UBS Investment Bank

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By email to rule-comments@sec.gov

Ms Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090

Dear Ms Murphy

RE: Release Number: 34-63361/File Number SR-FICC-2010-09

UBS Securities LLC ("UBS") is submitting this letter in support of the proposed rule change referenced above that would permit Fixed Income Clearing Corporation ("FICC") to offer cross-margining of certain positions cleared at its Government Securities Division and certain positions cleared at New York Portfolio Clearing, LLC ("NYPC"). UBS recommends the prompt approval by the Securities Exchange Commission (the "Commission") of this proposed rule change.

We understand that NYPC has recently applied to the Commodity Futures Trading Commission to register as a derivatives clearing organization ("DCO") and that, if approved, will provide "open access" clearing of, initially, USD-denominated interest rate futures contracts traded on NYSE Liffe U.S. to be cross-margined with U.S. Treasury and other fixed income securities and repurchase agreements cleared by FICC. We understand that FICC and NYPC's method of portfolio margining seeks to reduce risk through multilateral netting and cross-margining and that the consequential capital efficiencies of this reduction in risk should benefit market participants in the form of lower costs.

We understand that FICC and NYPC will calculate clearing fund and margin requirements using a Value-at-Risk methodology with a 99% confidence level. FICC/NYPC's front-weighting mechanism combines historical information with more recent observations to determine the 99th percentile of loss distribution. We understand that back-testing by FICC, as well as separate analysis by an independent firm, have both demonstrated that FICC/NYPC's "one-pot" methodology provide sufficient coverage after the cross-margining reductions are applied, thereby demonstrating that the market efficiencies that FICC/NYPC's portfolio margining mechanism seeks to deliver is not achieved at the cost of stability of system.

In addition to the savings that the cross-margining system provides to FICC/NYPC's members, we anticipate that the FICC/NYPC model is also likely to create transparency of risks across derivatives and cash securities allowing FICC, NYPC and regulators to monitor and mitigate concentrations of risk and effectively manage the consequences of a default.

The approval of the proposed rule change is also important to NYPC's application for DCO status. We are a strong supporter of NYPC's DCO application and, more generally, of increasing the level of choice available to market participants in this segment of the financial markets. A market served by a diverse range of service providers benefits its participants through competition which, in turn, helps foster innovation and further reduce costs.

UBS would like to thank the Commission for the opportunity to comment on the proposed rule change which UBS encourages the Commission to approve.

Respectfully submitted,

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