File No. 803-_____

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

APPLICATION FOR AN ORDER UNDER SECTION 206A OF THE INVESTMENT ADVISERS ACT OF 1940 ("ADVISERS ACT") PROVIDING AN EXEMPTION FROM CERTAIN PROVISIONS OF SECTION 206(3) OF THE ADVISERS ACT

UBS FINANCIAL SERVICES INC.
1200 Harbor Boulevard
Weehawken, New Jersey 07086

November 22, 2016

All communications, notices, and orders to:

Laura E. Flores
Steven W. Stone
Morgan, Lewis & Bockius LLP
1111 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

This Application (including Exhibits) consists of 21 pages.

UNITED STATES OF AMERICA

BEFORE THE

SECURITIES AND EXCHANGE COMMISSION

In the Matter of UBS FINANCIAL SERVICES INC. File No. 803-_____	APPLICATION FOR AN ORDER UNDER SECTION 206A OF THE ADVISERS ACT PROVIDING AN EXEMPTION FROM CERTAIN PROVISIONS OF SECTION 206(3) OF THE ADVISERS ACT

UBS Financial Services Inc., a Delaware corporation, hereby files this application ("Application") for an Order of the Securities and Exchange Commission ("Commission" or "SEC") under Section 206A of the Advisers Act providing an exemption from certain written disclosure and consent requirements of Section 206(3) of the Advisers Act. UBS Financial Services Inc. also requests that the Commission's Order apply to future investment advisers controlling, controlled by, or under common control with UBS Financial Services Inc. ("Future Advisers"). UBS Financial Services Inc. is referred to herein as the "Applicant." Any Future Adviser relying on any Order granted pursuant to this Application will comply with the terms and conditions stated in this Application.[1] For the reasons discussed below, the Applicant believes that the Order requested is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Advisers Act.

I. BACKGROUND

A. The Applicant

Applicant is registered as an investment adviser with the Commission and is a registered broker-dealer. Applicant is a subsidiary of UBS AG, a diversified financial services company with operations around the world. Applicant offers a number of advisory programs, including the UBS Strategic Advisor Program (the "Program"), which is a nondiscretionary advisory program.

Applicant established the Program in 2004. In 2007, many of Applicant's fee-based brokerage accounts were converted to nondiscretionary advisory accounts in the Program

[1] All entities that currently intend to rely on any Order granted pursuant to this Application are named as Applicants.

following the invalidation of former Rule 202(a)(11)-1 under the Advisers Act. When these accounts were fee-based brokerage accounts, Applicant, in its capacity as a broker-dealer, engaged in principal transactions with its customers in accordance with applicable law. Applicant currently relies on Rule 206(3)-3T under the Advisers Act (the "Rule") to engage in principal transactions with its client accounts in the Program, and has done so since its adoption. The securities involved in these principal trades include government agency debt, municipal securities, corporate debt securities, mortgage backed securities, U.S. Treasury securities, and brokered certificates of deposit.

As of September 21, 2016, Applicant has 115,982 client accounts in the Program. Those accounts have $64,998,795,839 in assets in the Program as of September 20, 2016. As of the same date, 32,167 client accounts with assets of $27,407,183,690 had consented to principal transactions in their Program Accounts in reliance on the Rule.

The table below sets forth the number of trades in the Program effected in reliance on the Rule, the total value of the securities involved, the percentage of those trades that were purchases and sales and the average value of each transaction type for each of 2014 and 2015 and through September 16, 2016.

Year	**Total Number of Principal Trades in Eligible Accounts**	**Total Security Value in Eligible Principal Trades**	**Percentage of Principal Trades That Were Purchases**	**Average Value of Purchases**	**Percentage of Principal Trades That Were Sales**	**Average Value of Sales**
2014	12260	$ 1,088,732,341.00	61%	$146,729.43	39%	$ 95,471.05
2015	11619	$ 1,257,028,336.00	66%	$109,838.36	34%	$105,022.00
2016*	9285	$ 1,728,348,502.00	73%	$179,796.03	27%	$203,201.27

*The information provided for 2016 is current through September 16, 2016.

As permitted under the Rule, the Applicant has engaged in principal trades in investment grade fixed income securities underwritten by the Applicant or an affiliate.

B. Request for an Order

Section 206(3) of the Advisers Act provides that it is unlawful for any investment adviser, directly or indirectly, acting as principal for its own account, knowingly to sell any security to or purchase any security from a client without disclosing to the client in writing before the completion of the transaction the capacity in which the investment adviser is acting and obtaining the client's consent to the transaction. The Rule deems an investment adviser to be in compliance with the provisions of Section 206(3) when the investment adviser, or a person controlling, controlled by, or under common control with the investment adviser, acting as principal for its own account, sells to or purchases from an advisory client any security, provided that the investment adviser complies with the conditions of the Rule.

The Rule requires, among other things, that the investment adviser obtain a client's written, revocable consent prospectively authorizing the investment adviser, directly or indirectly, acting as principal for its own account, to sell any security to or purchase any security from the client. The consent must be obtained after the investment adviser provides the client with written disclosure about: (i) the circumstances under which the investment adviser may engage in principal transactions with the client; (ii) the nature and significance of the conflicts the investment adviser has with its client's interests as a result of those transactions; and (iii) how the investment adviser addresses those conflicts. The investment adviser also must provide trade-by-trade disclosure to the client, before the execution of each principal transaction, of the capacity in which the investment adviser may act with respect to the transaction, and obtain the client's consent to the transaction. The trade-by-trade disclosure and consent may be written or oral.

