



March 21, 2007

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

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

**RE: Rule Certification: HedgeStreet® Defines "4<sup>th</sup> Meeting Contracts" and Re-lists the Federal Funds Binary Contracts, amending the a) Payout Criteria; b) Minimum Tick Size; and c) the Last Trading Date and Settlement Date for the same Contracts – Submission pursuant to Commission Regulation §40.6(a)**

Dear Acting Secretary Donovan:

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 certifies with the Commission its intent to re-list its Federal Funds Binary Contracts (the "Contracts"). HedgeStreet also will be amending a) the Payout Criteria for the Contracts; b) the Minimum Tick Size for the Contracts from \$0.50 to \$1.00; and c) the Contracts' Last Trading Date and Settlement Date. HedgeStreet also defines the term "4<sup>th</sup> Meeting Contracts" with the addition of new Rule 12.1(n).

HedgeStreet intends to implement all amendments to the Contracts at the start of business on Thursday, March 22, 2007.

All amendments to the above-referenced Contracts are defined in Exhibit A. Any rule deletions are stricken out while the amendments and/or additions are underlined.

No substantive opposing views were expressed to HedgeStreet with respect to these amendments.

Should you have any questions regarding the above, please do not hesitate to contact Stephanie Ford by telephone at (650) 638-3511 or by email at [sford@hedgestreet.com](mailto:sford@hedgestreet.com).

Sincerely,

Stephanie Ford  
Vice President, Legal & Compliance

cc: Tom Leahy – CFTC  
Phil Colling – CFTC  
Clarissa Manansala – HedgeStreet, Inc.



**EXHIBIT A**

**Addition of new Rule 12.1(n) and Amendments to Rule 12.25 only**

*(The following new Rule additions are underlined and deletions are stricken out)*

**RULE 12.1 TERMS THAT ARE UNIFORM ACROSS CONTRACTS**

(a) – (m) [unchanged]

(n) 4<sup>TH</sup> MEETING CONTRACTS - mean a Series of Contracts that have a Payout Criterion based on the last reported level of the Underlying at the time the Contract is listed from four (4) meetings back as released by the Source Agency. Unless otherwise specified in these rules, this Series shall have an Expiration Date that is the last of the FOMC meeting scheduled as defined by the Source Agency. For example, if the Source Agency reports a level for the Underlying on March 21st, a 4<sup>th</sup> Meeting Contract will have a Payout Criterion based on the level reported on March 21<sup>st</sup> and will have an Expiration Value based on the level of the Underlying scheduled to be released four (4) scheduled meetings from that date, on September 18<sup>th</sup>.

~~(n)(o)~~ – ~~(q)(r)~~ [except for renumeration, these rules are unchanged]

**RULES 12.2 – 12.24 [unchanged]**

**RULE 12.25 FEDERAL FUNDS BINARY HEDGELET CONTRACTS**

(a) - (e) [unchanged]

(f) **PAYOUT CRITERION** – The Payout Criterion for each Contract will be set by HedgeStreet at the time the Binary Contracts are initially issued. For the Federal Funds Binary Hedgelet Contract, the Payout Criteria for the Contracts will be set as follows:

(i) [unchanged]

(ii) FEDERAL FUNDS BINARY HEDGELET CONTRACTS, THAT HAVE AN EXPIRATION DATE ON THE FOLLOWING



FOMC MEETING DATES: MAY 9<sup>TH</sup> 2007, JUNE 27<sup>TH</sup> 2007 AND JUNE 28<sup>TH</sup> 2007<sup>33</sup>

(1) Binary Hedgelet Contract 1: One Contract will have a Payout Criterion of greater than  $X - 0.50\%$ .

(2) Binary Hedgelet Contract 2: One Contract will have a Payout Criterion of greater than  $X - 0.25\%$ .

(3) Binary Hedgelet Contract 3: One Contract will have a Payout Criterion of greater than  $X$ .

