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April 13, 2004

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, DC 20551

Reference Docket No. OP - 1182

Dear Ms Johnson:

UBS Investment Bank (UBS) is pleased to provide comment to the Board on its policy announcement of February 5, 2004, Docket Number OP-1182. UBS believes that the Board's stated intention to reduce risk in the payment system is consistent with the overall Payment System Risk Policy.

UBS does believe, however, that while this approach recognizes the desire to reduce intraday payment system daylight overdrafts, the Board's proposed changes as defined in this policy statement will potentially cause liquidity disruptions and greater demands for credit by both broker/dealers and financial institutions. The demands noted would be caused by an immediate change to current practices for posting credits to depository institutions' accounts with the Federal Reserve and the resulting conflict with the need for customers of those financial institutions to process payments and settle securities transactions.

While the Board has proposed that these changes take effect in July 2006, UBS suggests that they are phased in over a period of time for the various government-sponsored enterprises and international organizations in order to allow for the marketplace to adapt to the reduced level of intraday credit available. This proposal is not unlike the phased in approach the Board used while implementing charging for daylight overdrafts.

Furthermore, UBS proposes that the Board treat the settlement of principal and interest payments separately from that of redemptions. This will further reduce the disruption that a wholesale change to the current posting schedule may cause in the marketplace.

Lastly, if the proposed changes were to be implemented in a wholesale way as proposed, UBS is concerned that daylight overdrafts to broker dealers and financial institutions would become unnecessarily burdensome.

We are pleased to discuss these suggestions further. Please feel free to contact the undersigned.

Sincerely,

Thomas Ferlazzo
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(203 719 4372)

Anthony Conte
Executive Director
(203 719 1240).