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May 14, 2009

Via E-Mail: [submissions@cftc.gov](mailto:submissions@cftc.gov)

Mr. David Stawick  
Secretary of the Commission  
Office of the Secretariat  
Commodity Futures Trading Commission  
3 Lafayette Centre  
1155 21<sup>st</sup> Street, N.W.  
Washington D.C. 20581

**RE: Rule Certification: HedgeStreet's Amendment to Change Exchange Hours and Listing of New Korea 200 Binary and Variable Payout Contracts – Submission pursuant to Commission Regulations §§ 40.2 and 40.6(a)**

Dear Mr. Stawick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended ("Act"), and sections 40.2 and 40.6(a) of the regulations promulgated by the Commodity Futures Trading Commission (the "Commission") under the Act (the "Regulations"), HedgeStreet, Inc. ("HedgeStreet") hereby submits to the Commission (1) an amendment to its business hours set forth in Rule 5.11, and (2) the terms and conditions of the HedgeStreet Korea 200 Binary and Variable Payout Contracts. The Binary and Variable Payout Contracts, which are cash-settled option contracts, will have an Expiration Value that is calculated based on an average of the most recent trade prices in the underlying futures contract, the Kospi 200<sup>®</sup> Futures Contract (the "KFC"), immediately prior to such Contract's expiration.

In Exhibit A, HedgeStreet has outlined the amendments to HedgeStreet Rule 5.11 and has set forth the text of new HedgeStreet Rules 12.82 and 12.83 to reflect all of the terms and conditions of the new Binary and Variable Payout Contracts (respectively) in accordance with Commission Regulations §§40.2 and 40.6.

The KFC is traded on the Korea Exchange, which currently lists KFCs with quarterly expirations (March, June, September, and December). It may be offered in the United States pursuant to Commission no-action relief granted in 2008.<sup>1</sup> The KFC is currently a deep and liquid futures market. The index which underlies the KFC is the Kospi<sup>®</sup> 200 Index (the

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<sup>1</sup> On November 26, 2008, the CFTC issued a No-Action Letter to the Korea Exchange with respect to the offer and sale of the KFC in the United States. CFTC Letter No. 08-20, (Nov. 26, 2008).

“Index”). A widely traded cash market currently exists on the Korea Exchange for the securities that comprise the Index.

HedgeStreet has no ownership or other interest in either the cash market for the securities that comprise the Index or the KFC. In addition, HedgeStreet is not affiliated with the Korea Exchange, and neither the Korea Exchange, nor any of its respective affiliates sponsor or endorse HedgeStreet or its products, including the Binary and Variable Payout Contracts, in any way. HedgeStreet, however, is a signatory to the International Information Sharing Memorandum of Understanding & Agreement, as is the Korea Exchange. In addition, HedgeStreet is a member of the Intermarket Surveillance Group (“ISG”) and the Korea Exchange also is an ISG member.

The Binary Contract will be offered with one-day and one-week durations. The Variable Payout Contracts will be offered with one-day durations. With respect to each Contract listed, the underlying futures contract will be the nearest KFC, up to and including the Friday of the week immediately preceding the final settlement of that particular KFC. On the business day that immediately succeeds such a Friday, the underlying futures contract for each Contract will roll over to the next quarterly KFC. Because the Expiration Value of the Contract “rolls over” to the prices of the next-to-expire KFC approximately one week before the expiration the underlying KFC, the Contract will never have an Expiration Value based upon the final settlement price (or an average of trade prices) at a KFC maturity when it converges with the Index value. Thus, the Contract Expiration Value will be linked to the KFC rather than to the Index.

HedgeStreet, as the Source Agency, will calculate an Expiration Value for each Binary and Variable Payout Contract by taking the last twenty-five (25) KFC trade prices immediately prior to the expiration of the Korea 200 Contract, removing the highest five (5) KFC prices and the lowest five (5) KFC prices, using the remaining fifteen (15) KFC prices to calculate the Expiration Value. The calculation is a simple average of all fifteen (15) remaining KFC prices.

