

Mr. David A. Stawick  
Secretary  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, NW  
Washington, DC 20581

May 18, 2012

**Re: Core Principles and Other Requirements for Swap Execution Facilities (RIN 3038-AD18)**

Dear Mr. Stawick:

UBS Securities LLC appreciates the opportunity to submit comments to the Commodity Futures Trading Commission (the "**Commission**") in response to the Commission's proposed rule on the Core Principles and Other Requirements for Swap Execution Facilities (the "**Proposed Rule**").<sup>1</sup> This letter is a follow-up to the meeting held with Commission staff on March 27, 2012.

As discussed in our previous comment letter<sup>2</sup> and in our meetings with Commission staff, UBS intends to offer a liquidity aggregation service for 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 regarding the application of the core principle of impartial access to the UBS Liquidity Aggregation Service, whether it be through the concept of an independent software vendor or as a broker acting on behalf of other eligible contract participants<sup>3</sup>, and do not believe members providing agency services can be excluded or discriminated against in terms of access to swap execution facilities ("**SEFs**") solely as a result of engaging in these activities. We believe it would be beneficial for the Commission to make this point more explicit in the final SEF rules.

While we acknowledge that the application of the core principles contained in the Dodd-Frank Act should not remove the ability of 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 SEF rules. For example, we believe that it would be impermissible for a SEF participant to discriminate against a specific type of SEF member regarding the viewing of submitted prices and for a SEF to establish rules permitting such discrimination. In addition, we believe (a) SEFs should not discriminate against customers of members providing agency services by granting these members reduced access or connectivity compared to the access/connectivity given to other types of SEF members (including direct customers) and (b) SEFs should not be permitted to enact rules with the specific intent of discriminating against a certain category of member<sup>4</sup>.

Similarly, we acknowledge that customer agency services, such as the UBS Liquidity Aggregation Service, should not be permitted to discriminate among 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

<sup>1</sup> Core Principles and Other Requirements for Swap Execution Facilities, 76 Fed. Reg. 1214 (January 7, 2011).

<sup>2</sup> See our comment letter regarding the SEF rule and customer agency dated November 2, 2011.

<sup>3</sup> We note the text of proposed §37.202 explicitly makes the provision of impartial access applicable to "eligible contract participants" which, by definition, includes a registered broker acting as a broker or performing an equivalent agency function on behalf of an eligible contract participant (see §1a(18)(B)(i)).

<sup>4</sup> For example, members providing agency services should not be subject to discriminatory fees or data licensing arrangements.

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.

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UBS is grateful for the open manner in which the Commission has addressed issues arising in connection with the implementation of the 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