to collect, maintain, update and provide to the Commission under proposed Rule 13h-1 and Form 13H.

3. We recommend that the Commission adopt the proposed confidentiality provisions that would exempt information provided on Form 13H from disclosure under the Freedom of Information Act, particularly if the Commission does not narrow the information required to be produced in Schedule 6 of proposed Form 13H.

The Commission should consider narrowing the focus of this proposal

In a separate release, the Commission has proposed rules that would require SROs to jointly develop, implement and maintain a consolidated audit trail ("CAT") with uniform reporting protocols. We support the development of a consolidated audit trail with standardized reporting protocols as we believe that a CAT would enhance market surveillance and analysis. When implemented, we believe that such a proposal would render unnecessary the need to collect the more burdensome information proposed under the large trader reporting system. To reduce the burdens of compliance on the industry from both proposals, we recommend that the Commission amend Rule 13h-1 and Form 13H to require only that (i) large traders identify themselves with the Commission and obtain an LTID, and (ii) include their LTID when communicating with broker-dealers about the placement, modification or cancellation of orders, and in communications about allocations of block trades. These requirements would ensure that the LTID could be included with other trade

information in blue sheet responses and in data transmitted in response to a CAT requirement.

The Commission should consider narrowing the information required in Schedule 6 of the proposed form

Identification of a large trader's client and broker-dealer accounts

Proposed Form 13H would require a large trader to identify the accounts over which it exercises investment discretion. Specifically, Item 6 of Schedule 6 to Form 13H would require a large trader to report the name of all registered broker-dealers through which it transacts, the internal account numbers that such broker-dealers have assigned to each of its advisory clients and the names of such advisory clients.

Wellington Management has approximately 1,600 client relationships, many of which have multiple accounts and sub-accounts.¹ We also currently have approximately 250 broker-dealers on our approved list for executing equity transactions. Broker-dealers generally assign a separate internal account number to each of our client accounts.² Consequently, there are more than 400,000 separate broker-dealer account numbers associated with our clients that reside on the systems of the broker-dealers with whom we transact. We do not track or maintain a list of these internal broker-dealer account numbers, and do not utilize these account numbers when communicating with broker-dealers about trades.

We question the utility to the Commission of large traders reporting a voluminous number of client and broker-dealer accounts, particularly when this information is typically maintained and updated in an industry-recognized source used for communicating allocations and settlement instructions to broker-dealers. Most investment advisers communicate order allocation and settlement instructions to broker-dealers using systems provided by Omgeo, LLC.³ Investment advisers assign

¹ Many investment advisers, including Wellington Management, have more than one account for a client, including in situations where a client has multiple funds or desires to have investments in different approaches, each of which is treated as a separate internal account. Additionally, investment advisers have subaccount classifications for accounts in which multiple portfolio managers each manage a different sleeve of an account within a particular investment approach.

² In some cases, broker-dealers may assign more than one separate internal account number to each of our clients depending on the business needs of each individual sales desk. Likewise, an adviser may assign multiple account numbers to a single client in order to match its business needs or the needs of the client's custodian.

³ Omgeo, LLC is a joint venture between the Depository Trust & Clearing Corporation and Thomson Reuters. Omgeo is an operations service provider that automates trade life cycle events, including allocation, confirmation/affirmation, settlement notification, enrichment, operational analytics and counterparty risk management between counterparties to trades. Their trade lifecycle management systems are called ALERT, OASYS, OASYS Global and Central Trade Manager (CTM).

an ALERT Access Code⁴ to each of their clients' trading accounts and grant individual broker-dealers access at an account level. Broker-dealers are able to link and cross-reference the ALERT Access Code with their own internal account management systems and download account information from the ALERT system, so that trades can be properly settled to the correct custodian bank. Use of the ALERT system removes the need for advisers to store and maintain the individual broker-dealer account number for each of their client trading accounts. Thus, investment advisers do not keep or update broker-dealer account numbers for their numerous clients – advisers only have to maintain the ALERT system. After a block order is executed, the investment adviser informs the executing broker-dealer of the client accounts participating in the transaction by providing the ALERT Access Codes of such clients. The broker-dealer then downloads information from the ALERT system and matches the ALERT Access Codes with its own internal identifiers so that trades can be properly settled to the correct custodian bank. Using one standardized source to update client account information, and making the source available to broker-dealers, minimizes the chance of transmission errors.

