UNITED STATES OF AMERICA

BEFORE THE

SECURITIES AND EXCHANGE COMMISSION

In the Matter of ROBERT W. BAIRD & CO. INCORPORATED 777 EAST WISCONSIN AVENUE MILWAUKEE, WISCONSIN 53202 File No. 803-_____	AMENDED AND RESTATED APPLICATION FOR AN ORDER UNDER SECTION 206A OF THE INVESTMENT ADVISERS ACT OF 1940 PROVIDING AN EXEMPTION FROM CERTAIN PROVISIONS OF SECTION 206(3) OF THE ADVISERS ACT

Robert W. Baird & Co. Incorporated, a Wisconsin corporation ("Baird" or the "Applicant"), hereby files this application ("Application") for an Order of the Securities and Exchange Commission ("Commission") 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) of the Advisers Act. Baird also requests that the Commission's Order apply to future investment advisers controlling, controlled by, or under common control with Baird ("Future Advisers"). Baird is referred to herein as the "Applicant." Any Future Adviser relying on any Order granted pursuant to this Application will comply with the terms and conditions stated in this Application.[1] For the reasons discussed below, the Applicant believes that the Order requested is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Advisers Act.

I. BACKGROUND

A. The Adviser

Baird is registered as an investment adviser with the Commission and is a registered broker-dealer. Baird is an employee-owned, wealth management, capital markets, asset management and private equity firm with operations in the United States, Europe and Asia. Baird offers a number of advisory programs, including its Advisory Choice Program (the "Program"), which is a nondiscretionary, fee-based advisory program.

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

Baird created the Program in 2007 to accommodate the conversion of many of Baird's fee-based brokerage accounts to nondiscretionary advisory accounts following the invalidation of former Rule 202(a)(11)-1 under the Advisers Act. When these accounts had been fee-based brokerage accounts, Baird, in its capacity as a broker-dealer, engaged in principal transactions with its customers, in accordance with applicable law. Baird currently relies on Rule 206(3)-3T under the Advisers Act (the "Rule") to engage in principal transactions with its client accounts in the Program, and has done so since 2007. The securities involved in these principal trades include municipal securities, corporate debt securities, government agency securities, mortgage-backed securities, variable rate demand obligations, and brokered certificates of deposit (the "Fixed Income Securities"). In the future, Baird may engage in principal transactions in other types of securities, including equity securities. As of June 30, 2016, there were approximately 34,000 client accounts in the Program, and those accounts comprised approximately $14.0 billion of Baird's assets under management as of the same date. As of June 30, 2016, all clients in the Program have consented to Baird, directly or indirectly, acting as principal for its own account, to sell any security to or purchase any security from the client.

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

Year	**Total Number of Principal Trades in Eligible Accounts**	**Total Security Value in Eligible Principal Trades**	**Percentage of Principal Trades That Were Purchases**	**Average Value of Purchases**	**Percentage of Principal Trades That Were Sales**	**Average Value of Sales**
2014	1110	$40 million	66%	$40,000	34%	$27,000
2015	890	$43 million	81%	$48,000	19%	$51,000
2016 (Jan.-Sept.)	459	$24 million	84%	54,000	16%	$43,000

For the 12-month periods ended December 31, 2014, and December 31, 2015, Baird did not rely on the Rule to engage in principal trades in Fixed Income Securities it underwrote.

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 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. 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, some of whom formerly were fee-based brokerage customers, through the Rule have had access to the Applicant's inventory through principal transactions with Applicant for many years, and expect to continue to have such access in the future. The Applicant believes that engaging in principal transactions with its clients provides certain benefits to its clients, including access to debt securities of limited availability, such as municipal securities, some government agency securities, and

variable rate demand obligations. Being able to engage in principal transactions with Applicant also provides Applicant's clients additional liquidity with respect to the Fixed Income Securities they hold. The written disclosure and client consent requirements of Section 206(3) will act as an operational barrier to Applicant's ability to engage in principal trades with its clients, especially when the transaction involves securities of limited availability. These securities often are purchased and sold through electronic communications networks that operate rapidly; in the time needed for an adviser to prepare and deliver a written disclosure to the client and obtain the client's consent, the opportunity to act on a favorable price may be lost.