The investment adviser also must provide to the client a trade confirmation that, in addition to the requirements of Rule 10b-10 under the Securities Exchange Act of 1934 ("Exchange Act"), includes a conspicuous, plain English statement informing the client that the investment adviser disclosed to the client before the execution of the transaction that the investment adviser may act as principal in connection with the transaction, that the client authorized the transaction, and that the investment adviser sold the security to or bought the security from the client for the investment adviser's own account. The investment adviser also must deliver to the client, at least annually, a written statement listing all transactions that were executed in the account in reliance on the Rule, including the date and price of each transaction. The Rule is available only to an investment adviser that is also a broker-dealer registered under Section 15 of the Exchange Act and may only be relied upon with respect to a nondiscretionary advisory account that is a brokerage account subject to the Exchange Act, and the rules thereunder, and the rules of the self-regulatory organization(s) of which it is a member. The Rule is not available for principal transactions if the investment adviser or a person who controls, is controlled by, or is under common control with the investment adviser ("control person") is the issuer or is an underwriter of the security, except that an investment adviser may rely on the Rule for trades in which the investment adviser or a control person is an underwriter of non-convertible investment-grade debt securities ("Affiliated Underwritings").

The Rule is scheduled to expire on December 31, 2016.[2] Upon expiration, the Applicant would be required to provide trade-by-trade written disclosure to each nondiscretionary advisory client with whom the Applicant sought to engage in a principal transaction in accordance with Section 206(3). The Applicant submits that its nondiscretionary clients, through the Applicant's current reliance on the Rule, have had access to the Applicant's inventory through principal transactions with the Applicant for a number of years, and expect to continue to have such access in the future. The Applicant believes that engaging in principal transactions with its clients provides certain benefits to its clients, including access to debt securities of limited availability, such as municipal bonds. The ability to engage in principal transactions with the Applicant also provides the Applicant's clients with additional liquidity with respect to the fixed income securities they hold. The written disclosure and client consent requirements of Section 206(3)

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[2] See Rule 206(3)-3T(d); Letter from David W. Grim, Director, SEC Division of Investment Management, to Ira D. Hammerman, General Counsel, Securities Industry and Financial Markets Association (dated August 19, 2016).

act as an operational barrier to its ability to engage in principal trades with its clients, especially when the transaction involves securities of limited availability. These securities often are purchased and sold through electronic communications networks that operate rapidly; in the time needed for an adviser to prepare and deliver a written disclosure to the client and obtain the client's consent, the opportunity to act on a favorable price may be lost.

Applicant engages in principal trades with its nondiscretionary advisory clients in reliance on the Rule. It would be an operational barrier for the Applicant to provide a written notice to all of its clients with whom it trades as principal before the completion of each principal transaction. Further, clients may be unable to receive a written notification or respond to one quickly, and delays could result in the opportunity no longer being available to the clients, or not available at a favorable price. Unless the Applicant is provided an exemption from Section 206(3), it will be unable to continue to provide the same range of services and access to the same types of securities to its nondiscretionary advisory clients as it currently is able to provide to clients under the Rule.

The Applicant acknowledges that the Order, if granted, would not be construed as relieving in any way the Applicant from acting in the best interests of an advisory client, including fulfilling the duty to seek the best execution for the particular transaction for the advisory client; nor shall it relieve the Applicant from any obligation that may be imposed by Section 206(1) or (2) of the Advisers Act or by other applicable provisions of the federal securities laws or applicable FINRA rules. The Applicant requests that the Commission issue it and any Future Adviser an Order pursuant to Section 206A providing an exemption from the written disclosure and consent requirements of Section 206(3) only with respect to client accounts in the Program and any similar nondiscretionary program to be created in the future.

II. DISCUSSION

The Applicant submits that the conditions set forth below will adequately protect advisory clients that choose to engage in principal transactions with the Applicant. The conditions set forth below incorporate all of the provisions of the Rule (with the exception of the provisions allowing for certain Affiliated Underwritings), as well as additional conditions requiring the Applicant to, among other things, (i) adopt and implement written policies and procedures reasonably designed to ensure compliance with the conditions of an Order granted by the Commission; (ii) create and maintain records to enable the chief compliance officer of the Applicant to review the Applicant's compliance with the conditions of such an Order; and (iii) cause the chief compliance officer of the Applicant to monitor the Applicant's compliance with the conditions of such an Order and conduct testing reasonably sufficient to verify such compliance. These additional conditions are designed to ensure compliance with the requested Order's substantive conditions and to ensure that the Commission staff is able to examine records relative to the Applicant's compliance with the conditions of the requested Order. The Applicant further submits that the conditions are consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Advisers Act.

Notably, the Applicant will remain subject to the fiduciary duties that are generally enforceable under Sections 206(1) and 206(2) of the Advisers Act. In general terms, an investment adviser's fiduciary duty requires an adviser to: (i) disclose material facts about the

advisory relationship to its clients; (ii) treat each client fairly; and (iii) act only in the best interests of its client, disclosing material conflicts of interest when present and obtaining client consent to such arrangements. More specifically, an adviser's fiduciary duty has been interpreted to require a duty of care in providing investment advice, requiring the exercise of due care throughout the process of recommending securities rather than to the eventual success or failure of its recommendations.[3] In addition, the SEC has recognized that an investment adviser has an obligation to recommend only those securities that are suitable for a particular client's stated investment objectives and circumstances. The antifraud provisions of the Advisers Act impose a duty of best execution, which requires an adviser to seek the most favorable terms reasonably available under the circumstances for the execution of clients' securities transactions.[4] Fiduciary duties under the Advisers Act also direct an adviser's obligations with respect to allocation of trades. When an adviser manages multiple accounts with substantially similar investment objectives and restrictions, absent clear disclosure to the contrary and informed consent from the relevant clients, the adviser has a duty to treat each account fairly and may not unfairly prefer one client (or its proprietary account) over others. These obligations combine to protect a client's interests against improper dumping of undesirable securities in a client account and unfair fees and pricing structures.

