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

WELLS FARGO ADVISORS, LLC
WELLS FARGO ADVISORS FINANCIAL NETWORK, LLC
ONE NORTH JEFFERSON AVENUE, H0006-028
ST. LOUIS, MO 63103

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 22 pages.

UNITED STATES OF AMERICA

BEFORE THE

SECURITIES AND EXCHANGE COMMISSION

In the Matter of Wells Fargo Advisors, LLC One North Jefferson Avenue, H0006-028, St. Louis, MO 63103 Wells Fargo Advisors Financial Network, LLC One North Jefferson Avenue, H006-028, St. Louis, MO 63103 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

Wells Fargo Advisors, LLC ("WFA") and Wells Fargo Advisors Financial Network, LLC ("FiNet"), each a Delaware limited liability company, hereby file 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. WFA and FiNet also request that the Commission's Order apply to future investment advisers controlling, controlled by, or under common control with WFA and FiNet ("Future Advisers"). WFA and FiNet are sometimes referred to herein as the "Applicants." 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 Applicants believe 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 Applicants

WFA and FiNet each are registered as an investment adviser with the SEC and each is a registered broker-dealer. WFA and FiNet are each indirect subsidiaries and under the common control of Wells Fargo & Company, a diversified financial services company with operations

[1] All entities that currently intend to rely on any Order granted pursuant to this Application are named as Applicants. Please note that WFA is in the process of an internal reorganization pursuant to which it will be renamed Wells Fargo Clearing Services, LLC. The name change is expected to be effective before December 31, 2016.

around the world. WFA and FiNet currently function as separate introducing brokerage firms that each focus on the retail brokerage market but which utilize different groups of financial advisors to deliver services. Each of WFA and FiNet offers a number of advisory programs, including Asset Advisor, which is a nondiscretionary advisory program.

WFA created the Asset Advisor program in 2004; FiNet has been offering the Asset Advisor program since 2004. In September 2007, a number of WFA's and FiNet's fee-based brokerage accounts were converted to nondiscretionary advisory accounts in the Asset Advisor program, following the invalidation of former Rule 202(a)(11)-1 under the Advisers Act. When these accounts were fee-based brokerage accounts, WFA and FiNet, in their capacity as broker-dealers, engaged in principal transactions with their respective customers, in accordance with applicable law. WFA and FiNet currently rely on Rule 206(3)-3T under the Advisers Act (the "Rule") to engage in certain principal transactions with their client accounts in the Asset Advisor program. The securities involved in these principal trades include government agency debt, municipal securities, corporate debt securities, preferred securities, U.S. Treasury securities, and structured notes. WFA and FiNet do not currently engage in principal transactions in equity securities with their Asset Advisor clients in reliance on the Rule.

WFA and FiNet currently have more than 260,000 client accounts in the Asset Advisor program; those accounts have over $115 billion in assets under management as of August 30, 2016. WFA and FiNet currently have more than 117,000 client accounts in the Asset Advisor program that have consented to principal trades in reliance on the Rule; those accounts have over $67 billion in assets under management as of August 30, 2016.

For 2014 and 2015, WFA and FiNet conducted 27,478 and 2,476 principal trades, respectively, in reliance on the Rule, involving more than $1.5 billion and $141 million in securities, respectively. Of the principal trades conducted in reliance on the Rule in 2014, 73 percent of the trades were purchases by client accounts with an average purchase value of approximately $86,000 and 27 percent were sales with an average sale value of approximately $30,000. Of the principal trades conducted in reliance on the Rule in 2015, 78 percent of the trades were purchases by client accounts with an average purchase value of approximately $43,000 and twenty-two percent were sales with an average sale value of approximately $36,000. For the period from December 31, 2015 to September 30, 2016, WFA and FiNet collectively conducted 10,707 principal trades in reliance on the Rule, involving approximately $500 million in securities. Eighty-one percent of those trades were purchases with an average value of approximately $46,000 and the remaining nineteen percent were sales with an average value of approximately $30,000. Any principal transactions in securities that are underwritten by WFA and FiNet or an affiliate are effected in accordance with Section 206(3) of the Advisers Act.

