



UBS Securities LLC
677 Washington Blvd.
Stamford, CT 06901

www.ubs.com

Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

May 18, 2012

**Re: Regulation SB SEF – Registration and Regulation of Security-Based Swap Execution Facilities
(File Number S7-06-11)**

Dear Secretary Murphy:

UBS Securities LLC appreciates the opportunity to submit comments to the Securities and Exchange Commission (the "**Commission**") in response to the Commission's proposed rule on the Registration and Regulation of Security-Based Swap Execution Facilities (the "**Proposed Rule**").¹ This letter is a follow-up to the meeting held with Commission staff on March 27, 2012.

As discussed in our previous comment letter² and in our meetings with Commission staff, UBS intends to offer a liquidity aggregation service for security-based swaps that are subject to the mandatory execution requirement (the "**UBS Liquidity Aggregation Service**"), whereby customers will have the ability to view and transact against available liquidity across multiple sources in a single location. We appreciate the guidance received from Commission staff that such agency activities should be considered "broker" activities for purposes of Commission regulations and that, consistent with the core principle of impartial access and proposed §242.809, brokers cannot be excluded or discriminated against in terms of access to security-based swap execution facilities ("**SB SEFs**") solely as a result of engaging in broker activities.

While we acknowledge that the application of the core principles contained in the Dodd-Frank Act should not remove the ability of SB SEFs to make important commercial decisions with respect to their business model, we urge the Commission to consider whether any additional clarification around the implementation of the principle of impartial access could be provided in the final SB SEF rules. For example, we believe that it would be impermissible for a SB SEF participant to discriminate against a specific type of SB SEF member regarding the viewing of submitted prices and for a SB SEF to establish rules permitting such discrimination. In addition, we believe (a) SB SEFs should not discriminate against customers of brokers by granting brokers reduced access or connectivity compared to the access/connectivity given to other types of SB SEF members (including direct customers) and (b) SB SEFs should not be permitted to enact rules with the specific intent of discriminating against a certain category of member³.

Similarly, we acknowledge that customer agency services, such as the UBS Liquidity Aggregation Service, should not be permitted to discriminate among SB SEFs by improperly favoring one platform over another with respect to the display of bids and offers or the routing of customer orders. We believe that available liquidity should be displayed pursuant to objective criteria, such as price, time and quality, and that customers should be able to select the specific liquidity venue on which to execute a transaction or submit a request for quote. By providing customers with the necessary information regarding available liquidity in an impartial manner, the UBS Liquidity Aggregation Service will be assisting customers in achieving best execution.

¹ Registration and Regulation of Security-Based Swap Execution Facilities, 76 Fed. Reg. 10948 (proposed Feb. 28, 2011) (to be codified at 17 C.F.R. pts. 240, 242, and 249).

² See our comment letter regarding the SB SEF rule and customer agency dated November 2, 2011.

³ For example, brokers should not be subject to discriminatory fees or data licensing arrangements.

* * *

UBS is grateful for the open manner in which the Commission has addressed issues arising in connection with the implementation of the SB SEF rules. We welcome the opportunity to provide additional information regarding our views on this topic, as well as any other issues related to the Dodd-Frank Act.

Respectfully submitted,



Paul Hamill
Managing Director



David Kelly
Managing Director