Moreover, in its capacity as a broker-dealer with respect to these accounts, the Applicant will remain subject to a comprehensive set of Commission and FINRA regulations that apply to the relationship between a broker-dealer and its customer in addition to the fiduciary duties an adviser owes a client. These rules require, among other things, that the Applicant deal fairly with its customers, seek to obtain best execution of customer orders, and have a reasonable basis to believe that a recommended transaction or investment strategy involving a securities or securities is suitable for the client. These obligations are designed to promote business conduct that protects customers from abusive practices that may not necessarily be fraudulent, and to protect against unfair prices and excessive commissions. Specifically, under the antifraud provisions of the Exchange Act, a broker-dealer has a duty of fair dealing, which includes, among other things, the requirement that a broker-dealer only charge prices reasonably related to the prevailing market.[5] The antifraud provisions of the Exchange Act also impose a duty of best execution, which requires a broker-dealer to seek to obtain the most favorable terms available under the circumstances for its customer orders.[6] This applies whether the broker-dealer is acting as agent or as principal. FINRA rules also impose a duty of best execution.[7] For example, FINRA members must use "reasonable diligence" to determine the best market for a security and buy or sell the security in that market, so that the price to the customer is as favorable as possible under prevailing market conditions. FINRA rules also govern the broker-dealer's activities

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3 *See, e.g.,* Jones Memorial Trust v. Tsai Inv. Services, Inc., 367 F.Supp. 491 , 497 (S.D.N.Y. 1973).

4 *See In re* Arleen W. Hughes, Securities Exchange Act Release No. 4048 (Feb. 18, 1948) *aff'd sub nom.,* Hughes v. SEC, 174 F.2d 969 (D.C. Cir. 1949).

5 U.S. SEC Study on Investment Advisers and Broker Dealers, at 51 (January 2011), available at: https://www.sec.gov/news/studies/2011/913studyfinal.pdf, citing *Report of the Special Study of Securities Markets of the Securities and Exchange Commission*, H.R. Doc. No. 88-95, at 238 (1st Sess. 1963).

6 *Id. at* 69, citing *Newton v. Merrill, Lynch, Pierce, Fenner & Smith, Inc.*, 135 F.3d 266, 269-270 (3d Cir.), *cert. denied*, 525 U.S. 811 (1998).

7 FINRA Rule 5310; *see also, Best Execution: Guidance on Best Execution Obligations in Equity, Options and Fixed Income Markets*, FINRA Regulatory Notice 15-46 (Nov. 2015).

related to mark-ups.[8] For example, "[i]t shall be deemed a violation of Rule 2010 and Rule 2121 for a member to enter into any transaction with a customer in any security at any price not reasonably related to the current market price of the security or to charge a commission which is not reasonable."[9]

Broker-dealers also are subject to a specific set of suitability requirements that serve to protect against "dumping" securities in a client account. FINRA Rule 2111 requires, in part, that a broker-dealer or associated person "have a reasonable basis to believe that a recommended transaction or investment strategy involving a security or securities is suitable for the customer, based on the information obtained through the reasonable diligence of the [firm] or associated person to ascertain the customer's investment profile." Under suitability requirements, a broker-dealer must have an "adequate and reasonable basis" for any recommendation that it makes. Reasonable basis suitability, or the reasonable basis test, relates to the particular security or strategy recommended. Therefore, the broker-dealer has an obligation to investigate and obtain adequate information about the security it is recommending. FINRA Rule 2111 also requires a broker-dealer to determine customer-specific suitability. In effect, this requires a broker-dealer to make recommendations based on a customer's particular financial situation, needs, and other security holdings. An attempt to execute a principal transaction that would place a security that is inconsistent with the customer's investment objectives would be unsuitable, and is prohibited by FINRA Rule 2111.

Finally, FINRA rules impose an overarching principle that governs a broker-dealer's handling of customer trades and operates to protect a customer from inappropriate principal trades. Specifically, FINRA Rule 2110 requires a broker-dealer "to observe high standards of commercial honor and just and equitable principles of trade." This manifests as a requirement that a broker-dealer must not use its ability to execute trades as principal to improperly impose excessive charges or place securities in a customer's account that it would not otherwise recommend.

The Applicant has adopted policies and procedures pursuant to Rule 206(4)-7 under the Advisers Act that, among other things, require full disclosure to the Applicant's advisory clients of all material facts relating to the advisory relationship, including all material conflicts of interest between the Applicant and its advisory clients that could affect the advisory relationship. The Applicant also has adopted policies and procedures requiring the initial and annual review of investment advisory client accounts, as well as policies and procedures that require the Applicant to seek to obtain best execution of trades for those client accounts.

For its best execution obligations with respect to equity transactions, the Applicant considers multiple factors in assessing the best market for an equity security transaction, including the characteristics of the market for the security, the size and type of transaction, the number of markets evaluated, the accessibility of the quotation, and the terms and conditions of the transaction order as communicated to the Applicant. To facilitate the review of execution quality, the Applicant has established an Execution Quality Assessment Committee ("EQAC"),

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[8] *E.g.*, FINRA Rule 2121.

[9] *Mark-Up Policy,* FINRA Rule 2121 Supplementary Material .01.

comprised of representatives of Capital Markets, Legal and Compliance. The EQAC is responsible for regularly and rigorously evaluating the overall quality of the executions received on client orders, including Program clients. The EQAC reviews data based on numerous execution metrics, such as execution speed, effective and quoted spreads, and trades at or better than NBBO. The reviews, among other things, assess execution quality and related details of principal trades executed in Program client accounts in reliance of the Rule. There is also an overall comparison conducted of both private and public execution data for all the Applicant's give-up destinations to ensure clients, including Program clients, have received best execution. In addition, as part of the EQAC's review process, it regularly reviews the continued efficacy of the best execution controls implemented by the Applicant. The EQAC meets on a quarterly basis. A subsection of the EQAC also conducts ongoing monthly evaluations for purposes of reviewing best execution.

