

*Electronic Comments*

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-BatsBZX-2016-80 on the subject line.

*Paper Comments*

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090.

All submissions should refer to File Number SR-BatsBZX-2016-80. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for Web site viewing and printing in the Commission's Public Reference Room, 100 F Street NE., Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-BatsBZX-2016-80 and should be submitted on or before December 28, 2016.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>8</sup>

**Brent J. Fields,**  
Secretary.

[FR Doc. 2016-29294 Filed 12-6-16; 8:45 am]

**BILLING CODE 8011-01-P**

**SECURITIES AND EXCHANGE COMMISSION**

[Release No. IA-4580; File No. 803-00235]

**UBS Financial Services Inc.; Notice of Application**

December 1, 2016.

**AGENCY:** Securities and Exchange Commission ("Commission").

**ACTION:** Notice of application for an exemptive order under section 206A of the Investment Advisers Act of 1940 ("Advisers Act") providing an exemption from the written disclosure and consent requirements of section 206(3).

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

**RELEVANT ADVISERS ACT SECTIONS:** Exemption requested under section 206A from the written disclosure and consent requirements of section 206(3).

**SUMMARY OF APPLICATION:** Applicant requests that the Commission issue an order under section 206A exempting it and Future Advisers (as defined below) from the written disclosure and consent requirements of section 206(3) with respect to principal transactions with nondiscretionary advisory client accounts.

**FILING DATES:** The application was filed on November 22, 2016.

**HEARING OR NOTIFICATION OF HEARING:** An order granting the requested relief will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Commission's Secretary and serving 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 December 27, 2016, and should be accompanied by proof of service on 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 the 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 who wish to be notified of a hearing may request notification by writing to the Commission's Secretary.

**ADDRESSES:** Secretary, U.S. Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090. Applicant, Laura E. Flores and Steven W. Stone, Morgan, Lewis & Bockius LLP, 1111 Pennsylvania Ave. NW., Washington, DC 20004.

**FOR FURTHER INFORMATION CONTACT:** Robert Shapiro, Senior Counsel, at (202) 551-7758 (Chief Counsel's Office,

Division of Investment Management) or Melissa Harke, Senior Special Counsel, at (202) 551-6787 (Investment Adviser Regulation Office, Division of Investment Management).

**SUPPLEMENTARY INFORMATION:** The following is a summary of the application. The complete application may be obtained via the Commission's Web site at <http://www.sec.gov/rules/ia/releases.shtml> or by calling (202) 551-8090.

Applicant seeks relief from the written disclosure and consent requirements of section 206(3) of the Advisers Act that would be similar to relief currently provided by Advisers Act rule 206(3)-3T (the "Rule"), which will expire by its terms on December 31, 2016. The relief sought by Applicant, if granted, would be subject to conditions similar to those under the Rule, as well as certain revised or additional conditions.

**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 the UBS Strategic Advisor Program (the "Program"), 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 had been 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 the Rule to engage in principal transactions with its client accounts in the Program.

3. The Applicant currently has approximately 115,982 client accounts enrolled in the Program. Those accounts have approximately \$65 billion in assets under management as of September 30, 2016. In the period January 1, 2015 through December 31, 2015, 11,619 trades were effected in reliance on the Rule in the Program. Approximately 66% percent of the trades done in reliance on the Rule in this period were purchases by client accounts; the average purchase was approximately \$109,838. Approximately 34% percent of the trades done in reliance on the Rule in this period were sales from client accounts; the average sale was approximately \$105,022.

<sup>8</sup> 17 CFR 200.30-3(a)(12).

4. 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.

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 or applicable FINRA rules.

#### 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. Rule 206(3)-3T 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. Rule 206(3)-3T 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 ("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. Rule 206(3)-3T 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 adviser may rely on the Rule for trades in which the 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. Rule 206(3)-3T is scheduled to expire on December 31, 2016. 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 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, and that 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 the written disclosure and client consent requirements of section 206(3), Applicant believes that 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 notes that, if the requested relief is granted, it will remain subject to the fiduciary duties that are generally enforceable under sections 206(1) and 206(2) of the Advisers Act, which, in general terms, require the Applicant 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 conflicts of interest when present and obtaining client consent to arrangements that present such conflicts.

7. The Applicant further notes that, in its capacity as a broker-dealer with respect to these accounts, it 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 make only suitable recommendations. 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, these provisions, among other things, require that the prices charged by the Applicant be reasonably related to the prevailing market, and limit the commissions and mark-ups the Applicant can charge. Additionally, these obligations require that the Applicant 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 information obtained through reasonable diligence.

