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Mr. Gary Gensler
Chairman
Commodity and Futures Trading
Commission
1155 21st Street, NW
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CFTC

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Office of the
Secretariat

June 13, 2012

Dear Mr. Chairman:

I would like to thank you for taking the time to meet with me and my colleagues last Friday and allowing us to discuss cross-border issues, raised by the swap dealer registration requirements. I found the meeting to be informative and a good basis for further constructive dialogue, aimed at obtaining better clarity of how UBS AG complies with all rules and regulations promulgated by the CFTC at the same time as it complies with the laws of Switzerland and other jurisdictions in which it operates.

At our meeting, I told you that UBS AG meets the statutory definitions of "swap dealer" and "security based swap dealer" under Title VII of Dodd-Frank and will be required to register accordingly with the CFTC and SEC. As a swap dealer, filing registration Form 7-R with the NFA, I told you about three principal concerns we have. First, UBS AG must make representations that it cannot make, such as that it is not subject to blocking, secrecy or privacy laws that would create an obstacle to full inspection of books and records. Second, UBS AG must agree to make books and records available to the CFTC, NFA, and US Department of Justice promptly upon request, but there currently is no provision to recognize applicable mutual assistance agreements with other regulators, which are a fundamental tenet of important data protection laws. Third, UBS AG must agree to provide copies of audit or disciplinary reports issued by non-U.S. regulators, and any notice required to be furnished by UBS to such regulators, and other entity-level information. There is no language limiting the undertaking to notices and records that can be disclosed under applicable law. Complying with these requirements may conflict with our obligations under Swiss law, as well as the laws of other jurisdictions in which we operate. I also note that you seem unwilling at this time, to share our belief that tailoring UBS AG's swap dealer registration to the Investment Bank business division and relevant branches that conduct swap dealer activities would be adequate to address the CFTC's considerations for regulatory oversight and transparency.

In addition, as you pointed out in the meeting, I acknowledge that we will have the Swap Data Repository (SDR) reporting responsibilities as well. We are concerned that the reporting of client identification and transaction information to a SDR, without explicit client consent, may conflict with the laws of a number of jurisdictions. Firms subject to legal restrictions on disclosure of client identities should, during a transition period, following the release of cross border guidance, be permitted to withhold transaction reports or mask client identifying data to the extent reasonably required to comply with data privacy, secrecy and protection laws and any relevant contractual requirements, provided that requests for the relevant data may be directed through an administrative assistance program with the jurisdiction where the records are maintained. I note that if the CFTC chooses to expand the definition of US person for SDR reporting, it will add considerable complexity to both the obtaining of client consents and the operational requirements for SDR reporting.

Finally, I reiterate our concern that without guidance from your agency on the cross-border application of swap dealer requirements, UBS AG will not know the extent to which it may need to reorganize its swap activities or operations in order to comply with multiple, and possibly conflicting, sets of laws. In this regard, I reconfirm our support for the SIFMA/IIB recommendations for a cross-border phase-in approach to Title VII of Dodd-Frank.

I was encouraged that you indicated there will be a proposal for additional time for banks to comply with many of the record-keeping and access requirements. Your statement that the CFTC's mission is to make the regulations work was good to hear. We at UBS have been working strenuously to achieve compliance with the swap dealer requirements and therefore welcome your further precision of the scope of these requirements so that we can efficiently deploy the time and resources we spend on this most important initiative. We look forward to seeing the proposed guidance and hope that we can continue our dialogue toward the goal of having workable regulations that provide the CFTC with the transparency it needs to regulate swap dealers.

Thank you again for your time.

Sincerely,

A handwritten signature in black ink, appearing to read "Markus U. Diethelm". The signature is written in a cursive, flowing style.

Markus U. Diethelm