With respect to fixed income transactions, the Applicant conducts a facts and circumstances approach to its best execution obligations, using reasonable diligence to ascertain the best market for the security and to buy or sell in such market so that the resultant price to the customer is as favorable as possible under prevailing market conditions. The Applicant has implemented procedures to comply with FINRA Rule 5310, which includes pre- and post-execution reviews. In addition, the Applicant has established a Fixed Income Execution Quality Assessment Committee ("FIEQAC"), comprised of representatives of Capital Markets, Legal and Compliance, which is responsible for regularly reviewing, among other things, dealer exception statistics that are generated on a post-trade evaluation basis. Similar to the EQAC, the FIEQAC also regularly reviews the continued efficacy of the best execution controls implemented by the Applicant with respect to fixed income transactions. The FIEQAC meets on a quarterly basis.

The Applicant also has adopted written supervisory procedures reasonably designed to ensure that recommendations meet both suitability standards under FINRA Rule 2111, and that when acting as a broker-dealer, the Applicant fulfills its duty to obtain best execution of trades, including trades where the Applicant acts as principal. The Applicant utilizes a number of tools, both internal and external, to measure execution quality. Such tools monitor transactions, including fixed income transactions, and generate daily exception reports that are reviewed by the Applicant. Certain of the reports generated highlight instances in which execution prices fall outside predetermined parameters, which are then reviewed by designated supervisory oversight personnel and if necessary, returned to a trader for supporting documentation or adjusted as appropriate.

Since the implementation and adoption of written policies and procedures reasonably designed to ensure compliance with the requirements of the Rule, including certain of those discussed above, the Applicant has reviewed and enhanced the policies and procedures on multiple occasions to ensure their continued efficacy and appropriateness. The Applicant believes its compliance infrastructure and the policies and procedures it has adopted not only provide a sound framework for complying with the requirements of the Rule, but also the conditions of the Order as described in this Application.

III. PRECEDENT

The Commission has not previously granted an order under the Advisers Act exempting a firm from compliance with the provisions of Section 206(3). The Rule itself, however, is support for the granting of the requested Order, in light of the Commission's careful consideration of the needs of advisory clients balanced against the investor protection goal of Section 206(3). The proposed conditions incorporate all of the provisions of the Rule (except provisions allowing for certain Affiliated Underwritings), as well as additional conditions designed to ensure compliance with the substantive conditions and to provide a means by which the Commission and its staff can examine the Applicant's compliance with the conditions. The Applicant further notes as support for the requested Order that, more than ten years ago, the Commission stated that "advisory clients can benefit from [principal] transactions, depending on the circumstances, by obtaining a more favorable transaction price for the securities being purchased or sold than otherwise available."[10]

IV. REQUEST FOR ORDER OF EXEMPTION

For the foregoing reasons, and subject to the conditions listed below, the Applicant requests that the Commission issue an Order under Section 206A of the Advisers Act providing an exemption from the written disclosure and consent requirements of Section 206(3).

Applicant's Conditions:

The Applicant agrees that any Order granting the requested relief will be subject to the following conditions:

1. The Applicant will exercise no "investment discretion" (as such term is defined in Section 3(a)(35) of the Exchange Act), except investment discretion granted by the advisory client on a temporary or limited basis[11], with respect to the client's account.

2. The Applicant will not trade in reliance on this Order any security for which the Applicant or any person controlling, controlled by, or under common control with the Applicant is the issuer, or, at the time of the sale, an underwriter (as defined in Section 202(a)(20) of the Advisers Act).

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[10] *See* "Interpretation of Section 206(3) of the Investment Advisers Act of 1940," Advisers Act Release No. 1732 (July 17, 1998).

[11] Discretion is considered to be temporary or limited for purposes of this condition when the investment adviser is given discretion: (i) as to the price at which or the time to execute an order given by a client for the purchase or sale of a definite amount or quantity of a specified security; (ii) on an isolated or infrequent basis, to purchase or sell a security or type of security when a client is unavailable for a limited period of time not to exceed a few months; (iii) as to cash management, such as to exchange a position in a money market fund for another money market fund or cash equivalent; (iv) to purchase or sell securities to satisfy margin requirements; (v) to sell specific bonds and purchase similar bonds in order to permit a client to take a tax loss on the original position; (vi) to purchase a bond with a specified credit rating and maturity; and (vii) to purchase or sell a security or type of security limited by specific parameters established by the client. *See e.g., Temporary Rule Regarding Principal Trades with Certain Advisory Clients*, Investment Advisers Act Release No. 2653 (Sept. 24, 2007) at n. 31.

3. The Applicant will not directly or indirectly require the client to consent to principal trading as a condition to opening or maintaining an account with the Applicant.

4. The advisory client has executed a written revocable consent prospectively authorizing the Applicant directly or indirectly to act as principal for its own account in selling any security to or purchasing any security from the advisory client. The advisory client's written consent must be obtained through a signature or other positive manifestation of consent that is separate from or in addition to the signature indicating the client's consent to the advisory agreement. The separate or additional signature line or alternative means of expressing consent must be preceded immediately by prominent, plain English disclosure containing either: (a) an explanation of: (i) the circumstances under which the Applicant directly or indirectly may engage in principal transactions; (ii) the nature and significance of conflicts with its client's interests as a result of the transactions; and (iii) how the Applicant addresses those conflicts; or (b) a statement explaining that the client is consenting to principal transactions, followed by a cross-reference to a specific document provided to the client containing the disclosure in (a)(i)-(iii) above and to the specific page or pages on which such disclosure is located; provided, however, that if the Applicant requires time to modify its electronic systems to provide the specific page cross-reference required by clause (b), the Applicant may, while updating such electronic systems, and for no more than 90 days from the date of the Order, instead provide a cross-reference to a specific document provided to the client containing the disclosure in (a)(i)-(iii) above and to the specific section in such document in which such disclosure is located. *Transition provision*: To the extent that the Applicant obtained fully-informed written revocable consent from an advisory client for purposes of Rule 206(3)-3T(a)(3) prior to the date of this Order, the Applicant may rely on this Order with respect to such client without obtaining additional prospective consent from such client.