8. The Applicant requests that the Commission issue an Order pursuant to section 206A exempting it 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. 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.<sup>1</sup>

### 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,<sup>2</sup> 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).

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

<sup>1</sup> All entities that currently intend to rely on any order granted pursuant to the application are named as Applicants.

<sup>2</sup> 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.

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 5 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, the Applicant informed the advisory client of the capacity in which it 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.<sup>3</sup> 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

<sup>3</sup> For example, under sections 206(1) and (2), an 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 adviser's own. Cf. Investment Advisers Act Release No. 2106 (Jan. 31, 2003) (adopting Rule 206(4)–6).

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.<sup>4</sup> 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.

By the Commission.

**Brent J. Fields,**  
Secretary.

[FR Doc. 2016-29299 Filed 12-6-16; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-79436; File No. SR-BatsEDGA-2016-29]

### Self-Regulatory Organizations; Bats EDGA Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Make Non-Substantive Changes to the Fee Schedule

December 1, 2016.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on November 18, 2016, Bats EDGA Exchange, Inc. (the "Exchange" or "EDGA") filed with the Securities and Exchange Commission (the "Commission") the proposed rule

change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Exchange has designated the proposed rule change as one establishing or changing a member due, fee, or other charge imposed by the Exchange under Section 19(b)(3)(A)(ii) of the Act<sup>3</sup> and Rule 19b-4(f)(2) thereunder,<sup>4</sup> which renders the proposed rule change effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

#### I. Self-Regulatory Organization's Statement of the Terms of the Substance of the Proposed Rule Change

The Exchange filed a proposal to make several non-substantive changes to the fee schedule applicable to Members<sup>5</sup> and non-members of the Exchange pursuant to Exchange Rules 15.1(a) and (c).

The text of the proposed rule change is available at the Exchange's Web site at [www.batstrading.com](http://www.batstrading.com), at the principal office of the Exchange, and at the Commission's Public Reference Room.

#### II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in Sections A, B, and C below, of the most significant parts of such statements.

##### A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

###### 1. Purpose

The Exchange proposes to make certain clarifying and non-substantive changes to its fee schedule in order to improve formatting, eliminate certain redundancies, increase overall readability, and provide users with straightforward descriptions to augment overall comprehensibility and usability of the existing fee schedule. The

Exchange notes that these changes are purely clerical and do not substantively amend any fee or rebate, nor do they alter the manner in which the Exchange assesses fees or calculates rebates. The proposed changes are simply intended to provide greater transparency to market participants regarding how the Exchange assesses fees and calculates rebates. Specifically, the Exchange proposes to:

- Capitalize the title of the column setting forth each tier's rate under footnotes 3 and 4;
- replace the phrase "of at least" with "≥" in all required criteria cells under footnotes 3 and 4;
- amend the description of the required criteria of "Step-Up Tier 1" and the "Step-Up Tier 2" under footnote 4 to begin with "MPID adds/has" and delete the phrase "[o]n an MPID Basis". Amending this description is intended to harmonize the format of the tier's criteria with that of other tier's listed under footnotes 3 and 4 which state "Member has" or "Member adds".

###### 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6 of the Act.<sup>6</sup> Specifically, the Exchange believes that the proposed rule change is consistent with Sections 6(b)(4) of the Act of the Act [sic],<sup>7</sup> in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and other persons using any facility or system which the Exchange operates or controls. The Exchange believes that the proposed changes are reasonable and equitable because they are intended to simplify the Exchange's fee schedule and provide greater transparency to market participants regarding how the Exchange assesses fees and calculates rebates. The Exchange notes that these changes are purely clerical and do not substantively amend any fee or rebate, nor do they alter the manner in which the Exchange assesses fees or calculates rebates. The Exchange also believes that the proposal is non-discriminatory because it applies uniformly to all Members. Finally, the Exchange believes that the proposed changes will make the fee schedule clearer and eliminate potential investor confusion, thereby removing impediments to and perfecting the mechanism of a free and open market and a national market

<sup>4</sup> 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); Hearings on S. 3580 Before the Subcomm. of the Comm. on Banking and Currency, 76th Cong., 3d Sess. 322 (1940).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>4</sup> 17 CFR 240.19b-4(f)(2).

<sup>5</sup> A Member is defined as "any registered broker or dealer that has been admitted to membership in the Exchange." See Exchange Rule 1.5(n).

<sup>6</sup> 15 U.S.C. 78f.

<sup>7</sup> 15 U.S.C. 78f(b)(4).