The calculation methodology for the Expiration Values mitigates the possibilities of manipulation or any party trading with advance knowledge of the Expiration Value prior to expiration of the Binary or Variable Payout Contract. The underlying KFCs are traded in real-time; it is not possible for an “early” release of KFC trade prices or the relevant Expiration Value for the Binary or Variable Payout Contract to occur, as trading in the Contract on the HedgeStreet exchange ceases concurrently with the fixing of the relevant prices that will be used in calculating the Expiration Value. On the Expiration Date, HedgeStreet will publish on its website the Expiration Value for each listed Binary and Variable Payout Contract at least 20 minutes after that expiration of the Contract.

As explained above, the Binary and Variable Payout Contracts are options on an actively traded broad-based securities index futures contract, the KFC, and the pricing of these contracts will be based solely upon KFC prices. Because the KFC is itself based upon

# HedgeStreet. EXCHANGE

an index which is not a "narrow-based security index" as defined in Section 1a(25) of the Act, these option contracts are within the Commission's exclusive regulatory jurisdiction.

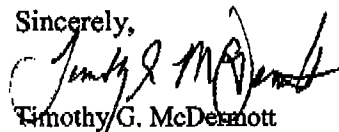
HedgeStreet intends to implement these rule additions and list the Binary and Variable Payout Contracts effective at the start of business on Sunday, May 17, 2009.

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

HedgeStreet hereby certifies that the Binary and Variable Payout Contracts and clearing of these Contracts, including all rules defining the terms and conditions of said Contracts and the extension of the Exchange hours contained herein, comply with the Act, as amended, and the Commission's regulations adopted thereunder.

Should you have any questions regarding the above, please do not hesitate to contact me by telephone at (312) 884-0171 or by email at [tmcdermott@hedgestreet.com](mailto:tmcdermott@hedgestreet.com).

Sincerely,



Timothy G. McDermott  
General Counsel and Chief Regulatory Officer

CC: [DMOSubmission@cftc.gov](mailto:DMOSubmission@cftc.gov)  
Jon Hultquist – CFTC (Acting Branch Chief, DMO, Chicago)  
Tom Leahy – CFTC  
Riva Adriance – CFTC  
Nancy Markowitz – CFTC

Yossi Beinart - HedgeStreet, Inc.

**EXHIBIT A**

**Amendments to Rule 5.11; Addition of Rules 12.82, 12.83**  
*(The following new Rule additions are underlined and deletions are stricken out)*

RULE 1.1 – RULE 5.10 [Unchanged]

**RULE 5.11 HOURS FOR TRADING HEDGELET CONTRACTS**

The Market will be open for execution of your orders during specified hours in a regular evening session from 6:00 p.m. to 2:05 a.m. Eastern Time Sunday through Thursday and a regular session from 8:00 a.m. to 5:00 p.m. Eastern Time ~~and an evening session from 6:00 p.m. to 9:00 p.m. Eastern Time~~ Monday through Thursday, and during a regular session from 8:00 a.m. to 4:00 p.m. Eastern Time on Friday, with the exception of Market holidays, which will be announced on the HedgeStreet website at least 30 calendar days in advance. You may access account information and cancel any open orders while the Market is closed, but you may not enter or modify orders unless the Market is open.

RULE 5.12 – RULE 12.81 [Unchanged]

**RULE 12.82 HEDGESTREET KOREA 200 BINARY HEDGELET CONTRACTS**

(a) SCOPE – These Rules shall apply to the Class of Contracts referred to as the Korca 200 Binary Hedgelet Contracts issued by HedgeStreet.

(b) UNDERLYING – The Underlying for this Class of Binary Contracts is the price (in Korean Won Currency) of the Kospi<sup>®</sup> 200 Index Futures contracts (“KFC”) traded on the Korea Exchange<sup>®1</sup>. The KFC trade prices that will be used for the Underlying will be taken from four (4) KFC delivery months: March, June, September, or December (each a “KFC Delivery Month”). The specific KFC Delivery Month that will be used as the Underlying will be based on the KFC represented in the following schedule of dates for March 2009 through March 2010:

<u>Start Date</u>	<u>End Date</u>	<u>KFC Delivery Month Used as the Underlying and to Calculate the Expiration Value</u>
<u>3/7/2009</u>	<u>6/5/2009</u>	<u>Korea Exchange Kospi 200 Index June 2009 Future (expires 6/11/09)</u>

<sup>1</sup> Kospi<sup>®</sup> is a registered mark of the Korea Exchange. HedgeStreet, Inc. is not affiliated with the Korea Exchange, and neither the Korea Exchange nor its affiliates sponsor or endorse HedgeStreet, Inc. or its products in any way. In particular, the HedgeStreet Korea 200 Contracts are not sponsored, endorsed, sold or promoted by the Korea Exchange.