5. The Applicant, prior to the execution of each transaction in reliance on this Order, will: (a) inform the advisory client, orally or in writing, of the capacity in which it may act with respect to such transaction; and (b) obtain consent from the advisory client, orally or in writing, to act as principal for its own account with respect to such transaction.

6. The Applicant will send a written confirmation at or before completion of each such transaction that includes, in addition to the information required by Rule 10b-10 under the Exchange Act, a conspicuous, plain English statement informing the advisory client that the Applicant: (a) disclosed to the client prior to the execution of the transaction that the Applicant may be acting in a principal capacity in connection with the transaction and the client authorized the transaction; and (b) sold the security to, or bought the security from, the client for its own account.

7. The Applicant will send to the client, no less frequently than annually, written disclosure containing a list of all transactions that were executed in the client's account in reliance upon this Order, and the date and price of each such transaction.

8. The Applicant is a broker-dealer registered under Section 15 of the Exchange Act and each account for which the Applicant relies on this Order is a brokerage account subject to the Exchange Act, and the rules thereunder, and the rules of the self-regulatory organization(s) of which it is a member.

9. Each written disclosure required as a condition to this Order will include a conspicuous, plain English statement that the client may revoke the written consent referred to in Condition 4 above without penalty at any time by written notice to the Applicant in accordance with reasonable procedures established by the Applicant, but in all cases such revocation must be given effect within five business days of the Applicant's receipt thereof.

10. The Applicant will maintain records sufficient to enable verification of compliance with the conditions of this Order. Such records will include, *without limitation*: (a) documentation sufficient to demonstrate compliance with each disclosure and consent requirement under this Order; (b) in particular, documentation sufficient to demonstrate that, prior to the execution of each transaction in reliance on this Order[12], the Applicant informed the relevant advisory client of the capacity in which the Applicant may act with respect to the transaction and that it received the advisory client's consent (if the Applicant informs the client orally of the capacity in which it may act with respect to such transaction or obtains oral consent, such records may, for example, include recordings of telephone conversations or contemporaneous written notations); and (c) documentation sufficient to enable assessment of compliance by the Applicant with Sections 206(1) and (2) of the Advisers Act in connection with its reliance on this Order. In each case, such records will be maintained and preserved in an easily accessible place for a period of not less than five years, the first two years in an appropriate office of the Applicant, and be available for inspection by the staff of the Commission.

11. The Applicant will adopt written compliance policies and procedures reasonably designed to ensure, and the Applicant's chief compliance officer will monitor, the Applicant's compliance with the conditions of this Order. The Applicant's chief compliance officer will, on at least a quarterly basis, conduct testing reasonably sufficient to verify such compliance. Such written policies and procedures, monitoring and testing will address, *without limitation:* (a) compliance by the Applicant with its disclosure and consent requirements under this Order; (b) the integrity and operation of electronic systems employed by the Applicant in connection with its reliance on this Order; (c) compliance by the Applicant with its recordkeeping obligations under this Order; and (d) whether there is any evidence of the Applicant engaging in "dumping" in connection with its reliance on this Order.[13] The Applicant's chief compliance officer will document the frequency and results of such monitoring and testing, and the Applicant will maintain and preserve such documentation in an easily accessible place for a period of not less than five years, the first two years in an appropriate office of the Applicant, and be available for inspection by the staff of the Commission.

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[12] For example, under Sections 206(1) and (2), an investment adviser may not engage in any transaction on a principal basis with a client that is not consistent with the best interests of the client or that subrogates the client's interests to the interests of the investment adviser. *Cf.* Investment Advisers Act Release No. 2106 (Jan. 31, 2003) (adopting Rule 206(4)-6).

[13] *See* Report of the Securities and Exchange Commission, Investment Trusts and Investment Companies, H.R. Doc. No. 279, 76th Cong., 2d Sess., pt. 3, at 2581, 2589 (1939); Hearings on S.3580 Before a Subcommittee of the Commission on Banking and Currency, 76th Cong., 3d Sess. 209, 212-23 (1940); and Hearings on S. 3580 Before the Subcomm. of the Comm. on Banking and Currency, 76th Cong., 3d Sess. 322 (1940).

The Applicant submits that the Order is necessary and appropriate, in the public interest, consistent with the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the Advisers Act.

V. PROCEDURAL MATTERS

Pursuant to Rule 0-4(f) under the Advisers Act, the Applicant states that its address is indicated on the first page of this Application. The Applicant further states that all written or oral communications concerning this Application should be directed to:

Laura E. Flores, Esq.
Steven W. Stone, Esq.
Morgan, Lewis & Bockius LLP
1111 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

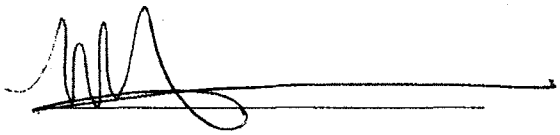
(202) 739-3000

All requirements for the execution and filing of this Application on behalf of the Applicant have been complied with and are in accordance with its internal requirements, and the undersigned officer is fully authorized to execute this Application. The Authorization required by Rule 0-4(c) under the Advisers Act is included below. The Verification required by Rule 0-4(d) under the Advisers Act is attached as Exhibit A and the Proposed Notice of the proceeding initiated by the filing of this application required by Rule 0-4(g) is attached as Exhibit

VI. AUTHORIZATION AND SIGNATURE

All of the Applicant's internal corporate and procedural requirements have been complied with in connection with the execution and filing of this Application. The Applicant states, that pursuant to the authority granted to the Managing Director, Head of Advisory and Planning Solutions of UBS Financial Services Inc. by the directors of the Applicant, the undersigned, being such Managing Director and who has signed and filed this Application on behalf of Applicant, is fully authorized to do so.

