



**HEDGE
Street**

January 5, 2005

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

2005 JAN -6 AM 8:50

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C.F.T.C.

RE: Junior Market Maker Program

Dear Secretary Webb:

Pursuant to Commission Regulation 40.6(a), HedgeStreet, Inc. ("HedgeStreet"), a designated contract market ("DCM") and derivatives clearing organization ("DCO"), is submitting to the Commission the enclosed Junior Market Maker Program ("Program") that will allow Market Maker participants the opportunity to provide HedgeStreet with an additional source of liquidity for new instruments and will add depth to the market. Each participant will be obliged to facilitate continuous two-sided markets in each of the instruments for which they act as market makers. As is the case for all exchanges, the participants will assume a certain level of risk in order to benefit from the outcome of a small profit incentive. The requirements and incentives for this Program are outlined in Exhibit A.

The purpose of this letter is to notify the Commission of HedgeStreet's intention to initiate the Program on Thursday, January 7, 2005.

The Program

As a fully electronic, non-intermediated, retail-based contract market, HedgeStreet is primarily focused on the retail investor and optimizing his/her trading experience by enhancing the amount of liquidity available on its market. Therefore, HedgeStreet has developed this Program to educate the general public about its products as well as to create greater liquidity in certain instruments that trade on HedgeStreet.

The Program's incentives allow participants to trade on HedgeStreet without incurring any trading fees or settlement fees. In return, the participants will maintain continuous two-sided markets for at least thirty percent (30%) of the time that the specific market is open for trading during a given month. Although dependent upon each market, the minimum contract size for each side of each market shall be at least 10 contracts. With the exception of currency and



commodity-based instruments, the Program is currently applicable to all contracts offered on HedgeStreet.

The Program will be in effect for three (3) months, from the time an agreement is executed by a participating Market Maker.

The terms and conditions of the aforementioned Program are also defined in Exhibit A.

Regulatory Issues

HedgeStreet hereby certifies that the Program complies with the Commodity Exchange Act, as amended, and the Commissions regulations adopted thereunder.

Should you have any questions or require additional information, please do not hesitate to contact the undersigned at (650) 638-3511 or sford@hedgestreet.com.

Sincerely,

Stephanie Ford
Vice President, Legal & Compliance



EXHIBIT A

Junior Market Maker Program Implementation (Best Efforts Basis)

January 2005

<u>Eligible Contracts</u>	<u>HedgeStreet RuleBook Chapter 12 (Rule#)</u>
Consumer Price Index Contracts	12.2
Crude Oil Inventory Contracts	12.3
Federal Funds Rate	12.8
Hospital Service	12.11
HPI Chicago Hedgelet Contracts	12.12
HPI Los Angeles Hedgelet Contracts	12.13
HPI Miami Hedgelet Contracts	12.14
HPI New York Hedgelet Contracts	12.15
HPI San Diego Hedgelet Contracts	12.16
HPI San Francisco Hedgelet Contracts	12.17
ISM Manufacturing PMI Hedgelet Contracts	12.18
Mortgage Rate (1-Year ARMS) Contracts	12.20
Mortgage Rate (30 -Year ARMS) Contracts	12.21
Natural Gas Inventory Contracts	12.22
Nonfarm Payrolls	12.23
Prescription Drug	12.24
Retail Sales	12.25
Residential Heating Oil Contracts	12.26
Residential Propane Contracts	12.27



Program Incentives and Requirements

Incentive	No trading fees, no settlement fees, no fees for FIX connection. This will be the same for all markets.
Trading Timeline Requirements	Market Maker's must show two sided prices at least 30% of the time in a particular month during the trading hours of a given market.
Length of Program	3 months, from the time an agreement is executed.
Minimum Width of Spread (per Market)	10% of the face value of the contract.
Minimum Contract Size (per Market)	Minimum of 10 contracts per side in each market.
Eligibility Requirements	2-way price spread requirements.