Via Email

Subject: <u>Restrictions on Proprietary Trading and Certain Interests in, and Relationships with, Hedge Funds and Private Equity Funds</u>

Ladies and Gentlemen:

Liberty Global, Inc. (together with its subsidiaries "Liberty Global" or "we") is a leading international operator of advanced cable telecommunications systems, operating broadband networks in 14 countries and serving approximately 17.9 million customers. Our shares are traded on the NASDAQ Global Select Market, and we are part of the NASDAQ-100 Index, Fortune 500 Listing, Forbes 2000 Global Listing and FTSE4GOOD Index. We rely on liquid capital markets as an important source of financing, particularly debt financing, and we frequently access the global capital markets as corporate issuers of debt securities, both in the United States and in other jurisdictions. We recognize the efforts of the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, Treasury and the Securities and Exchange Commission (collectively, the "Agencies") to promulgate effective and appropriate rules (the "Proposed Rules") to implement Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Volcker Rule"), and we appreciate the opportunity to comment on the Proposed Rules. However, we are deeply concerned about potentially far reaching and unintended consequences of the Proposed Rules relating to the implementation of the market making exemption under the Volcker Rule, including reduced liquidity in the markets, increased borrowing costs and diminished valuation of fixed income securities. As further described below, we believe that significant changes to the Proposed Rules are necessary in order to avoid any disruption of the liquidity necessary for functioning capital markets and the imposition of significantly increased costs and burdens on market participants.

Our subsidiaries frequently access the debt capital markets in the United States (and globally) through the issuance of high yield bonds. In 2011, our subsidiaries issued approximately $6.7 billion (U.S. dollar equivalent) of such bonds. Our ability to successfully place our debt securities in the United States depends in large part on the availability of a liquid secondary market, since many of the large, sophisticated institutional investors that purchase our securities require the ability to rebalance their holdings and convert their holdings to cash at short notice. Adequate secondary market liquidity depends in large part on the market making activities of banking entities, and it is therefore crucial that the underwriters we hire be able to "make the market" in our securities, so that we are not exposed to the uncertainty of funding costs that would otherwise accompany a more highly volatile, less liquid debt market.

The current formulation contained in the Proposed Rules, which sets forth a rebuttable presumption that a position in a security held for sixty days or less is a prohibited proprietary transaction, could significantly dampen the willingness of underwriters to engage in traditional market making activities. We are deeply concerned that a covered bank acting as an underwriter in the issuance of securities will not be willing or able to effectively act to stabilize markets in conjunction with such issuance so long as the specter of violating a mechanical 60-day rule looms over it. If the Proposed Rule is adopted, the underwriter will be subject to the risk that it cannot effectively rebut the 60-day presumption, and must bear significant administrative burdens that are only further heightened by a real concern that in hindsight one's compliance efforts could be deemed insufficient. Healthy market making activity should not be hampered by artificial deadlines. The adverse financial impact of the Proposed Rule to corporate issuers in this respect would be concrete, and would be significant to our financing decisions. As a corporate issuer, we would be exposed to a risk of price volatility and a likely increase in our cost of funding were we to access the capital markets through the United States. We respectfully submit that the failure to fully take into account over-the-counter market making activities reflects a major oversight and must be addressed in the final analysis and rulemaking.

In our view, in order for the United States to maintain its current relative position as the most attractive market through which to access the global capital markets, the Proposed Rules need to be revised to ensure that the ban on proprietary trading is not implemented in a manner that impinges on traditional market making activities. If the Proposed Rules are adopted in their current form, we expect that underwriters may find themselves constrained altogether from making a market in our securities. Absent the ability of underwriters to make the market in new issuances of debt securities, we fear our cost of funding in the United States capital markets would likely increase, and, as a result we would be less likely to raise funds in the United States and more likely to access alternative markets abroad. We believe as well that the reduction in secondary market liquidity will have a negative impact on borrowing costs, transaction costs and asset valuations more generally and in particular with respect to high yield bond issuances.
Furthermore, if the Proposed Rules are adopted in their current form, the likely effect is that covered banking entities will be obliged to severely cut back in their market making efforts, particularly with respect to less liquid securities such as those of the type we issue. While this may be an intended outcome of the Proposed Rules, there are unintended outcomes that are not addressed: since much of the market making activity undertaken in the United States is made by covered banking entities, there would be a sharp reduction generally in market liquidity (which may or may not eventually be taken up by non-covered entities) and, particularly with respect to new issuances of non investment-grade debt, it may be impossible for underwriters to make a market and thereby provide the necessary certainty of funding terms to corporate issuers. We respectfully urge the Agencies to re-examine the Proposed Regulations in light of the points raised in this letter, in order to accomplish the mandate of the Volcker Rule in a targeted manner and prohibit only truly speculative proprietary trading, and allow beneficial market making activity to continue.

Charlie Bracken
Executive Vice President, Co-Chief Financial Officer.

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