Dated: November 22, 2016



Marilee Ferone
Managing Director, Head of Advisory and Planning Solutions
UBS Financial Services Inc.

EXHIBIT A

VERIFICATION

STATE OF New York)
) SS:
COUNTY OF New York)

The undersigned being duly sworn, deposes and says that she has duly executed the attached Application ("Application") dated November 22, 2016, for and on behalf of UBS Financial Services Inc.; that she is the Managing Director, Head of Advisory and Planning Solutions of UBS Financial Services Inc.; and that all actions by internal corporate procedures and other bodies necessary to authorize deponent to execute and file such Application have been taken. Deponent further says that she is familiar with the instrument and the contents thereof and that the facts set forth therein are true to the best of her knowledge, information, and belief.

UBS Financial Services Inc.

By: _____
Marilee Ferone
Managing Director, Head of Advisory and Planning Solutions
UBS Financial Services Inc.

Subscribed and sworn to before me, a Notary Public, this 22nd day of November 2016.

Kathleen McCarthy
Official Seal

My Commission expires 8.19.20.

Kathleen McCarthy
Notary Public
New Jersey
My Commission Expires 8-19-15 20

EXHIBIT B

PROPOSED FORM OF NOTICE

SECURITIES AND EXCHANGE COMMISSION

Release No. IA-_____; File No. 803-____

UBS Financial Services Inc.; Notice of Application

_____, 2016

Agency: Securities and Exchange Commission ("Commission")

Action: Notice of application for an exemptive order under the Investment Advisers Act of 1940 ("Advisers Act").

Applicant: UBS Financial Services Inc. ("Applicant").

Relevant Advisers Act Sections: Exemption requested under Section 206A of the Advisers Act from certain written disclosure and consent requirements of Section 206(3) of the Advisers Act.

Summary of Application: Applicant requests that the Commission issue an order under Section 206A exempting it and future Applicants from the provisions of Section 206(3) with respect to principal transactions with nondiscretionary advisory clients.

Filing Dates: The application was filed on November 22, 2016.

Hearing or Notification of Hearing: An order granting the application will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Commission's Secretary and serving the Applicant with a copy of the request, personally or by mail. Hearing requests should be received by the Commission by 5:30 p.m. on _____ _____, 2016, and should be accompanied by proof of service on the Applicant, in the form of an affidavit or, for lawyers, a certificate of service. Pursuant to Rule 0-5 under the Advisers Act, hearing requests should state the nature of writer's interest, any facts bearing upon the desirability of a hearing on the matter, the reason for the request, and the issues contested. Persons may request notification of a hearing by writing to the Commission's Secretary.

Addresses: Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, D.C. 20549-1090. Applicant, UBS Financial Services Inc., c/o Laura E. Flores and Steven W. Stone, Morgan, Lewis & Bockius LLP, 1111 Pennsylvania Avenue, N.W., Washington, D.C. 20004.

For Further Information Contact: Robert Shapiro, Senior Counsel, Chief Counsel's Office, Division of Investment Management, at 202.551.6825, or Melissa Roverts Harke, Branch Chief, Chief Counsel's Office, Division of Investment Management, at 202.551.6787.

Supplementary Information: The following is a summary of the application. The complete application may be obtained for a fee from the Commission's may be obtained via the Commission's website either at http://www.sec.gov/rules/iareleases.shtml, or by searching for the file number or for an applicant using the Company name box, at http://www.sec.gov/search/search.htm or Public Reference Branch, 100 F Street, NE, Washington, D.C. 20549-0102 (telephone (202) 551-5850)).

Applicant's Representations:

1. The Applicant is registered as an investment adviser with the Commission and is a registered broker-dealer. The Applicant is a subsidiary of UBS AG, a diversified financial services company with operations around the world. The Applicant offers a number of advisory programs, including UBS Strategic Advisor Program, which is a nondiscretionary advisory program.

2. In 2007, many of the Applicant's fee-based brokerage accounts were converted to nondiscretionary advisory accounts in the Program, following the invalidation of former Rule 202(a)(11)-1 under the Advisers Act. When these accounts were fee-based brokerage accounts, the Applicant, in its capacity as a broker-dealer, engaged in principal transactions with its customers, in accordance with applicable law. The Applicant currently relies on Rule 206(3)-3T under the Advisers Act (the "Rule") to engage in principal transactions with its clients in the Program.

3. As of September 21, 2016, Applicant has 115,982 client accounts in the Program. Those accounts have $64,998,795,839 in assets in the Program as of September 20, 2016. As of the same date, 32,167 client accounts with assets of $27,407,183,690 had consented to principal transactions in their Program Accounts in reliance on the Rule.

4. For the 2014 and 2015 calendar years, the Applicant engaged in 12,260 and 11,619 principal trades, respectively, with eligible accounts in reliance on the Rule. Those principal trades involved securities valued at $1,088,732,341 and $1,257,028,336, respectively. For 2014, 61 percent of those principal trades were purchases and 39 percent were sales with average values of $146,729 and $95,471, respectively. For 2015, 66 percent of those principal trades were purchases and 34 percent were sales with average values of $109,838 and $105,022, respectively. Through September 16, 2016, the Applicant has engaged in 9285 principal trades with eligible accounts in reliance on the Rule involving securities valued at $1,728,348,502. Of those principal trades, 73 percent were purchases and 27% were sales with average values of $179,796 and $203,201, respectively.

5. The Applicant acknowledges that the Order, if granted, would not be construed as relieving in any way the Applicant from acting in the best interests of an advisory client, including fulfilling the duty to seek the best execution for the particular transaction for the advisory client; nor shall it relieve the Applicant from any obligation that may be imposed by Sections 206(1) or (2) of the Advisers Act or by other applicable provisions of the federal securities laws.

