



September 6, 2005

**VIA EMAIL:** [secretary@cftc.gov](mailto:secretary@cftc.gov)

Ms. Jean A. Webb  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street, NW  
Washington, DC 20581

**RE: Summary of HedgeStreet Submission pursuant to Commission Regulation 40.5**

Dear Secretary Webb:

HedgeStreet, Inc. ("HedgeStreet") hereby submits rules for Commission review and approval and a request to amend its order of designation as a contract market pursuant to Section 5(c) of the Commodity Exchange Act (the "Act") and Commission Regulation 38.4(a), 40.3 and 40.5.

This letter is intended to provide a summary description of the purpose of this submission to the Commission and a list of all of the documents contained in such submission.

Appendices to Submission

Request of Commission Review and Approval Submission pursuant to Commission Regulation 40.5

Appendix 1 – Response to staff questions dated July 8, 2005

Appendix 2 – Responses to staff questions dated June 28, 2005

Appendix 3 – Responses to staff questions dated May 30, 2005

Appendix 4 – Responses to staff questions dated May 5, 2005

Appendix 5a – 5g Regulatory Services Agreement with National Futures Association

Appendix 6 – Clearing Services Agreement with The Clearing Corporation

Appendix 7 – Institutional Trading Flow Diagram

Appendix 8 – Notice of Financial Reporting for Clearing Members

Appendix 9 – HedgeStreet Rules (Redlined)

Appendix 10 – HedgeStreet Rules (Clean)

Appendix 11 – Chart of Designation Criteria

Appendix 12 – Chart of Compliance with Core Principles

Please be advised that Appendices 1 – 8 contain trade secrets or confidential commercial or financial information of HedgeStreet. HedgeStreet has therefore petitioned for confidential treatment to be afforded to these documents pursuant to Commission



Regulation 145.9 until HedgeStreet notifies the Commission that HedgeStreet, Inc., no longer regards such information as confidential.

### Summary

HedgeStreet is currently designated as a contract market (“DCM”) and registered as a derivatives clearing organization (“DCO”) with the Commodity Futures Trading Commission (the “Commission”) offering small contract sizes directly to the general public on a fully collateralized basis. HedgeStreet would like to broaden its membership base by allowing a new class of Members (“Clearing Members”) to trade institutional size contracts (“iHedgelets”) in their own accounts and/or for the accounts of their customers with the clearing and settling of such iHedgelets being done in a manner other than on a fully collateralized basis prior to order execution.

Since HedgeStreet’s activities as a DCO are limited to clearing and settling fully collateralized contracts on behalf of its current members, HedgeStreet has entered into a clearing services agreement (“CSA”) with The Clearing Corporation (“CCorp”) in order for CCorp to clear and settle iHedgelets on the HedgeStreet iMarket in a manner other than full collateralization prior to trade execution. CCorp, formally the Board of Trade Clearing Corporation, is a registered clearing organization with the Commission and is authorized to clear and settle contracts in a less restrictive manner than on a fully collateralized basis.

One of the many requirements necessary in order to become a Clearing Member is that such HedgeStreet members must also be members in good standing with CCorp. Other requirements include, but are not limited to, having adequate financial resources, proper supervision of employees that have access to the HedgeStreet Market and proper registration in accordance with the Commodity Exchange Act and Commission Regulation for those Clearing Members trading for any customer account.

Finally, HedgeStreet is in the process of amending its Regulatory Services Agreement with National Futures Association (“NFA”) to provide certain trade practice surveillance, market surveillance and financial surveillance functions on behalf of HedgeStreet. In addition to the current surveillance services provided by NFA, NFA will monitor for such activities as Trading Ahead, Taking the Other Side, Front Running, Crossing, Error Account Activity, and Off-Exchange Large Block Trading pursuant to the terms of the amended RSA

In order to allow for the aforementioned changes to be effectuated, HedgeStreet has submitted new and amended rules and a request to amend its order of designation as a contract market for Commission review and approval in order to be authorized to incorporate intermediation by Clearing Members and larger size contracts that are similar to the current contracts trading on HedgeStreet.

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If you have any questions concerning this submission, please contact me at [sford@hedgestreet.com](mailto:sford@hedgestreet.com).

Sincerely,

Stephanie Ford  
Vice President, Legal & Compliance

Attachments

cc: Ms. Jane Croessmann – CFTC  
Ms. Riva Adriance - CFTC  
Mr. Tom Bloom - CFTC