<u>6/6/2009</u>	<u>9/4/2009</u>	<u>Korea Exchange Kospi 200 Index September 2009 Future (expires 9/10/09)</u>
<u>9/5/2009</u>	<u>12/4/2009</u>	<u>Korea Exchange Kospi 200 Index December 2009 Future (expires 12/10/09)</u>
<u>12/5/2009</u>	<u>3/5/2010</u>	<u>Korea Exchange Kospi 200 Index March 2010 Future (expires 3/11/10)</u>

On the date listed in the 'Start Date' column above, the KFC trade prices to be used for the Underlying and to calculate the Expiration Value will be the KFC trade prices for the corresponding KFC Delivery Month listed. For instance, beginning on June 6, 2009, HedgeStreet will use the Korea Exchange Kospi 200 Index September 2009 future prices as the Underlying and will use trade prices for the September 2009 Kospi 200 Index futures contract to calculate the Expiration Value on the Expiration Date for the relevant Korea 200 Binary Contract.

(c) SOURCE AGENCY – The Source Agency is HedgeStreet.

(d) TYPE – The type of Contract is a Binary Hedgelet Contract.

(e) ISSUANCE – For each planned release by the Source Agency of the Underlying, HedgeStreet will issue various Hedgelet Contracts, each of a different Series. A new issuance of Hedgelet Contracts will commence no later than two (2) business days following the Expiration Date.

(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 Korea 200 Binary Hedgelet Contract, the Payout Criteria for the Contracts will be set as follows:

(i) DAILY KOREA 200 BINARY HEDGELET CONTRACTS, 2:05 AM (ET) CLOSE

(1) Binary Hedgelet Contract 1: One Contract will have a Payout Criterion of greater than X – 3.5.

(2) Binary Hedgelet Contract 2: One Contract will have a Payout Criterion of greater than X - 3.

(3) Binary Hedgelet Contract 3: One Contract will have a Payout Criterion of greater than X – 2.50.

(4) Binary Hedgelet Contract 4: One Contract will have a Payout Criterion of greater than X - 2.

(5) Binary Hedgelet Contract 5: One Contract will have a Payout Criterion of greater than X – 1.50.

(6) Binary Hedgelet Contract 6: One Contract will have a Payout Criterion of greater than  $X - 1$ .

(7) Binary Hedgelet Contract 7: One Contract will have a Payout Criterion of greater than  $X - 0.50$ .

(8) Binary Hedgelet Contract 8: One Contract will have a Payout Criterion of greater than  $X$ .

(9) Binary Hedgelet Contract 9: One Contract will have a Payout Criterion of greater than  $X + 0.50$ .

(10) Binary Hedgelet Contract 10: One Contract will have a Payout Criterion of greater than  $X + 1$ .

(11) Binary Hedgelet Contract 11: One Contract will have a Payout Criterion of greater than  $X + 1.5$ .

(12) Binary Hedgelet Contract 12: One Contract will have a Payout Criterion of greater than  $X + 2$ .

(13) Binary Hedgelet Contract 13: One Contract will have a Payout Criterion of greater than  $X + 2.50$ .

(14) Binary Hedgelet Contract 14: One Contract will have a Payout Criterion of greater than  $X + 3$ .

(15) Binary Hedgelet Contract 15: One Contract will have a Payout Criterion of greater than  $X + 3.5$ .

(16) In each case above, "X" equals the Korea 200 reference price, as calculated by the Source Agency, rounded to the nearest 0.50.

(ii) WEEKLY KOREA 200 BINARY HEDGELET CONTRACTS,  
2:05 AM (ET) CLOSE

(1) Binary Hedgelet Contract 1: One Contract will have a Payout Criterion of greater than  $X - 9$ .

(2) Binary Hedgelet Contract 2: One Contract will have a Payout Criterion of greater than  $X - 7.50$ .