Baird engages in approximately 80 principal trades a month with its nondiscretionary advisory clients in reliance on the Rule. It would be an operational barrier for the Applicant to provide a written notice to all of its clients with whom it trades as principal before the completion of each principal transaction. Further, clients may be unable to receive a written notification or respond to one quickly, and delays could result in the opportunity no longer being available to the clients, or not available at a favorable price. Unless the Applicant is provided an exemption from Section 206(3), it will be unable to continue to provide the same range of services and access to the same types of securities to its nondiscretionary advisory clients as it currently is able to provide to those clients under the Rule.

Notably, the Applicant will remain subject to the fiduciary duties that are generally enforceable under Sections 206(1) and 206(2) of the Advisers Act. In general terms, an investment adviser's fiduciary duty requires an adviser to: (i) disclose material facts about the advisory relationship to its clients; (ii) treat each client fairly; and (iii) act only in the best interests of its client, disclosing material conflicts of interest when present and obtaining client consent to such arrangements. More specifically, an adviser's fiduciary duty has been interpreted to require a duty of care in providing investment advice, requiring the exercise of due care throughout the process of recommending securities rather than to the eventual success or failure of its recommendations.[2] 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.[3] 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.

Baird has adopted policies and procedures under Rule 206(4)-7 under the Advisers Act that, among other things, require initial and annual suitability reviews for investment advisory

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

[3] *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).

client accounts, and require Baird seek to obtain best execution of trades for those client accounts. Baird has also adopted supervisory and compliance policies and procedures reasonably designed to monitor Baird's and its investment adviser representatives' compliance with their obligations. For example, as part of Baird's supervisory procedures for the Program, all new accounts are required to be reviewed and approved by the applicable Baird branch office manager or a supervision department supervisor (or his or her respective designee). Such review includes an evaluation of suitability of the account. In addition, Baird's compliance department has policies and procedures that require it to review, generally on a daily basis, every principal trade conducted in a Program account. Compliance personnel confirm that either the trade complied with the requirements of the Rule, or that Baird provided a written disclosure to the client and obtained the client's consent prior to the settlement of the trade. Furthermore, Baird's Investment Advisory Best Execution Committee meets on a periodic basis, generally quarterly, and reviews, among other things, a report summarizing the principal trades executed for investment advisory client accounts, including those participating in the Program.

Moreover, in its capacity as a broker-dealer with respect to these accounts, the Applicant will remain subject to a comprehensive set of Commission and FINRA regulations that apply to the relationship between a broker-dealer and its customer in addition to the fiduciary duties an adviser owes a client. These rules require, among other things, that the Applicant deal fairly with its customers, seek to obtain best execution of customer orders, and 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, 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.[4] 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.[5] This applies whether the broker-dealer is acting as agent or as principal. FINRA rules also impose a duty of best execution.[6] 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.[7] 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

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[4] 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).

[5] *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).

[6] 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).

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

related to the current market price of the security or to charge a commission which is not reasonable."[8]

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.

Baird has adopted written supervisory procedures reasonably designed to ensure that recommendations meet both suitability standards under FINRA Rule 2111, and that when acting as a broker-dealer, Baird fulfills its duty to obtain best execution of trades, including trades where Baird acts as principal. For example, Baird's supervisory procedures require the applicable Baird branch office manager or a supervision department supervisor (or his or her respective designee) to review the suitability of trades made for client accounts, including trades for clients participating in the Program. In addition, Baird's policies and procedures require the fixed income trading desk manager to monitor the quality of execution of customer orders for fixed income securities on a daily basis. Furthermore, trades in fixed income securities executed by Baird that fall outside of certain predetermined ranges are flagged by the trading system and are subject to additional post trade review by a fixed income trader and the applicable trading supervisor. Baird's fixed income best execution committee meets on a periodic basis, generally quarterly, and reviews, among other things, a report on the fixed income trades flagged by the trading system.

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

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

advisory client; nor shall it relieve the Applicant from any obligation that may be imposed by Section 206(1) or (2) of the Advisers Act or by other applicable provisions of the federal securities laws or applicable FINRA rules. The Applicant requests that the Commission issue it and any Future Adviser an Order pursuant to Section 206A providing an exemption from the written disclosure and consent requirements of Section 206(3) only with respect to client accounts in the Program and any similar nondiscretionary program to be created in the future.