Applicant's Legal Analysis:

1. Section 206(3) provides that it is unlawful for any investment adviser, directly or indirectly, acting as principal for its own account, knowingly to sell any security to or purchase any security from a client, without disclosing to the client in writing before the completion of the transaction the capacity in which the adviser is acting and obtaining the client's consent to the transaction. The Rule deems an investment adviser to be in compliance with the provisions of Section 206(3) of the Advisers Act when the investment adviser, or a person controlling, controlled by, or under common control with the investment adviser, acting as principal for its own account, sells to or purchases from an advisory client any security, provided that the investment adviser complies with the conditions of the Rule.

2. The Rule requires, among other things, that the investment adviser obtain a client's written, revocable consent prospectively authorizing the adviser, directly or indirectly, acting as principal for its own account, to sell any security to or purchase any security from the client. The consent must be obtained after the adviser provides the client with written disclosure about: (i) the circumstances under which the investment adviser may engage in principal transactions with the client; (ii) the nature and significance of the conflicts the investment adviser has with its client's interests as a result of those transactions; and (iii) how the investment adviser addresses those conflicts. The investment adviser also must provide trade-by-trade disclosure to the client, before the execution of each principal transaction, of the capacity in which the adviser may act with respect to the transaction, and obtain the client's consent (which may be written or oral) to the transaction. The Rule is available only to an investment adviser that is also a broker-dealer registered under Section 15 of the Securities Exchange Act of 1934 (the "Exchange Act") and may only be relied upon with respect to a nondiscretionary account that is a brokerage account subject to the Exchange Act, and the rules thereunder, and the rules of the self-regulatory organization(s) of which it is a member. The Rule is not available for principal transactions if the investment adviser or a person who controls, is controlled by, or is under common control with the adviser ("control person") is the issuer or is an underwriter of the security (except that an investment adviser may rely on the Rule for trades in which the investment adviser or a control person is an underwriter of non-convertible investment-grade debt securities).

3. The investment adviser also must provide to the client a trade confirmation that, in addition to the requirements of Rule 10b-10 under the Exchange Act, includes a conspicuous, plain English statement informing the client that the investment adviser disclosed to the client before the execution of the transaction that the investment adviser may act as principal in connection with the transaction, that the client authorized the transaction, and that the investment adviser sold the security to or bought the security from the client for its own account. The investment adviser also must deliver to the client, at least annually, a written statement listing all transactions that were executed in the account in reliance on the Rule, including the date and price of each transaction.

4. The Rule is scheduled to expire on December 31, 2016.[1] Upon expiration, the Applicant would be required to provide trade-by-trade written disclosure to each nondiscretionary advisory client with whom the Applicant sought to engage in a principal transaction in accordance with Section 206(3). The Applicant submits that its nondiscretionary clients, through the Applicant's current reliance on the Rule, have had access to the Applicant's inventory through principal transactions with the Applicant for a number of years, and expect to continue to have such access in the future. The Applicant believes that engaging in principal transactions with its clients provides certain benefits to its clients, including access to securities of limited availability, such as municipal bonds. The ability to engage in principal transactions with the Applicant also provides the Applicant's clients with additional liquidity with respect to the fixed income securities they hold. The written disclosure and client consent requirements of Section 206(3) act as an operational barrier to its ability to engage in principal trades with its clients, especially when the transaction involves securities of limited availability.

5. Unless the Applicant is provided an exemption from Section 206(3), it will be unable to provide the same range of services and access to the same types of securities to its nondiscretionary advisory clients as it currently is able to provide to clients under the Rule.

6. The Applicant requests that the Commission issue it an Order pursuant to Section 206A providing an exemption from the written disclosure and consent requirements of Section 206(3) only with respect to clients in the Program and any similar nondiscretionary program to be created in the future. The Applicant also requests that the Commission's Order apply to future investment advisers controlling, controlled by, or under common control with the Applicant ("Future Advisers"). Any Future Adviser relying on any Order granted pursuant to the Application will comply with the terms and conditions stated in the Application.[2]

Applicant's Conditions:

The Applicant agrees that any Order granting the requested relief will be subject to the following conditions:

1. The Applicant will exercise no "investment discretion" (as such term is defined in Section 3(a)(35) of the Exchange Act), except investment discretion granted by the advisory client on a temporary or limited basis[3], with respect to the client's account.

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[1] See Rule 206(3)-3T(d); Letter from David W. Grim, Director, SEC Division of Investment Management, to Ira D. Hammerman, General Counsel, Securities Industry and Financial Markets Association (dated August 19, 2016).

[2] All entities that currently intend to rely on any Order granted pursuant to the Application are named as Applicants.

[3] Discretion is considered to be temporary or limited for purposes of this condition when the investment adviser is given discretion: (i) as to the price at which or the time to execute an order given by a client for the purchase or sale of a definite amount or quantity of a specified security; (ii) on an isolated or infrequent basis, to purchase or sell a security or type of security when a client is unavailable for a limited period of time not to exceed a few months; (iii) as to cash management, such as to exchange a position in a money market fund for another money market fund or cash equivalent; (iv) to purchase or sell securities to satisfy margin requirements; (v) to sell specific bonds and purchase similar bonds in order to permit a client to take a tax loss on the original position; (vi) to purchase a bond with a specified credit rating and maturity; and (vii) to purchase or sell a security or type

2. The Applicant will not trade in reliance on this Order any security for which the Applicant or any person controlling, controlled by, or under common control with the Applicant is the issuer, or, at the time of the sale, an underwriter (as defined in Section 202(a)(20) of the Advisers Act).

3. The Applicant will not directly or indirectly require the client to consent to principal trading as a condition to opening or maintaining an account with the Applicant.

