October 1, 2008

VIA EMAIL AND FEDEX

Ms. Florence E. Harman
Acting Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Re: Temporary Rule 204T under Regulation SHO

Dear Ms. Harman:


With approximately $550 billion in client assets under management, Wellington Management serves as investment advisor to approximately 1,500 institutions located in over 40 countries. In the course of its advisory activities, Wellington Management has encountered an anomaly in the operation of Rule 204T in connection with shelf registration sales. As the Commission is aware, Rule 204T provides that a clearing firm has until T+6 to settle “long” sales. If the “long” sale has not settled by then, the clearing firm is required to close out the sale or become subject to the so-called “penalty” provisions of Rule 204T, which require pre-borrowing of short sale orders.

Rule 204T provides, however, that if the “long” sale is made pursuant to Rule 144 under the 1933 Act, the clearing firm has until the beginning of trading on the thirty-sixth day after trade date before it is required to close out any resulting “fail to deliver.” The thirty-five days permitted for sales under Rule 144 is based on similar provisions in existing Regulation SHO and its treatment of Rule 144 sales. In this regard, the Commission has noted that, with respect to Rule 144 sales, there are operational issues that result in delays in delivery of shares to settle Rule 144 transactions.
The Commission stated:

Securities sold pursuant to Rule 144 of the Securities Act are formerly restricted securities that a seller is ‘deemed to own,’ as defined by Rule 200(a) of Regulation SHO. The securities, however, may not be capable of being delivered on the settlement date due to processing delays related to removal of the restricted legend and, therefore, sales of these securities frequently result in fails to deliver. Following our review of the comment letters, and based on our understanding of industry practices, we understand that such processing delays, which are often out of the seller’s and the broker-dealer’s control, frequently result in delivery taking longer than 13 consecutive settlement days. We believe, however, that 35 consecutive settlement days will provide sufficient time for delivery of these securities.

We believe that extending the current close-out requirement to 35 consecutive settlement days for fails to deliver resulting from sales of these securities will permit the orderly settlement of such sales without the risk of causing market disruption due to unnecessary purchasing activity (particularly if the purchases are for sizable quantities of stock). Because the security sold will be received as soon as all processing delays have been removed, this additional time will allow participants to close out fails to deliver resulting from the sale of the security with the security sold, rather than having to close out such fail to deliver position by purchasing securities in the market.


Wellington Management believes, however, that there are additional situations beyond Rule 144 sales where additional time is needed to complete delivery of shares sold “long.” For example, Wellington Management often purchases securities in privately negotiated transactions for its clients. These shares are subsequently sold pursuant to a selling shareholder shelf registration statement pursuant to the 1933 Act. The Staff of the Commission has informally indicated that when an underlying client has not held the securities in question long enough to qualify for resale under Rule 144, the 35-day settlement period permitted for Rule 144 sales is not available under the current language of Rule 204T for settlement of the shares pursuant to the registration statement. However, our experience is that the steps necessary to obtain deliverable shares to settle the shelf registration sales are identical, in substance, to those for Rule 144 sales, and it is often the case that shares are not available for delivery prior to T+6. This creates the risk that the securities will be “bought in” by the clearing firm settling the trade even though Wellington Management and/or the clearing broker will have taken all steps under their control to obtain deliverable shares for settlement in a timely manner.

This selling activity does not undermine the intent of the Emergency Order. The client account has clear ownership of the shares and the sale transaction does not result in any direct or indirect “short selling” of the shares. The sole reason for the delay in delivery is due to processing delays inherent with selling shares pursuant to a selling shareholder registration statement.

Wellington Management believes that trades of this nature should be treated, for purposes of Rule 204T, in the same manner as Rule 144 sales, where the Commission has recognized that delays in the process of providing deliverable shares may result in shares not being available by
T+6. The process for obtaining deliverable shares from the transfer agent in the example described above is the same as for a Rule 144 sale. Where an investor sells shares “long” and has taken prompt steps to obtain deliverable shares, it and its clearing firm should not be penalized because the transfer agent, which is not under the control of either the investor or the clearing firm, is not able, because of normal processing delays, to provide deliverable shares in time to meet the time frames contemplated by Rule 204T.

Accordingly, we believe that Rule 204T should be amended to treat shelf registration sales as described above in the same manner as Rule 144 sales and provide up to 35 days after trade date for settlement to be made.

Please feel free to contact me at (617) 790-7426 if you have any questions or require any further information.

Sincerely,

Cynthia M. Clarke
General Counsel

cc: The Honorable Christopher Cox, Chairman
    The Honorable Kathleen L. Casey, Commissioner
    The Honorable Elisse B. Walter, Commissioner
    The Honorable Luis A. Aguilar, Commissioner
    The Honorable Troy A. Parades, Commissioner
    Dr. Eric R. Sirri, Director, Division of Trading and Markets
    James Brigagliano, Associate Director, Division of Trading and Markets
    Josephine Tao, Division of Trading and Markets