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June 17, 2005

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

**RE: HedgeStreet, Inc. – Amending HedgeStreet Rule 5.13(a) to Define Member Penalties for Violations of said Rule**

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 amendments to HedgeStreet Rule 5.13(a) (the “Rule”) in order to define penalties for Members who are in violation of said Rule. HedgeStreet also adds new Rule 9.5(b) to inform Members that they may be fined as a penalty of violating rules of HedgeStreet. These Rule amendments are intended to impose the following penalties if a Member violates Rule 5.13(a).

- Upon the discovery of a Member violating the Rule for the first time within a calendar year, HedgeStreet will debit the account of the Member a penalty fee per incident in an amount of \$10;
- Upon the discovery of a Member violating the Rule for the second time within a calendar year, HedgeStreet will debit the account of the Member a penalty fee per incident in an amount of \$10 and require that the Member re-certify that the Member has read and agreed to be bound by this Rule 5.13(a);
- Upon the discovery of a Member violating the Rule for the third time within a calendar year, HedgeStreet will debit the account of the Member a penalty fee per incident in an amount of \$15 and, require that the Member satisfactorily explain the reason for violating Rule 5.13(a). If a satisfactory answer is not received within a reasonable period of time, the Member’s trading privileges will be suspended for 30 days;
- Upon the discovery of a Member violating the Rule for the fourth time within a calendar year, HedgeStreet will debit the account of the Member per incident a penalty fee in an amount of \$20 and suspend the Member’s membership privileges for a period of no less than 30 days, regardless of the explanation received by the Member;
- Upon the discovery of a Member violating the Rule for the fifth time within a calendar year, HedgeStreet will debit the account of the Member per incident a penalty fee in an amount of \$25, and suspend the Member’s membership privileges



- for period of no less than 6 months, regardless of the explanation received by the Member;
- Upon discovery of a Member violating the Rule for the sixth time within a calendar year, HedgeStreet will debit the account of the Member a penalty fee in an amount of no less than \$30, and revoke the Member's membership privileges

The purpose of this letter is to notify the Commission of HedgeStreet's intention to implement the Rule amendments contained herein on Monday, June 20, 2005.

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

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](mailto:sford@hedgestreet.com).

Sincerely,

Stephanie Ford  
Vice President, Legal & Compliance

cc: Clarissa Manansala – HedgeStreet, Inc.



## EXHIBIT A

### RULE 5.13 PROHIBITED TRANSACTIONS AND ACTIVITIES

(a) You are prohibited from entering orders on the Market if there are insufficient funds or Contracts in your account to satisfy such orders if they are executed. Subject to the conditions set forth in Rule 9.2(f) and Rule 9.6, if you violate this Rule, the following penalties shall apply:

<u>Number of Per Incident Violations Within a Calendar Year</u>	<u>Penalty</u>
<u>1</u>	<u>\$10 fee deducted from your account</u>
<u>2</u>	<u>\$10 fee deducted from your account, and you will be required to re-certify that you have read and agree to be bound by this Rule 5.13(a).</u>
<u>3</u>	<u>\$15 fee deducted from your account, and you will be required to give a satisfactory explanation as to why the Rule violation occurred, or your trading privileges will be suspended for 30 days</u>
<u>4</u>	<u>\$20 fee deducted from your account and suspension of your trading privileges for 30 days (regardless of explanation)</u>
<u>5</u>	<u>\$25 fee deducted from your account and suspension of your trading privileges for 6 months (regardless of explanation)</u>
<u>6</u>	<u>\$30 fee and revocation of trading privileges (regardless of explanation)</u>

### RULE 9.5 PENALTIES

As a result of a disciplinary proceeding or as part of a settlement, HedgeStreet may impose one or more of the following penalties:

- (a) a letter of warning, censure, or reprimand;
- (b) a fine or penalty fee;
- (b) (c) suspension of membership status or privileges for a specified period, including partial suspension of such privileges (for example, suspension of trading



privileges in particular types of Contracts or of placement of certain types of orders); and

(e) (d) revocation of membership status or privileges, including partial revocation of such privileges (for example, revocation of trading privileges in particular types of Contracts or of placement of certain types of orders).