II. DISCUSSION

The Applicant submits that the conditions set forth below will adequately protect advisory clients that choose to engage in principal transactions with the Applicant. The conditions set forth below generally incorporate all of the provisions of the Rule (with the exception of the provisions allowing for certain Affiliated Underwritings), as well as additional conditions requiring the Applicant to, among other things: (i) obtain a written revocable consent from a client through a signature or other positive manifestation of consent that is separate from the signature indicating the client's consent to the advisory agreement that prospectively authorizes the Applicant directly or indirectly to act as principal for its own account in selling any security to or purchasing any security from the client; (ii) adopt and implement written policies and procedures reasonably designed to ensure compliance with the conditions of an Order granted by the Commission; (iii) create and maintain records to enable the chief compliance officer of the Applicant to review the Applicant's compliance with the conditions of such an Order; and (iv) cause the chief compliance officer of the Applicant to monitor the Applicant's compliance with the conditions of such an Order and conduct testing reasonably sufficient to verify such compliance. These additional conditions are designed to ensure compliance with the requested Order's substantive conditions and to ensure that the Commission staff is able to examine records relative to the Applicant's compliance with the conditions of the requested Order. The Applicant further submits that the conditions are consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Advisers Act.

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

III. PRECEDENT

The Commission has not previously granted an order under the Advisers Act exempting a firm from compliance with the provisions of Section 206(3). The Rule itself, however, is support for the granting of the requested Order, in light of the Commission's careful consideration of the needs of advisory clients balanced against the investor protection goal of Section 206(3). The proposed conditions incorporate all of the provisions of the Rule except provisions allowing for certain Affiliated Underwritings, as well as additional conditions designed to ensure compliance with the substantive conditions and to provide a means by which the Commission and its staff can examine the Applicant's compliance with the conditions. The Applicant further notes as support for the requested order that, more than ten years ago, the Commission stated that "advisory clients can benefit from [principal] transactions, depending on the circumstances, by obtaining a more favorable transaction price for the securities being purchased or sold than otherwise available."[9]

IV. REQUEST FOR ORDER OF EXEMPTION

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

Applicant's Conditions:

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

1. The Applicant will exercise no "investment discretion" (as such term is defined in Section 3(a)(35) of the Exchange Act, except investment discretion granted by the advisory client on a temporary or limited basis[10], 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

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

[10] 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.

Advisers Act.

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

4. The advisory client has executed a written revocable consent prospectively authorizing the Applicant directly or indirectly to act as principal for its own account in selling any security to or purchasing any security from the advisory client. The advisory client's written consent must be obtained through a signature or other positive manifestation of consent that is separate from or in addition to the signature indicating the client's consent to the advisory agreement. The separate or additional signature line or alternative means of expressing consent must be preceded immediately by prominent, plain English disclosure containing either: (a) an explanation of: (i) the circumstances under which the Applicant directly or indirectly may engage in principal transactions; (ii) the nature and significance of conflicts with its client's interests as a result of the transactions; and (iii) how the Applicant addresses those conflicts; or (b) a statement explaining that the client is consenting to principal transactions, followed by a cross-reference to a specific document provided to the client containing the disclosure in (a)(i)-(iii) above and to the specific page or pages on which such disclosure is located; provided, however, that if the Applicant requires time to modify its electronic systems to provide the specific page cross-reference required by clause (b), the Applicant may, while updating such electronic systems, and for no more than 90 days from the date of the Order, instead provide a cross-reference to a specific document provided to the client containing the disclosure in (a)(i)-(iii) above and to the specific section in such document in which such disclosure is located. *Transition provision*: To the extent that the Applicant obtained fully-informed written revocable consent from an advisory client for purposes of Rule 206(3)-3T(a)(3) prior to December 31, 2016, the Applicant may rely on this Order with respect to such client without obtaining additional prospective consent from such client.

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

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

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

8. The Applicant is a broker-dealer registered under Section 15 of the Exchange Act and each account for which the Applicant relies on this Order is a brokerage account subject to

the Exchange Act, and the rules thereunder, and the rules of the self-regulatory organization(s) of which it is a member.

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

10. The Applicant will maintain records sufficient to enable verification of compliance with the conditions of this Order. Such records will include, *without limitation*: (a) documentation sufficient to demonstrate compliance with each disclosure and consent requirement under this Order; (b) in particular, documentation sufficient to demonstrate that, prior to the execution of each transaction in reliance on this Order, the Applicant informed the advisory client of the capacity in which the Applicant may act with respect to the transaction and that it received the advisory client's consent (if the Applicant informs the client orally of the capacity in which it may act with respect to such transaction or obtains oral consent, such records may, for example, include recordings of telephone conversations or contemporaneous written notations); and (c) documentation sufficient to enable assessment of compliance by the Applicant with Sections 206(1) and (2) of the Advisers Act in connection with its reliance on this Order.[11] In each case, such records will be maintained and preserved in an easily accessible place for a period of not less than five years, the first two years in an appropriate office of the Applicant, and be available for inspection by the staff of the Commission.

