



July 6, 2005

VIA EMAIL: secretary@cftc.gov

Ms. Jean A. Webb
Secretary of the Commission
Commodity Futures Trading Commission
3 Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

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OFC. OF THE SECRETARIAT

RE: HedgeStreet® Certification – Amendment to the June 9, 2005 Certification in order to clarify certain Terms and Conditions surrounding the Real-Time Account Funding Program

Dear Secretary Webb:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended (“Act”), and §40.6(a) of the regulations promulgated by the Commodity Futures Trading Commission (the “Commission”) under the Act, HedgeStreet, Inc. (“HedgeStreet”) hereby submits to the Commission further clarification to the Real-Time Account Funding Program (the “Program”) previously submitted to the Commission on June 9, 2005.

Full-Collateralization Requirement

HedgeStreet is registered as a derivatives clearing organization (“DCO”) with the Commission and has been designated as a contract market by the Commission. Pursuant to its amended order¹ as a DCO, HedgeStreet’s activities are currently limited, inter alia, to clearing fully collateralized, cash-settled, futures and options contracts listed for trading on the contract market, HedgeStreet, Inc. Contracts will be considered “fully-collateralized” if HedgeStreet holds, at all times, sufficient funds of each HedgeStreet Member to cover the maximum possible loss that may be sustained by such Member upon liquidation of any or all HedgeStreet contracts to which such Member is a party. Therefore, HedgeStreet must at all times have 100% of the necessary collateral to cover the maximum potential loss of all members prior to trade execution.

The Program

HedgeStreet introduced the Program in order to allow members who have recently funded their account to have a certain amount of funds immediately available to trade on HedgeStreet with the effect of promoting liquidity and orderliness on the market, while still abiding by its obligation of full collateralization in accordance with its order of registration as a DCO.

¹ HedgeStreet was originally registered as a DCO on February 18th, 2004. In order to facilitate the clearing of variable payout hedgelets, HedgeStreet requested that the Commission amend its order of registration as a DCO which was granted by the Commission on December 1, 2004.



Upon receipt of a member's initial deposit in an amount of at least \$100, the Program allows members to receive \$100 in available cash to immediately trade Hedgelets[®] on the market without waiting the requisite period of time for all of the member's funds to clear.²

To ensure compliance with its full collateralization obligation as well as satisfy the terms of the Program, HedgeStreet will deposit its own funds into the HedgeStreet customer segregated funds account as necessary to ensure that the customer segregated funds account is completely collateralized. The amount of HedgeStreet funds that will be deposited into the customer segregated funds account is the greater of (a) \$20,000 or (b) the total of all member deposits made by check for the preceding ten business day period³. This process ensures that HedgeStreet, at all times, has adequate funds immediately available to satisfy the maximum possible loss that may be sustained by any Member upon liquidation of any or all HedgeStreet contracts to which such Member is a party, while allowing HedgeStreet to implement the Program in accordance with its order of registration as a DCO.

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

² In order for the full amount of funds deposited by check to be available to members for trading purposes, HedgeStreet procedures require that it wait 3 – 5 business days before the entire amount of funds deposited are placed into a member's account. This waiting period is to protect HedgeStreet against possible fraudulent activity, including checks that are returned due to insufficient funds or otherwise.

³ The total amount of all member deposits includes the \$100 HedgeStreet makes immediately available to members. For example, if Member A makes an initial deposit by check in an amount of \$8,000 and Member B makes an initial deposit by check in an amount of \$13,000 on the same business day (assuming no other deposits are made on this same business day), HedgeStreet will deposit an additional \$1,000 in to the customer segregated funds account (totaling \$21,000 in the customer segregated funds account) which would adequately cover the \$100 that is immediately made available to both new Members.