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 Applicants would be required to provide trade-by-trade written disclosure to each nondiscretionary advisory client with whom the Applicants sought to engage in a principal transaction in accordance with Section 206(3). The Applicants submit that their nondiscretionary clients, through the Applicants' current reliance on the Rule, have had access to the Applicant's inventory through principal transactions with the Applicants for a number of years, and expect to continue to have such access in the future. The Applicants believe that engaging in principal transactions with

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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).

their clients provides certain benefits to their clients, including access to debt securities of limited availability, such as municipal bonds. The ability to engage in principal transactions with the Applicants also provides the Applicants' 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 their ability to engage in principal trades with their clients, especially when the transaction involves fixed income 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.

The Applicants often engage in over 100 principal trades a day with their nondiscretionary advisory clients in reliance on the Rule. It would be an operational barrier for the Applicants to provide a written notice to all of their clients with whom they trade 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 clients, or not available at a favorable price. Unless the Applicants are provided an exemption from Section 206(3), they will be unable to continue to provide the same range of services and access to the same types of securities to their nondiscretionary advisory client as they currently are able to provide to clients under the Rule.

The Applicants acknowledge that the Order, if granted, would not be construed as relieving in any way the Applicants 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 Applicants 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 Applicants request that the Commission issue them 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 Asset Advisor program and any similar nondiscretionary program to be created in the future.

II. DISCUSSION

The Applicants submit that the conditions set forth below will adequately protect advisory clients that choose to engage in principal transactions with the Applicants. 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 Applicants 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 each Applicant to review the Applicant's compliance with the conditions of such an Order; and (iii) cause the chief compliance officer of each 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 Applicants' compliance with the conditions of the requested Order. The

Applicants further submit 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 Applicants 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 Applicants 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 Applicants deal fairly with their 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

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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).

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 related to mark-ups.[8] For example, "It 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 Applicants have adopted policies and procedures pursuant to Rule 206(4)-7 under the Advisers Act that, among other things, require full disclosure to the Applicants' advisory clients of all material facts relating to the advisory relationship, including all material conflicts of interest between each Applicant and its advisory clients that could affect the advisory relationship. The Applicants also have adopted policies and procedures requiring the initial and annual review of investment advisory client accounts, as well as policies and procedures that require the Applicants to seek to obtain best execution of trades for those client accounts. In

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[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).

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

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

addition, the Applicants have implemented procedures providing for systematic reviews of principal trades carried out in reliance on the Rule.

The Applicants also have established a Best Execution and Trading Oversight Committee responsible for providing a regular and rigorous review of the Applicants' routing and execution practices and to otherwise ensure best execution requirements are satisfied in equities, options, and fixed income product transactions. As part of its review process, the Committee regularly reviews the continued efficacy of the best execution protocols implemented by the Applicants. The Committee typically meets on a monthly basis.

The Applicants also have adopted written supervisory procedures applicable to their brokerage activities that are reasonably designed to ensure that recommendations meet both suitability standards under FINRA Rule 2111, and that when acting as a broker-dealer, each Applicant fulfills its duty to obtain best execution of trades, including trades where an Applicant acts as principal. The Applicants utilize a number of tools, both internal and external, to measure execution quality. Such tools monitor transactions, including fixed income transactions, and generate alerts. Certain of the alerts generated highlight instances in which execution prices fall outside predetermined parameters, which are then reviewed by designated supervisory and oversight personnel, if necessary. Compliance personnel may escalate trades to trading management for supporting documentation or adjustment in some instances.

Since the implementation and adoption of written policies and procedures reasonably designed to ensure compliance with the requirements of the Rule, including certain of the policies and procedures described above, the Applicants have reviewed and enhanced the policies and procedures on multiple occasions to ensure their continued efficacy and appropriateness. The Applicants believes their compliance infrastructure and the policies and procedures they have 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 SEC and its staff can examine the Applicants' compliance with the conditions. The Applicants further note 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]

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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).

IV. REQUEST FOR ORDER OF EXEMPTION

For the foregoing reasons, and subject to the conditions listed below, the Applicants request 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).

Applicants' Conditions:

The Applicants agree that any Order granting the requested relief will be subject to the following conditions:

1. The Applicants 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 Applicants will not trade in reliance on this Order any security for which either Applicant or any person controlling, controlled by, or under common control with the Applicants 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 Applicants will not directly or indirectly require the client to consent to principal trading as a condition to opening or maintaining an account with an Applicant.