11. The Applicant will adopt written compliance policies and procedures reasonably designed to ensure, and the Applicant's chief compliance officer will monitor, the Applicant's compliance with the conditions of this Order. The Applicant's chief compliance officer will, on at least a quarterly basis, conduct testing reasonably sufficient to verify such compliance. Such written policies and procedures, monitoring and testing will address, *without limitation:* (a) compliance by the Applicant with its disclosure and consent requirements under this Order; (b) the integrity and operation of electronic systems employed by the Applicant in connection with its reliance on this Order; (c) compliance by the Applicant with its recordkeeping obligations under this Order; and (d) whether there is any evidence of the Applicant engaging in "dumping" in connection with its reliance on this Order. [12] 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

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[11] 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).

[12] *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).

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.

V. PROCEDURAL MATTERS

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

Charles M. Weber
Managing Director
Robert W. Baird & Co. Incorporated
777 East Wisconsin Avenue
Milwaukee, Wisconsin 53202
414-765-3500

Monica Lea Parry
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 Baird have been complied and are in accordance with its Articles of Incorporation and By-Laws, and the undersigned officer is fully authorized to execute this Application. The Authorization required by Rule 0-4(c) under the Advisers Act is included below. The Resolution of the Board of Directors of Baird is attached as Exhibit A. The Verification required by Rule 0-4(d) under the Advisers Act is attached as Exhibit B.

AUTHORIZATION AND SIGNATURE

All requirements of the Articles of Incorporation and By-Laws of Robert W. Baird & Co. Incorporated have been complied with in connection with the execution and filing of this Application. The aforesaid, by resolutions duly adopted by its Board of Directors as of October 12, 2016 (certified copies of such resolutions are attached as Exhibit A to this Application), has authorized the making of this Application. Such resolutions continue to be in force and have not been revoked through the date hereof.

Robert W. Baird & Co. Incorporated has caused the undersigned person to sign this Application on its behalf in the County of Milwaukee, State of Wisconsin on this 22nd day of November 2016.

ROBERT W. BAIRD & CO. INCORPORATED

By: Chas Weber

NAME: Charles M. Weber
TITLE: Managing Director

LIST OF EXHIBITS

Exhibit A	Resolutions of the Board of Directors of Robert W. Baird & Co. Incorporated
Exhibit B	Verification
Exhibit C	Form of Notice

EXHIBIT A: RESOLUTIONS OF THE BOARD OF DIRECTORS OF

ROBERT W. BAIRD & CO. INCORPORATED

BAIRD

ROBERT W. BAIRD & CO. INCORPORATED

CERTIFICATE OF ASSISTANT SECRETARY

I, Dawn M. DeCicco, certify that I am the duly elected and acting Assistant Secretary of Robert W. Baird & Co. Incorporated (the "Corporation"), and as such hereby further certify that the attached document is a true and correct copy of a resolution approved by the Corporation's Board of Directors at a meeting held on Wednesday, October 12, 2016 and is now in full force and effect:

IN WITNESS THEREOF, I have set my hand this 22nd day of November, 2016.

Dawn M. DeCicco
Assistant Secretary

ROBERT W. BAIRD & CO. INCORPORATED

RESOLUTIONS OF
THE BOARD OF DIRECTORS

Application for SEC Exemption Order
Related to Principal Transactions in
Certain Advisory Programs

WHEREAS, the Corporation believes that engaging in principal transactions with its clients in the Advisory Choice Program provides certain benefits to such clients, including providing them access to debt securities of limited availability.

WHEREAS, the Corporation relies on Rule 206(3)-3T (the "Rule") under the Investment Advisers Act of 1940, as amended (the "Advisers Act"), in order to engage in principal transactions with its clients in the Advisory Choice Program.

WHEREAS, the Rule will expire on December 31, 2016, and upon the Rule's expiration, it will become more difficult for the Corporation to engage in principal trades with its clients in the Advisory Choice Program due to the written disclosure and client consent requirements of Section 206(3) of the Advisers Act.

