

February 18, 2004

Mr. Jonathan G. Katz
Secretary
U.S. Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Re: **File No. SR-NASD-2003-201; Proposed Expansion of the NASD's
Trading Activity Fee to Certain Fixed Income Securities**

Dear Mr. Katz:

UBS Securities LLC welcomes the opportunity to submit its comments to the Securities and Exchange Commission (the "Commission") on the proposal by the National Association of Securities Dealers, Inc. (the "NASD") to adopt for the first time a trading activity fee ("TAF") applicable to certain debt securities.

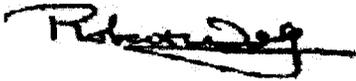
After careful consideration of the Proposing Release and of the Bond Market Association's ("BMA") comment letter on this issue we would like to take this opportunity to express our strong support of the BMA's comment letter. Accordingly, we respectfully request that the Commission postpone approval of the Debt TAF until it has been supported by additional disclosure of relevant financial information and analysis and there has been an opportunity for more informed public comment. Specifically, we agree with the BMA's position that the Proposing Release does not provide adequate:

- information to support a determination that the Debt TAF would result in an "equitable allocation of reasonable dues" and otherwise satisfy the requirements of the Securities Exchange Act of 1934 (the "Exchange Act"). Moreover, certain features of the proposed Debt TAF (e.g., its imposition on top of fees already charged to Covered Debt Securities for self-regulatory organization ("SRO") costs, and its disparate impact on certain firms and investors) raise questions about its reasonableness and fairness that are not addressed in the Proposing Release;
- second, there are a number of practical questions regarding how the Debt TAF will be implemented that should be clarified before the proposal is approved. For example, it is unclear whether and to what extent current NASD guidance regarding

the TAF for equity securities would or should apply to Covered Debt Securities. Similarly, it is not clear whether compliance with the Debt TAF will require member firms to track transactions in Covered Debt Securities in a different manner than that used for transaction reporting purposes. These and related issues described below must be resolved prior to approval of the Debt TAF so that the impact and burdens of the proposal can be properly evaluated and members can assess the scope and costs of any necessary systems and operational changes.

We recognize the importance of adequate funding for SRO activities through appropriate dues, assessments and other fees. Before such fees are imposed, however, there must be adequate information available to member firms and other interested parties as to the need for, and reasonableness of, such fees and the manner in which they will be collected.

Sincerely,



Robert Wolf
Managing Director
Global Head of Fixed Income
Member of the UBS Group Managing Board



Ray Ormerod
Executive Director
Fixed Income Compliance