4. The advisory client has executed a written revocable consent prospectively authorizing the Applicants directly or indirectly to act as principal for their 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 an 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 an 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 an Applicant requires time to modify its electronic systems to provide the specific page cross-

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[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.

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. T*ransition provision*: To the extent that the Applicants 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 Applicants may rely on this Order with respect to such client without obtaining additional prospective consent from such client.

5. The Applicants, 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 they may act with respect to such transaction; and (b) obtain consent from the advisory client, orally or in writing, to act as principal for their own account with respect to such transaction.

6. The Applicants 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 Applicants: (a) disclosed to the client prior to the execution of the transaction that the Applicants 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 their own account.

7. The Applicants 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. Each Applicant is a broker-dealer registered under Section 15 of the Exchange Act and each account for which the Applicants rely 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 they are members.

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 Applicants in accordance with reasonable procedures established by the Applicants, but in all cases such revocation must be given effect within five business days of the Applicants' receipt thereof.

10. The Applicants 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], each Applicant informed the

[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).

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 Applicants 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 Applicants, and be available for inspection by the staff of the Commission.

11. The Applicants will adopt written compliance policies and procedures reasonably designed to ensure, and each Applicant's chief compliance officer will monitor, the Applicant's compliance with the conditions of this Order. Each 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] Each Applicant's chief compliance officer will document the frequency and results of such monitoring and testing, and each 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.

The Applicants submit 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.

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[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).

V. PROCEDURAL MATTERS

Pursuant to Rule 0-4(f) under the Advisers Act, the Applicants state that their addresses are indicated on the first page of this Application. The Applicants further state that all written or oral communications concerning this Application should be directed to:

Laura E. Flores
Steven W. Stone
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 Applicants have been complied with and are in accordance with the respective Operating Agreements of WFA and FiNet and the undersigned officer of each is fully authorized to execute this Application. The Applicant has adopted the resolutions attached as Exhibit A authorizing the filing of this Application. The Verifications required by Rule 0-4(d) under the Advisers Act are attached as Exhibit B and the Proposed Notice of the proceeding initiated by the filing of this Application, required by Rule 0-4(g) under the Advisers Act, is attached as Exhibit C.

The Applicants state, that pursuant to the authority granted to the President and Chief Executive Officer of each of WFA and FiNet by each Applicant's respective directors, each undersigned, being such President and Chief Executive Officer and who have each signed and filed this Application on behalf of each Applicant, is fully authorized to do so.

Dated: October 18, 2016

David J. Kowach
President and Chief Executive Officer
Wells Fargo Advisors, LLC

Charlie Kent Christian
President and Chief Executive Officer
Wells Fargo Advisors Financial Network, LLC

EXHIBIT A

AUTHORIZATION

RESOLVED, that the officers of the Company be, and each of them hereby is, authorized in the name and on behalf of the Company to execute and cause to be filed with the Securities and Exchange Commission an Application for Order under Section 206A of the Investment Advisers Act of 1940 related to the execution of principal transactions with advisory clients, substantially in the form as attached hereto as Exhibit A.

FURTHER RESOLVED, that the officers of the Company be, and each of them hereby is, authorized to execute and cause to be filed any and all amendments to such Application as the officers executing the same may approve as necessary or desirable, such approval to be conclusively evidenced by his, her, or their execution thereof;

FURTHER RESOLVED, that the officers of the Company be, and each individual hereby is, authorized, empowered and directed in the name and on behalf of the Company, to do all such acts and things, to execute and deliver all such agreements, instruments, certificates and documents and to pay all such fees and expenses, as in any of the foregoing cases may be necessary, desirable or convenient in order to carry out the intents and purposes of the foregoing resolutions, or to take such other action, including the preparation and publication of a notice relating to such Application for Exemption and the representation of the Company, in any matters relating to such Application or amendment thereof as they deem necessary or desirable; and it is

FURTHER RESOLVED, that all actions heretofore taken consistent with the purposes and intents of the foregoing resolutions be, and each of them is in all respects hereby, ratified, approved, confirmed and adopted.