WHEREAS, officers of the Corporation, with the assistance of legal counsel, have prepared for filing with the Securities and Exchange Commission (the "SEC"), an Application for Order under Section 206A of the Investment Advisers Act of 1940 (the "Application"), which would permit the Corporation to engage in principal transactions with its clients in the Advisory Choice Program and any future non-discretionary advisory program under terms and conditions substantially similar to the those required by the Rule.

NOW, THEREFORE, BE IT HEREBY RESOLVED, that the Board of the Corporation hereby authorizes and approves, and the Corporation is authorized and empowered to execute and cause to be filed with the SEC, the Application substantially in the form presented to the Board (and with such additional changes thereto as may be agreed to by any officer of the Corporation, as conclusively evidenced by any officer's execution thereof).

FURTHER RESOLVED, that the officers of the Corporation are, and each of them hereby is, authorized and empowered to execute or cause to be executed such amendments to the Application and such certificates, instruments, agreements and other documents as may be deemed by any of them necessary or desirable to carry out the provisions of the foregoing resolutions; the taking of any such action shall constitute conclusive evidence of the authority of the officers or officer hereunder.

FURTHER RESOLVED, that the officers of the Corporation are, and each of them hereby is, authorized and empowered to take or cause to be taken all such action, including the preparation and publication of a notice relating to the Application and the representation of the Corporation, in any matters relating to the Application or amendment thereof, as may be deemed by any of them necessary or desirable to carry out the provisions of the foregoing resolutions; the

taking of any such action shall constitute conclusive evidence of the authority of the officers or officer hereunder.

FURTHER RESOLVED, that any and all actions heretofore taken or caused to be taken by the officers of the Corporation, consistent with the tenor and purport of the foregoing resolutions, are, and each of them hereby is, ratified, confirmed and approved in all respects for and on behalf of the Corporation.

EXHIBIT B: VERIFICATION

VERIFICATION
STATE OF WISCONSIN) ss
COUNTY OF MILWAUKEE)

The undersigned being duly sworn, deposes and says that he has duly executed the attached Application ("Application") dated November 22, 2016, for and on behalf of Robert W. Baird & Co. Incorporated; that he is the Managing Director of Robert W. Baird & Co. Incorporated; and that all actions by the Board of Directors 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.

ROBERT W. BAIRD & CO. INCORPORATED

By: Chas Weber
NAME: Charles M. Weber
TITLE: Managing Director

Subscribed and sworn to before me a Director of Robert W. Baird & Co. Incorporated this 22nd day of November, 2016.

Andrew D. Ketter
Official Seal

NOTARY PUBLIC
ANDREW D. KETTER
STATE OF WISCONSIN

My Commission is permanent

EXHIBIT C – PROPOSED FORM OF NOTICE

SECURITIES AND EXCHANGE COMMISSION

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

ROBERT W. BAIRD & CO. INCORPORATED

_____ __, 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") from certain requirements of Section 206(3).

Applicant: Robert W. Baird & Co. Incorporated ("Applicant").

Relevant Advisers Act Sections: Exemption requested under Section 206A from certain provisions of Section 206(3).

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

Filing Dates: The application was filed on _____.

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

Addresses: Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, D.C. 20549-1090. Applicant, Robert W. Baird & Co. Incorporated, 777 East Wisconsin Avenue, Milwaukee, Wisconsin 53202.

For Further Information Contact: (Office of Investment Adviser Regulation, Division of Investment Management).

Supplementary Information: The following is a summary of the application. The complete application may be obtained for a fee from the Commission's Public Reference Branch, 100 F Street, NE, Washington, D.C. 20549-0102 (telephone (202) 551-5850)).

Applicant's Representations

1. The Applicant is registered as an investment adviser with the SEC and is a registered broker-dealer. The Applicant is an employee-owned, wealth management, capital markets, asset management and private equity firm with operations in the United States, Europe and Asia. The Applicant offers a number of advisory programs, including its Advisory Choice Program (the "Program"), which is a nondiscretionary, fee-based advisory program.

2. Baird created the Program in 2007 to accommodate the conversion of many of Baird's fee-based brokerage accounts to nondiscretionary advisory accounts 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 Rule 206(3)-3T under the Advisers Act (the "Rule") to engage in principal transactions with its clients in the Program.