(4) Binary Hedgelet Contract 4: One Contract will have a Payout Criterion of greater than  $X + 0.25\%$ .

(5) Binary Hedgelet Contract 5: One Contract will have a Payout Criterion of greater than  $X + 0.50\%$ .

(6) In each case, "X" is measured as a percentage and equals the last reported Federal Funds Rate reported by the Source Agency at the time the contracts are listed.

(iii) FEDERAL FUNDS BINARY HEDGELET CONTRACTS, THAT HAVE AN EXPIRATION DATE ON THE AUGUST 7<sup>TH</sup> 2007 FOMC MEETING DATE<sup>34</sup>

(1) Binary Hedgelet Contract 1: One Contract will have a Payout Criterion of greater than  $X - 0.75\%$ .

(2) Binary Hedgelet Contract 2: One Contract will have a Payout Criterion of greater than  $X - 0.50\%$ .

(3) Binary Hedgelet Contract 3: One Contract will have a Payout Criterion of greater than  $X - 0.25\%$ .

(4) Binary Hedgelet Contract 4: One Contract will have a Payout Criterion of greater than  $X$ .

<sup>33</sup> The Target Fed Funds Rate is publicly released by the Federal Open Market Committee on a set calendar of release dates coinciding with scheduled FOMC meetings. These release dates can be found by visiting the Federal Open Market Committee's Calendar at <http://www.federalreserve.gov/fomc/#calendars>.

<sup>34</sup> *Supra*, at fn 33.



(5) Binary Hedgelet Contract 5: One Contract will have a Payout Criterion of greater than  $X + 0.25\%$ .

(6) Binary Hedgelet Contract 6: One Contract will have a Payout Criterion of greater than  $X + 0.50\%$ .

(7) Binary Hedgelet Contract 3: One Contract will have a Payout Criterion of greater than  $X + 0.75\%$ .

(8) In each case, "X" is measured as a percentage and equals the last reported Federal Funds Rate reported by the Source Agency at the time the contracts are listed.

(iv) FEDERAL FUNDS BINARY 4<sup>th</sup> MEETING  
HEDGELET CONTRACTS

(1) Binary Hedgelet Contract 1: One Contract will have a Payout Criterion of greater than  $X - 0.75\%$ .

(2) Binary Hedgelet Contract 2: One Contract will have a Payout Criterion of greater than  $X - 0.50\%$ .

(3) Binary Hedgelet Contract 3: One Contract will have a Payout Criterion of greater than  $X - 0.25\%$ .

(4) Binary Hedgelet Contract 4: One Contract will have a Payout Criterion of greater than  $X$ .

(5) Binary Hedgelet Contract 5: One Contract will have a Payout Criterion of greater than  $X + 0.25\%$ .

(6) Binary Hedgelet Contract 6: One Contract will have a Payout Criterion of greater than  $X + 0.50\%$ .

(7) Binary Hedgelet Contract 3: One Contract will have a Payout Criterion of greater than  $X + 0.75\%$ .

(8) In each case, "X" is measured as a percentage and equals the last reported Federal Funds Rate reported by the Source Agency at the time the contracts are listed.

(ii) (v) [except for remuneration, this rule is unchanged]



(g) MINIMUM TICK - The Minimum Tick size for Federal Funds Rate Binary Hedgelets shall be ~~\$0.50~~ \$1.00.

(h) - (i) [unchanged]

(j) LAST TRADING DATE – The Last Trading Date in a Series is the last date prior to the commencement of the scheduled FOMC meeting at the time the Contract is listed. No trading in a Federal Funds Rate Binary Hedgelet may occur after its Last Trading Date.

(k) SETTLEMENT DATE – The Settlement Date for each Series will be the last day of the FOMC meeting one business day following the last day of the scheduled FOMC meeting and the Target Federal Funds Rate data release by the Source Agency.

(l) - (o) [unchanged]

RULES 12.26 – 12.52 [unchanged]

*[End Rulebook]*

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