(3) Binary Hedgelet Contract 3: One Contract will have a Payout Criterion of greater than  $X - 6$ .

(4) Binary Hedgelet Contract 4: One Contract will have a Payout Criterion of greater than  $X - 4.50$ .

(5) Binary Hedgelet Contract 5: One Contract will have a Payout Criterion of greater than  $X - 3$ .

(6) Binary Hedgelet Contract 6: One Contract will have a Payout Criterion of greater than  $X - 1.50$ .

(7) Binary Hedgelet Contract 7: One Contract will have a Payout Criterion of greater than  $X$ .

(8) Binary Hedgelet Contract 8: One Contract will have a Payout Criterion of greater than  $X + 1.50$ .

(9) Binary Hedgelet Contract 9: One Contract will have a Payout Criterion of greater than  $X + 3$ .

(10) Binary Hedgelet Contract 10: One Contract will have a Payout Criterion of greater than  $X + 4.50$ .

(11) Binary Hedgelet Contract 11: One Contract will have a Payout Criterion of greater than  $X + 6$ .

(12) Binary Hedgelet Contract 12: One Contract will have a Payout Criterion of greater than  $X + 7.50$ .

(13) Binary Hedgelet Contract 13: One Contract will have a Payout Criterion of greater than  $X + 9$ .

(14) In each case above, "X" equals the Korea 200 reference price, as calculated by the Source Agency, rounded to the nearest value ending in either 0.25 or 0.75.

(iii) HedgeStreet may list additional Korea 200 Binary Hedgelet Contracts with different ranges of Payout Criteria on a discretionary basis in accordance with the CEA and Commission Regulations.

(g) MINIMUM TICK – The Minimum Tick size for the Korea 200 Binary Hedgelet Contracts shall be \$0.25.

(h) REPORTING LEVEL – The Reporting Level for the Korea 200 Binary Hedgelets shall be 1,750 Contracts.

(i) POSITION LIMIT – The Position Limits for the Korea 200 Binary Hedgelets shall be 2,500 Contracts.

(j) LAST TRADING DATE – The Last Trading Date in a Series is the same date as the Expiration Date.

(k) SETTLEMENT DATE – The Settlement Date in a Series is the same date as the Expiration Date.

(l) EXPIRATION DATE – The Expiration Date of the Contract will be the date for which the relevant KFC daily settlement price is released by the Source Agency.

(m) SETTLEMENT VALUE – The Settlement Value is the amount paid to the holder of the in-the-money Contract on the Settlement Date. The Settlement Value of an in-the-money Korea 200 Binary Hedgelet Contract is \$100.

(n) EXPIRATION VALUE – The Expiration Value is the level of the Korea 200 release number on the Expiration Date. The Expiration Value is calculated by the Source Agency by taking the last twenty-five (25) KFC trade prices just prior to the close of trading of the Korea 200 Binary Contract and removing the highest five (5) KFC trade prices and the lowest five (5) KFC trade prices, using the remaining fifteen (15) KFC trade prices to calculate the Expiration Value. The calculation used is a simple average of all fifteen (15) remaining KFC trade prices.

(o) CONTINGENCIES – If no daily settlement price of the relevant KFC is announced by the Source Agency, the Settlement Date will be delayed until such daily settlement price for that Series is released and publicly available.

**RULE 12.83 KOREA 200 VARIABLE PAYOUT CONTRACTS**

(a) SCOPE – These Rules shall apply to the Class of Contracts referred to as the Korea 200 Variable Payout Hedgelet Contracts issued by HedgeStreet.

(b) UNDERLYING – The Underlying for this Class of Contracts is the price (in Korean Won Currency) of the Kospi<sup>®</sup> 200 Index Futures contracts (“KFC”) traded on the Korea Exchange<sup>®</sup>.<sup>2</sup> The KFC trade prices that will be used for the Underlying will be taken from four (4) KFC delivery months: March, June, September, or December (each a “KFC Delivery Month”). The specific KFC Delivery Month that will be used as the Underlying will be based on the KFC represented in the following schedule of dates for March 2009 through March 2010:

<u>Start Date</u>	<u>End Date</u>	<u>KFC Delivery Month Used as the Underlying and to</u>
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<sup>2</sup> Kospi<sup>®</sup> is a registered mark of the Korea Exchange. HedgeStreet, Inc. is not affiliated with the Korea Exchange, and neither the Korea Exchange nor its affiliates sponsor or endorse HedgeStreet, Inc. or its products in any way. In particular, the HedgeStreet Korea 200 Contracts are not sponsored, endorsed, sold or promoted by the Korea Exchange.



