

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-70230; File No. SR-EDGX-2013-32)

August 19, 2013

Self-Regulatory Organizations; EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Eliminate EDGX Rule 13.4

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on August 7, 2013, EDGX Exchange, Inc. (“Exchange” or “EDGX”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II and III below, which items have been prepared by the self-regulatory organization. EDGX filed the proposal pursuant to Section 19(b)(3)(A)³ of the Act and Rule 19b-4(f)(6)⁴ thereunder so that the proposal was effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to eliminate Rule 13.4, “Assigning of Registered Securities in the Name of a Member or Member Organization,” which permits the Exchange to establish a signature guarantee program. All of the changes described herein are applicable to Members.⁵ The text of the proposed rule change is available on the

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(6).

⁵ A Member is any registered broker or dealer, or any person associated with a registered broker or dealer that has been admitted to membership in the Exchange.

Exchange's Internet website at www.directedge.com, at the Exchange's principal office, and at the Public Reference Room of the Commission.

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

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

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

1. Purpose

The Exchange proposes to eliminate Rule 13.4, "Assigning of Registered Securities in the Name of a Member or Member Organization," which permits the Exchange to establish a signature guarantee program. In sum, a signature guarantee program allows an investor who seeks to transfer or sell securities held in physical certificate form to have their signature on the certificate "guaranteed." Rule 13.4 permits Members to guarantee their signatures by authorizing one or more of their employees to assign registered securities in the Member's name and to guarantee assignments of registered securities on behalf of the Member where the security had been signed by one of the partners of the Member or by one of the authorized officers of the Member by executing and filing with the Exchange a separate Power of Attorney, also known as a traditional signature card program. Transfer agents often insist that a signature be

guaranteed before they accept the transaction because it limits their liability and losses if a signature turns out to be forged.

Rule 17Ad-15 under the Act permits transfer agents to reject signature guarantees from eligible guarantor institutions that are not part of a signature guarantee program.⁶

The rule encouraged a movement away from the traditional signature card programs administered by the exchanges towards signature guarantee programs that use a medallion imprint or stamp which evidences their participation in the program and is an acceptable signature guarantee (“Medallion Signature Guarantee Program”).⁷ The Commission has also noted that:

[a]n investor can obtain a signature guarantee from a financial institution – such as a commercial bank, savings bank, credit union, or broker dealer – that participates in one of the Medallion signature guarantee programs. . . . If a financial institution is not a member of a recognized Medallion Signature Guarantee Program, it would not be able to provide signature guarantees. Also, if [an investor is] not a customer of a participating financial institution, it is likely the financial institution will not guarantee [the investor’s] signature. Therefore, the best source of a Medallion

⁶ See 17 CFR 240.17Ad-15; Securities Exchange Act Release No. 30146 (January 10, 1992), 57 FR 1082 (February 24, 1992) (adopting Rule 17Ad-15).

⁷ See, e.g., Securities Exchange Act Release No. 33669 (February 23, 1994), 59 FR 10189 (March 3, 1994) (SR-MSTC-93-13) (“[t]his newly adopted Rule 17Ad-15 rule rendered [Midwest Securities Trust Company’s (“MSTC”)] Signature Distribution Program and Signature Guarantee Program obsolete. Therefore, to avoid costs that produce no benefits, MSTC eliminated its Signature Distribution and Signature Guarantee Programs and deleted MSTC Rule 5, Sections 1 and 2 which govern these programs”).

Guarantee would be a bank, savings and loan association, brokerage firm, or credit union with which [the investor does] business.⁸

In response to Rule 17Ad-15, certain exchanges have decommissioned or amended their rules to no longer provide for traditional signature card program.⁹ While the Exchange adopted Rule 13.4 as part of its Form 1 exchange application,¹⁰ it has never offered, and does not now intend to offer, a signature guarantee service. The move towards Medallion Signature Guarantee Programs has also rendered traditional card programs as provided for under Exchange Rule 13.4 obsolete. Therefore, the Exchange proposes to eliminate Rule 13.4.

⁸ See “Signature Guarantees: Preventing the Unauthorized Transfer of Securities,” <http://www.sec.gov/answers/sigguar.htm> (last modified May 20, 2009).

⁹ See Securities Exchange Act Release No. 34188 (June 9, 1994), 59 FR 30820 (June 15, 1994) (SR-MSTC-93-13) (order approving the elimination of MSTC’s signature guarantee program stating that Rule 17Ad-15 rendered it obsolete); Securities Exchange Act Release No. 32590 (July 7, 1993), 58 FR 37978 (July 14, 1993) (order approving SR-PHLX-92-39 eliminating the PHLX’s signature guarantee program in light of Rule 17Ad-15) (noting that “[b]y eliminating its signature guarantee program, PHLX will streamline the signature guarantee process. In place of the cumbersome signature card system, PHLX will require participation in a Rule 17Ad-15 Signature Guarantee Program”). In 2006, the Philadelphia Stock Exchange, Inc. (currently Nasdaq OMX PHLX LLC) (“PHLX”) eliminated Rules 327 – 340 regarding signature guarantees in their entirety from its rulebook, noting that they are “being deleted as obsolete because they refer to the delivery and settlement of securities, which is not done by the Exchange, but by registered clearing agencies.” Securities Exchange Act Release No. 54329 (August 17, 2006), 71 FR 504538 (August 25, 2006) (SR-PHLX-2006-43); Securities Exchange Act Release No. 54538 (September 28, 2006), 71 FR 59184 (October 6, 2006) (order approving SR-PHLX-2006-43).