I, Douglas L. Kelly, Secretary of each Applicant, do hereby certify that the above resolutions were duly adopted by the boards of directors of Wells Fargo Advisors, LLC and Wells Fargo Advisors Financial Network, LLC on October 11, 2016.

Wells Fargo Advisors, LLC
Wells Fargo Advisors Financial Network, LLC

By: _____
NAME: Douglas L. Kelly
TITLE: Secretary

EXHIBIT B

VERIFICATION

STATE OF MISSOURI)
) SS:
COUNTY OF SAINT LOUIS)

The undersigned being duly sworn, deposes and says that he has duly executed the attached Application ("Application") dated October 18, 2016, for and on behalf of Wells Fargo Advisors, LLC ("WFA"); that he is the President and Chief Executive Officer of WFA; and that all actions by the Board of Managers and other bodies necessary to authorize deponent to execute and file such Application have been taken. Deponent further says that he is familiar with the instrument and the contents thereof and that the facts set forth therein are true to the best of his knowledge, information, and belief.

WELLS FARGO ADVISORS, LLC

By: _____
NAME: David J. Kowach
TITLE: President and Chief Executive Officer

Subscribed and sworn to before me, a Notary Public, this 17 th day of October 2016.

_____
Official Seal

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI

MICHAEL RAMSEY
My Commission Expires
September 8, 2018
St. Louis City County
Commission #14014631

My Commission expires SEPTEMBER 8, 2018

VERIFICATION

STATE OF MISSOURI)
) SS:
COUNTY OF SAINT LOUIS)

The undersigned being duly sworn, deposes and says that he has duly executed the attached Application ("Application") dated October 18, 2016, for and on behalf of Wells Fargo Advisors Financial Network, LLC ("FiNet"); that he is the President and Chief Executive Officer of FiNet; and that all actions by the Board of Managers and other bodies necessary to authorize deponent to execute and file such Application have been taken. Deponent further says that he is familiar with the instrument and the contents thereof and that the facts set forth therein are true to the best of his knowledge, information, and belief.

WELLS FARGO ADVISORS FINANCIAL NETWORK, LLC

By: _____
NAME: Charlie Kent Christian
TITLE: President and Chief Executive Officer

Subscribed and sworn to before me, a Notary Public, this 18th day of October 2016.

Tammy Rogers
Official Seal Notary

My Commission expires 4-20-2020.

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI

TAMMY ROGERS
My Commission Expires
April 20, 2020
Jefferson County
Commission #12382067

EXHIBIT C

PROPOSED FORM OF NOTICE

SECURITIES AND EXCHANGE COMMISSION

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

Wells Fargo Advisors, LLC and Wells Fargo Advisors Financial Network, LLC; 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").

Applicants: Wells Fargo Advisors, LLC ("WFA") and Wells Fargo Advisors Financial Network, LLC ("FiNet", and together with WFA, "Applicants")

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: Applicants request that the Commission issue an order under Section 206A exempting them 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 Applicants 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 Applicants, 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. Applicants, Wells Fargo Advisors, LLC and Wells Fargo Advisors Financial Network, LLC 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 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)).

Applicants' Representations:

1. Each of the Applicants is registered as an investment adviser with the SEC and is a registered broker-dealer. Each Applicant is an indirect subsidiary and under the common control of Wells Fargo & Company, a diversified financial services company with operations around the world. WFA and FiNet currently function as separate introducing brokerage firms that each focus on the retail brokerage market but which utilize different groups of financial advisors to deliver services. Each of WFA and FiNet offers a number of advisory programs, including Asset Advisor, which is a nondiscretionary advisory program.

2. In 2007, a number of the Applicants' fee-based brokerage accounts were converted to nondiscretionary advisory accounts in the Asset Advisor program, following the invalidation of former Rule 202(a)(11)-1 under the Advisers Act. When these accounts were fee-based brokerage accounts, WFA and FiNet, in their capacity as broker-dealers, engaged in principal transactions with their customers, in accordance with applicable law. WFA and FiNet currently rely on Rule 206(3)-3T under the Advisers Act (the "Rule") to engage in principal transactions with their clients in the Asset Advisor program.