3. The Applicant has approximately 34,000 client accounts in the Program as of June 30, 2016. Those accounts comprised approximately $14 billion of the Applicant's assets under management as of June 30, 2016. For the 12-month periods ended December 31, 2014 and December 31, 2015, and for the period from January 2016-September 2016, Baird executed 1,110, 890 and 459 principal transactions in fixed income securities representing a gross principal value of approximately $40 million, $43 million, and $24 million, respectively, in reliance on the Rule. Approximately 66%, 81%, and 84% of the trades conducted in reliance on the Rule during these periods, respectively, were purchases by client accounts; the average purchase was approximately $40,000, $48,000, and $54,000, respectively. Approximately 34%, 19%, and 16% of the trades conducted in reliance on the Rule in these periods, respectively, were sales from client accounts; the average sale was approximately $27,000, $51,000, and $43,000, respectively.

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

Applicant's Legal Analysis

1. Section 206(3) provides that it is unlawful for any investment adviser, directly or indirectly, acting as principal for its own account, knowingly to sell any security to or purchase any security from a client, without disclosing to the client in writing before the completion of the transaction the capacity in which the adviser is acting and obtaining the client's consent to the transaction. 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 nondiscretionary advisory accounts that also are brokerage accounts. 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 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 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 Rule 206(3)-3T, including the date and price of each transactions.

4. Rule 206(3)-3T is available only to nondiscretionary advisory accounts that also are brokerage accounts. Rule 206(3)-3T is scheduled to expire on December 31, 2016. Upon expiration, the Applicant would be forced to provide trade-by-trade written disclosure to each nondiscretionary advisory client with whom the Applicant sought to engage in a principal transaction. The Applicant submits that its nondiscretionary clients, many of whom formerly were fee-based brokerage customers, have had access to the Applicant's inventory through principal transactions with the Applicant for a number of years, and expect to continue to have such access in the future. The Applicant believes that engaging in principal transactions with its clients provides certain benefits to its clients, including access to securities of limited availability, such as municipal bonds and variable rate demand obligations. The written disclosure and client consent requirements of Section 206(3) act as an operational barrier to its ability to engage in principal trades with its clients, especially when the transaction involves securities of limited availability.

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

6. The Applicant requests that the Commission issue it an Order pursuant to Section 206A from the written disclosure and consent provisions of Section 206(3) only with respect to clients in the Program and any similar nondiscretionary program to be created in the future. The Applicant also requests that the Commission's Order apply to future investment advisers controlling, controlled by, or under common control with the Applicant ("Future Advisers"). Any Future Adviser relying on any Order granted pursuant to this Application will comply with the terms and conditions stated in this Application.[1]

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[2], 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 means of expressing consent must be preceded immediately by prominent, plain English disclosure containing either: (a) an

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

[2] 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.

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 December 31, 2016, the Applicant may rely on this Order with respect to such client without obtaining additional prospective consent from such client.

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

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

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

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

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

10. The Applicant will maintain records sufficient to enable verification of compliance with the conditions of this Order. Such records will include, *without limitation*: (a) documentation sufficient to demonstrate compliance with each disclosure and consent requirement under this

Order; (b) in particular, documentation sufficient to demonstrate that, prior to the execution of each transaction in reliance on this Order, the Applicant informed the advisory client of the capacity in which the Applicant may act with respect to the transaction and that it received the advisory client's consent (if the Applicant informs the client orally of the capacity in which it may act with respect to such transaction or obtains oral consent, such records may, for example, include recordings of telephone conversations or contemporaneous written notations); and (c) documentation sufficient to enable assessment of compliance by the Applicant with Sections 206(1) and (2) of the Advisers Act in connection with its reliance on this Order. In each case, such records will be maintained and preserved in an easily accessible place for a period of not less than five years, the first two years in an appropriate office of the Applicant, and be available for inspection by the staff of the Commission.

11. The Applicant will adopt written compliance policies and procedures reasonably designed to ensure, and the Applicant's chief compliance officer will monitor, the Applicant's compliance with the conditions of this Order. The Applicant's chief compliance officer will, on at least a quarterly basis, conduct testing reasonably sufficient to verify such compliance. Such written policies and procedures, monitoring and testing will address, *without limitation:* (a) compliance by the Applicant with its disclosure and consent requirements under this Order; (b) the integrity and operation of electronic systems employed by the Applicant in connection with its reliance on this Order; (c) compliance by the Applicant with its recordkeeping obligations under this Order; and (d) whether there is any evidence of the Applicant engaging in "dumping" in connection with its reliance on this Order. [3] 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.

For the Commission.

Brent J. Fields
Secretary

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[3] *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) and Hearings on S.3580 Before a Subcommittee of the Commission on Banking and Currency, 76th Cong., 3d Sess. 209, 212-23 (1940).