4. The advisory client has executed a written revocable consent prospectively authorizing the Applicant directly or indirectly to act as principal for its own account in selling any security to or purchasing any security from the advisory client. The advisory client's written consent must be obtained through a signature or other positive manifestation of consent that is separate from or in addition to the signature indicating the client's consent to the advisory agreement. The separate or additional signature line or alternative means of expressing consent must be preceded immediately by prominent, plain English disclosure containing either: (a) an explanation of: (i) the circumstances under which the Applicant directly or indirectly may engage in principal transactions; (ii) the nature and significance of conflicts with its client's interests as a result of the transactions; and (iii) how the Applicant addresses those conflicts; or (b) a statement explaining that the client is consenting to principal transactions, followed by a cross-reference to a specific document provided to the client containing the disclosure in (a)(i)-(iii) above and to the specific page or pages on which such disclosure is located; provided, however, that if the Applicant requires time to modify its electronic systems to provide the specific page cross-reference required by clause (b), the Applicant may, while updating such electronic systems, and for no more than 90 days from the date of the Order, instead provide a cross-reference to a specific document provided to the client containing the disclosure in (a)(i)-(iii) above and to the specific section in such document in which such disclosure is located. *Transition provision*: To the extent that the Applicant obtained fully-informed written revocable consent from an advisory client for purposes of Rule 206(3)-3T(a)(3) prior to the date of this Order, the Applicant may rely on this Order with respect to such client without obtaining additional prospective consent from such client.

5. The Applicant, prior to the execution of each transaction in reliance on this Order, will: (a) inform the advisory client, orally or in writing, of the capacity in which it may act with respect to such transaction; and (b) obtain consent from the advisory client, orally or in writing, to act as principal for its own account with respect to such transaction.

6. The Applicant will send a written confirmation at or before completion of each such transaction that includes, in addition to the information required by Rule 10b-10 under the Exchange Act, a conspicuous, plain English statement informing the advisory client that the Applicant: (a) disclosed to the client prior to the execution of the transaction that the Applicant may be acting in a principal capacity in connection with the transaction and the client authorized the transaction; and (b) sold the security to, or bought the security from, the client for its own account.

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of security limited by specific parameters established by the client. *See e.g., Temporary Rule Regarding Principal Trades with Certain Advisory Clients*, Investment Advisers Act Release No. 2653 (Sept. 24, 2007) at n.31.

7. The Applicant will send to the client, no less frequently than annually, written disclosure containing a list of all transactions that were executed in the client's account in reliance upon this Order, and the date and price of each such transaction.

8. The Applicant is a broker-dealer registered under Section 15 of the Exchange Act and each account for which the Applicant relies on this Order is a brokerage account subject to the Exchange Act, and the rules thereunder, and the rules of the self-regulatory organization(s) of which it is a member.

9. Each written disclosure required as a condition to this Order will include a conspicuous, plain English statement that the client may revoke the written consent referred to in Condition 4 above without penalty at any time by written notice to the Applicant in accordance with reasonable procedures established by the Applicant, but in all cases such revocation must be given effect within five business days of the Applicant's receipt thereof.

10. The Applicant will maintain records sufficient to enable verification of compliance with the conditions of this Order. Such records will include, *without limitation*: (a) documentation sufficient to demonstrate compliance with each disclosure and consent requirement under this Order; (b) in particular, documentation sufficient to demonstrate that, prior to the execution of each transaction in reliance on this Order[4], the Applicant informed the relevant advisory client of the capacity in which the Applicant may act with respect to the transaction and that it received the advisory client's consent (if the Applicant informs the client orally of the capacity in which it may act with respect to such transaction or obtains oral consent, such records may, for example, include recordings of telephone conversations or contemporaneous written notations); and (c) documentation sufficient to enable assessment of compliance by the Applicant with Sections 206(1) and (2) of the Advisers Act in connection with its reliance on this Order. In each case, such records will be maintained and preserved in an easily accessible place for a period of not less than five years, the first two years in an appropriate office of the Applicant, and be available for inspection by the staff of the Commission.

11. The Applicant will adopt written compliance policies and procedures reasonably designed to ensure, and the Applicant's chief compliance officer will monitor, the Applicant's compliance with the conditions of this Order. The Applicant's chief compliance officer will, on at least a quarterly basis, conduct testing reasonably sufficient to verify such compliance. Such written policies and procedures, monitoring and testing will address, *without limitation:* (a) compliance by the Applicant with its disclosure and consent requirements under this Order; (b) the integrity and operation of electronic systems employed by the Applicant in connection with its reliance on this Order; (c) compliance by the Applicant with its recordkeeping obligations under this Order; and (d) whether there is any evidence of the Applicant engaging in "dumping" in connection with its reliance on this Order.[5] The Applicant's chief compliance officer will

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[4] For example, under Sections 206(1) and (2), an investment adviser may not engage in any transaction on a principal basis with a client that is not consistent with the best interests of the client or that subrogates the client's interests to the interests of the investment adviser. *Cf.* Investment Advisers Act Release No. 2106 (Jan. 31, 2003) (adopting Rule 206(4)-6).

[5] *See* Report of the Securities and Exchange Commission, Investment Trusts and Investment Companies, H.R. Doc. No. 279, 76th Cong., 2d Sess., pt. 3, at 2581, 2589 (1939); Hearings on S.3580 Before a Subcommittee of

document the frequency and results of such monitoring and testing, and the Applicant will maintain and preserve such documentation in an easily accessible place for a period of not less than five years, the first two years in an appropriate office of the Applicant, and be available for inspection by the staff of the Commission.

For the Commission.

Brent J. Fields
Secretary

the Commission on Banking and Currency, 76th Cong., 3d Sess. 209, 212-23 (1940); and Hearings on S. 3580 Before the Subcomm. of the Comm. on Banking and Currency, 76th Cong., 3d Sess. 322 (1940).