3. WFA and FiNet currently have more than 260,000 client accounts in the Asset Advisor program; those accounts have over $115 billion in assets under management as of August 30, 2016. WFA and FiNet currently have more than 117,000 client accounts in the Asset Advisor program that have consented to principal trades in reliance on the Rule; those accounts have over $67 billion in assets under management as of August 30, 2016.

4. For 2014 and 2015, WFA and FiNet conducted 27,478 and 2,476 principal trades, respectively, in reliance on the Rule, involving more than $1.5 billion and $141 million in securities, respectively. Of the principal trades conducted in reliance on the Rule in 2014, 73 percent of the trades were purchases by client accounts with an average purchase value of approximately $86,000 and 27 percent were sales with an average sale value of approximately $30,000. Of the principal trades conducted in reliance on the Rule in 2015, 78 percent of the trades were purchases by client accounts with an average purchase value of approximately $43,000 and twenty-two percent were sales with an average sale value of approximately $36,000. For the period from December 31, 2015 to September 30, 2016, WFA and FiNet collectively conducted 10,707 principal trades in reliance on the Rule, involving approximately $500 million in securities. Eighty-one percent of those trades were purchases with an average value of approximately $46,000 and the remaining nineteen percent were sales with an average value of approximately $30,000.

5. The Applicants acknowledge that the Order, if granted, would not be construed as relieving in any way the Applicants 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 Applicants 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.

Applicants' 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 Applicants would be required to provide trade-by-trade written disclosure to each nondiscretionary advisory client with whom the Applicants sought to engage in a principal transaction in accordance with Section 206(3). The Applicants submit that their nondiscretionary clients, through the Applicants' current reliance on the Rule, have had access to the Applicants' inventory through principal transactions with the Applicants for a number of years, and expect to continue to have such access in the future. The Applicants believe that engaging in principal transactions with their clients provides certain benefits to their clients, including access to securities of limited availability, such as municipal bonds. The ability to engage in principal transactions with the Applicants also provides the Applicants' 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 their ability to engage in principal trades with their clients, especially when the transaction involves securities of limited availability.

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

6. The Applicants request that the Commission issue it an Order pursuant to Section 206A exempting them from the written disclosure and consent requirements of Section 206(3) only with respect to clients in the Asset Advisor program and any similar nondiscretionary program to be created in the future. The Applicants also requests that the Commission's Order apply to future investment advisers controlling, controlled by, or under common control with the Applicants ("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]

Applicants' Conditions:

The Applicants agree that any Order granting the requested relief will be subject to the following conditions:

1. The Applicants 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. Please note that WFA is in the process of an internal reorganization pursuant to which it will be renamed Wells Fargo Clearing Services, LLC effective before December 31, 2016.

[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

2. The Applicants will not trade in reliance on this Order any security for which either Applicant or any person controlling, controlled by, or under common control with the Applicants 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 Applicants will not directly or indirectly require the client to consent to principal trading as a condition to opening or maintaining an account with an Applicant.

4. The advisory client has executed a written revocable consent prospectively authorizing the Applicants directly or indirectly to act as principal for their 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 an 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 an 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 an 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 Applicants 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 Applicants may rely on this Order with respect to such client without obtaining additional prospective consent from such client.

5. The Applicants, 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 they may act with respect to such transaction; and (b) obtain consent from the advisory client, orally or in writing, to act as principal for their own account with respect to such transaction.

6. The Applicants 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

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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.

Applicants: (a) disclosed to the client prior to the execution of the transaction that the Applicants 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 their own account.

7. The Applicants 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. Each Applicant is a broker-dealer registered under Section 15 of the Exchange Act and each account for which the Applicants rely 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 they are members.

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 Applicants in accordance with reasonable procedures established by the Applicants, but in all cases such revocation must be given effect within five business days of the Applicants' receipt thereof.

10. The Applicants 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], each 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 Applicants 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 Applicants, and be available for inspection by the staff of the Commission.

11. The Applicants will adopt written compliance policies and procedures reasonably designed to ensure, and each Applicant's chief compliance officer will monitor, the Applicant's compliance with the conditions of this Order. Each 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)

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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).

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] Each Applicant's chief compliance officer will document the frequency and results of such monitoring and testing, and each 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

[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 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).