		<b>Calculate the Expiration Value</b>
<u>3/7/2009</u>	<u>6/5/2009</u>	<u>Korea Exchange Kospi 200 Index June 2009 Future (expires 6/11/09)</u>
<u>6/6/2009</u>	<u>9/4/2009</u>	<u>Korea Exchange Kospi 200 Index September 2009 Future (expires 9/10/09)</u>
<u>9/5/2009</u>	<u>12/4/2009</u>	<u>Korea Exchange Kospi 200 Index December 2009 Future (expires 12/10/09)</u>
<u>12/5/2009</u>	<u>3/5/2010</u>	<u>Korea Exchange Kospi 200 Index March 2010 Future (expires 3/11/10)</u>

On the date listed in the 'Start Date' column above, the KFC trade prices to be used for the Underlying and to calculate the Expiration Value will be the KFC trade prices for the corresponding KFC Delivery Month listed. For instance, beginning on June 6, 2009, HedgeStreet will use the Korea Exchange Kospi 200 Index September 2009 future prices as the Underlying and will use trade prices for the September 2009 Kospi 200 Index futures contract to calculate the Expiration Value on the Expiration Date for the relevant Korea 200 Variable Payout Contract.

(c) SOURCE AGENCY – The Source Agency is HedgeStreet.

(d) TYPE – The Type of Contract is a Variable Payout Hedgelet Contract.

(e) ISSUANCE – For each planned release by the Source Agency of the Underlying, HedgeStreet will issue various Hedgelet Contracts, each of a different Series. A new issuance of Hedgelet Contracts will commence no later than two (2) business days following the Expiration Date.

(f) PAYOUT CRITERION – The Payout Criterion for each Contract will be set by HedgeStreet at the time the Variable Payout Contracts are initially issued. For the Korea 200 Variable Payout Hedgelet Contract, the Payout Criteria for the Contracts will be set as follows:–

(i) DAILY VARIABLE KOREA 200 CONTRACTS, 2:05 AM ET CLOSE SPREAD - At the commencement of trading in a Daily Spread Korea 200 Variable Payout Contract, HedgeStreet shall list one (1) Variable Payout Contract, referred to as a 'Spread', which conforms to one of the Payout Criteria listed below as determined by HedgeStreet at the time of listing:

(1) DAILY VARIABLE PAYOUT CONTRACT 'SPREAD' - 1

(aa) CAP – The Cap shall be X + 12.

(bb) FLOOR – The Floor shall be X – 12.

(cc) DOLLAR MULTIPLIER – The Dollar Multiplier shall be 10.

(2) DAILY VARIABLE PAYOUT CONTRACT 'SPREAD' - 2

(aa) CAP – The Cap shall be  $X + 9$ .

(bb) FLOOR – The Floor shall be  $X - 9$ .

(cc) DOLLAR MULTIPLIER – The Dollar Multiplier shall be 10.

(3) DAILY VARIABLE PAYOUT CONTRACT 'SPREAD' - 3

(aa) CAP – The Cap shall be  $X + 6$ .

(bb) FLOOR – The Floor shall be  $X - 6$ .

(cc) DOLLAR MULTIPLIER – The Dollar Multiplier shall be 10.

(4) In each case, "X" equals the last KFC trade price, as reported by the Source Agency, rounded to the nearest 1.

(ii) DAILY VARIABLE KOREA 200 CONTRACTS, 2:05 AM ET CLOSE NARROW SPREAD - At the commencement of trading in a Daily Narrow Spread Korea 200 Variable Payout Contract, HedgeStreet shall list a set of five (5) Variable Payout Contracts with overlapping ranges, referred to as 'Narrow Spreads', which conform to one of the Payout Criteria listed below as determined by HedgeStreet at the time of listing:

(1) DAILY VARIABLE PAYOUT CONTRACT 'NARROW SPREAD' - SET 1

(aa) CONTRACT 1: The Cap shall be  $X - 4$ ; The Floor shall be  $X - 12$ .