¹⁰ See Securities Exchange Act Release No. 60651 (September 11, 2009), 74 FR 47827 (September 17, 2009) (File Nos. 10.193 and 10-194) (Notice of Filing of Exchange Applications for EDGX and EDGA Exchange, Inc. (“EDGA”)); Securities Exchange Act Release No. 61698 (March 12, 2010), 75 FR 13151 (March 18, 2010) (File Nos. 10-193 and 10-194) (Order Approving Exchange Applications for EDGX and EDGA).

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act¹¹ and furthers the objectives of Section 6(b)(5) of the Act,¹² in that it is designed promote just and equitable principles of trade, remove impediments to, and perfect the mechanism of, a free and open market and a national market system, and, in general, protect investors and the public interest by eliminating unnecessary confusion with respect to the Exchange's rules. Rule 17Ad-15 encouraged a movement away from the traditional signature card programs administered by the exchanges towards certain Medallion Signature Guarantee Programs. In response, certain exchanges have decommissioned or amended their rules to no longer provide for a traditional signature card program.¹³ The Exchange has never offered, and does not now intend to offer, a signature guarantee service. Also, the move towards Medallion Signature Guarantee Programs has rendered traditional card programs as provided for under Exchange Rule 13.4 obsolete. Therefore, the Exchange believes eliminating Rule 13.4 would clarify the Exchange's rules by eliminating rules that account for services the Exchange does not provide. The Exchange also believes the elimination of unnecessary and obsolete rules

¹¹ 15 U.S.C. 78f(b).

¹² 15 U.S.C. 78f(b)(5).

¹³ See Securities Exchange Act Release No. 34188 (June 9, 1994), 59 FR 30820 (June 15, 1994) (SR-MSTC-93-13) (order approving the elimination of MSTC's signature guarantee program stating that Rule 17Ad-15 rendered it obsolete); Securities Exchange Act Release No. 32590 (July 7, 1993), 58 FR 37978 (July 14, 1993) (SR-PHLX-92-39) (order approving SR-PHLX-92-39 eliminating the PHLX's signature guarantee program in light of Rule 17Ad-15).

removes impediments to the perfection of the mechanisms for a free and open market system consistent with the requirements of Section 6(b)(5) of the Act.¹⁴

B. Self-Regulatory Organization's Statement on Burden on Competition

The proposed rule change does not impose any burden on competition. Rule 17Ad-15 encouraged a movement away from the traditional signature card programs administered by the exchanges towards certain Medallion Signature Guarantee Programs. In response, certain exchanges have decommissioned or amended their rules to no longer provide for a traditional signature card program.¹⁵ An investor may still obtain a signature guarantee from a financial institution that participates in one of the Medallion Signature Guarantee Programs. The Exchange has never offered, and does not intend to offer, a signature guarantee service. Also, the move towards Medallion Signature Guarantee Programs has rendered traditional card programs as provided for under Exchange Rule 13.4 obsolete. Therefore, the Exchange believes eliminating Rule 13.4 would not impose any burden on competition.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

The Exchange has neither solicited nor received written comments on the proposed rule change.

¹⁴ 15 U.S.C. 78f(b)(5).

¹⁵ See Securities Exchange Act Release No. 34188 (June 9, 1994), 59 FR 30820 (June 15, 1994) (SR-MSTC-93-13) (order approving the elimination of MSTC's signature guarantee program stating that Rule 17Ad-15 rendered it obsolete); Securities Exchange Act Release No. 32590 (July 7, 1993), 58 FR 37978 (July 14, 1993) (SR-PHLX-92-39) (order approving SR-PHLX-92-39 eliminating the PHLX's signature guarantee program in light of Rule 17Ad-15).

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The proposed rule change has become effective pursuant to Section 19(b)(3)(A)¹⁶ of the Act and Rule 19b-4(f)(6)¹⁷ thereunder. The proposed rule change effects a change that (A) does not significantly affect the protection of investors or the public interest; (B) does not impose any significant burden on competition; and (C) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest; provided that the self-regulatory organization has given the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.

The Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five (5) business days prior to the date of filing.¹⁸

The Exchange believes that the proposed rule change meets the criteria of subparagraph (f)(6) of Rule 19b-4¹⁹ because it would clarify the Exchange's rules by eliminating rules that account for services the Exchange does not provide. The Exchange has never offered, and does not intend to offer, a signature guarantee service. Rule 17Ad-15 encouraged a movement away from the traditional signature card programs

¹⁶ 15 U.S.C. 78s(b)(3)(A).

¹⁷ 17 CFR 240.19b-4(f)(6).

¹⁸ 17 CFR 240.19b-4(f)(6)(iii).

¹⁹ 17 CFR 240.19b-4(f)(6).

administered by the exchanges towards certain Medallion Signature Guarantee Programs. This move towards Medallion Signature Guarantee Programs has rendered traditional card programs as provided for under Exchange Rule 13.4 obsolete. Today, an investor can obtain a signature guarantee from a financial institution that participates in one of the Medallion Signature Guarantee Programs. Therefore, the Exchange believes eliminating Rule 13.4 is non-controversial because it would clarify the Exchange's rules by eliminating rules that account for services the Exchange does not provide. Accordingly, the Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act²⁰ and paragraph (f)(6) of Rule 19b-4 thereunder.²¹

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or

²⁰ 15 U.S.C. 78s(b)(3)(A).

²¹ 17 CFR 240.19b-4(f)(6).

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-EDGX-2013-32 on the subject line.

Paper comments:

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-EDGX-2013-32. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange.

All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-EDGX-2013-32 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²²

Kevin M. O'Neill
Deputy Secretary

²² 17 CFR 200.30-3(a)(12).