It would be extremely time-consuming for us to compile, maintain, and report a list of such client and broker-dealer internal account numbers in a separate form, and to keep it updated to reflect changes to our client base and changes to the broker-dealers on our approved list. We believe that other investment advisers would face similar challenges. Furthermore, the large number of data items, combined with the lack of a standard protocol among broker-dealers in assigning account numbers, presents a significant risk that creating and maintaining such a list would be prone to errors that could impair the usefulness of the information to the Commission. We also question whether the Commission would even find such information to be helpful, and in particular whether the challenges in handling such a high volume of data would outweigh the usefulness of the data. Rather, we believe that the Commission's purposes would be adequately served by proposed Rule 13h-1(b)(2), which would require a large trader to disclose its large trader identification to each broker dealer through which it transacts when communicating about the placement, modification, or cancellation of trades. The LTID also should be required to be included in all trade and settlement communications with a broker-dealer, which would make such information available for inclusion by broker-dealers in trade data provided to the Commission, SROs or any central repository created in response to the CAT proposal.

Alternatively, we believe that Form 13H should be modified so that large traders are only required to report the names of the broker-dealers through which they execute transactions. We believe that this revision would result in the Commission receiving the same information about the activities of large traders that it would receive

⁴ The ALERT Access Code is also known as ALERT ID, ALERT Code, Access Code and Autex code/number.

through data submitted by broker-dealers, while imposing less burdens on large traders. We believe that this reporting structure, combined with the Commission's ability to request additional information from a large trader regarding specific transactions, will accomplish the Commission's goals.

If the Commission nevertheless determines that it requires additional client account-level information, we recommend that the Commission permit investment advisers to provide the ALERT Access Codes assigned to each of its clients through the Omgeo ALERT system (or a similar system), rather than internal account numbers assigned by each broker-dealer. Permitting investment advisers to report the ALERT Access Codes for their client accounts would significantly reduce the burden of completing the proposed Form 13H. Broker-dealers could similarly provide the Commission with the ALERT Access Codes, rather than their internal account numbers.

Large traders should only be obligated to identify other unaffiliated large traders if investment discretion is exercised collectively

Rule 13h-1(b)(2) would require each large trader to "disclose its large trader identification number to all others with whom it *collectively* exercises investment discretion" (emphasis added). Similarly, the last column of Item 2 to proposed Schedule 6 to Form 13H would require a large trader to identify other large traders that also exercise investment discretion over any account of the large trader. Notably, the instructions to Form 13H omit the word "collectively" and do not define the term "account." This column could be interpreted to require that a large trader would need to identify all large traders that exercise investment discretion for the same client, even if such large traders act independently and have no access to the trading done by other investment advisers for the client.

We believe that the Commission should clarify that this column only requires disclosure of another unaffiliated larger trader if that trader has collective investment discretion over the same custodial account. We believe that the Commission may clarify this by inserting the word "collectively" into the instruction to Item 2 of Schedule 6. Mutual funds, insurance companies, endowments and foundations often have numerous investment advisers that each manage a discrete sleeve of assets independently.⁵ In most cases, except for mutual funds, the identity of these investment advisers is not public. We believe that many of our clients view this information as confidential. In the case of multi-managed accounts, the client generally establishes separate custodial accounts for each investment adviser to

⁵ The Investment Company Act of 1940 and the rules thereunder permit sleeves of funds managed by unaffiliated investment advisers to rely on certain exemptive rules provided that certain conditions are met, including that the investment advisers not collaborate or communicate with each other about trades.

ensure that trading is not duplicated by different investment advisers, and advisers will place their own trades with the broker they choose.

The confidentiality provisions are imperative

We strongly believe it is imperative that the Commission adopt the proposed confidentiality provisions that would exempt Form 13H from disclosure under the Freedom of Information Act. The information that will be contained on Form 13H includes confidential commercial information about the large trader, (including its client list), each of its clients and its list of approved broker-dealers. Many clients have extensive confidentiality provisions in contracts with their investment advisers and view their investment management relationships as private.⁶ Disclosure of such information could cause substantial competitive harm to, and invade the privacy of, the large trader and each of its clients. Moreover, disclosure of approved and by implication unapproved broker-dealers also could negatively impact the stock price of broker-dealers that are public companies.⁷

Conclusion

We urge the Commission evaluate the proposed large trader reporting system in conjunction with its proposal for implementation of a consolidated audit trail, and to narrow the information required to be provided by large traders as suggested in this letter. Our firm appreciates your consideration of this letter and looks forward to working with the Commission and its staff on these issues.

Sincerely,



Steven M. Hoffman
Vice President and Counsel
Wellington Management Company, LLP

cc: The Honorable Mary Schapiro, Chairman
The Honorable Kathleen L. Casey
The Honorable Elisse B. Walter
The Honorable Luis A. Aguilar
The Honorable Troy A. Paredes

⁶ Inclusion of a client in a client list can be viewed as a testimonial by such clients, and many clients do not allow their names to be so used without their express consent.

⁷ See Jenny Anderson, *Shares of Lehman Brothers Take a Beating*, N.Y. Times, July 11, 2008 (Lehman stock declined on rumors that two institutional managers had stopped trading with Lehman); Susanne Craig, *The Rumor Mill Grinds Lehman*, The Wall St. J., July 11, 2008 at C3.