(bb) CONTRACT 2: The Cap shall be  $X$ ; The Floor shall be  $X - 8$ .

(cc) CONTRACT 3: The Cap shall be  $X + 4$ ; The Floor shall be  $X - 4$ .

(dd) CONTRACT 4: The Cap shall be  $X + 8$ ; The Floor shall be  $X$ .

(ee) CONTRACT 5: The Cap shall be  $X + 12$ ; The Floor shall be  $X + 4$ .

(ff) DOLLAR MULTIPLIER – The Dollar Multiplier shall be 10.

(2) DAILY VARIABLE PAYOUT CONTRACT 'NARROW SPREAD' - SET 2

(aa) CONTRACT 1: The Cap shall be  $X - 3$ ; The Floor shall be  $X - 9$ .

(bb) CONTRACT 2: The Cap shall be  $X$ ; The Floor shall be  $X - 6$ .

(cc) CONTRACT 3: The Cap shall be  $X + 3$ ; The Floor shall be  $X - 3$ .

(dd) CONTRACT 4: The Cap shall be X + 6; The Floor shall be X.

(ee) CONTRACT 5: The Cap shall be X + 9; The Floor shall be X + 3.

(ff) DOLLAR MULTIPLIER – The Dollar Multiplier shall be 10.

**(3) DAILY VARIABLE PAYOUT CONTRACT 'NARROW SPREAD' - SET 3**

(aa) CONTRACT 1: The Cap shall be X – 2; The Floor shall be X – 6.

(bb) CONTRACT 2: The Cap shall be X; The Floor shall be X – 4.

(cc) CONTRACT 3: The Cap shall be X + 2; The Floor shall be X - 2.

(dd) CONTRACT 4: The Cap shall be X + 4; The Floor shall be X.

(ee) CONTRACT 5: The Cap shall be X + 6; The Floor shall be X + 2.

(ff) DOLLAR MULTIPLIER – The Dollar Multiplier shall be 10.

(4) In each case, "X" equals the last KFC trade price, as reported by the Source Agency, rounded to the nearest 1.

(iii) HedgeStreet may list additional Variable Payout Hedgelet Contracts with different ranges of Payout Criteria on a discretionary basis in accordance with the CEA and Commission Regulations.

(g) **MINIMUM TICK** – The Minimum Tick size for Korea 200 Variable Payout Hedgelets shall be 0.10.

(h) **REPORTING LEVEL** – The Reporting Level for the Korea 200 Variable Payout Hedgelets shall be 2,083 Contracts.

(i) **POSITION LIMIT** – The Position Limits for Korea 200 Variable Payout Hedgelets shall be 41,666 Contracts.

(j) **LAST TRADING DATE** – The Last Trading Date of the Contract is the same date as the Settlement Date.

(k) **SETTLEMENT DATE** – The Settlement Date of the Contract shall be the same date as the Expiration Date.

(l) **EXPIRATION DATE** – The Expiration Date of the Contract shall be the date on which the Korea 200 Expiration Value is released by the Source Agency.

(m) **SETTLEMENT VALUE** – The Settlement Value is the amount paid to the holder of either a Short or Long Variable Payout Contract on Settlement Date. The

Settlement Value of a Variable Payout Hedgelet Contract is determined as described in the definition for Long and Short Variable Payout Hedgelet Contracts.

(n) EXPIRATION VALUE – The Expiration Value is the price or value of Korea 200 released by the Source Agency on the Expiration Date. The Expiration Value is calculated by the Source Agency by taking the last twenty-five (25) KFC trade prices just prior to the close of trading of the Korea 200 Variable Contract and removing the highest five (5) KFC trade prices and the lowest five (5) KFC trade prices, using the remaining fifteen (15) KFC trade prices to calculate the Expiration Value. The calculation used is a simple average of all fifteen (15) KFC trade prices.

(o) CONTINGENCIES – If no level is actually announced on the Expiration Date due to a delay, postponement or otherwise in such release announcement by the Source Agency, the Settlement Date will be delayed until the Underlying number is released for that Series.

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