



07/27/04 10:01 AM

July 26, 2004

**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: Self-Certification filing amending HedgeStreet Rule 4.1, 4.3, 4.5, 4.6**

Dear Secretary Webb:

In accordance with Commission Regulation 40.6(a)(2) and (3), HedgeStreet, Inc. ("HedgeStreet") hereby files with the Commission the amendments described below with the text of the rules stated in Exhibit A. The rule deletions are stricken out and the amendments or additions are underlined. HedgeStreet intends to implement these amendments on July 27, 2004. No substantive opposing views were expressed to HedgeStreet with respect to these amendments. HedgeStreet hereby certifies that HedgeStreet's Rules, as amended by these amendments, comply with the Commodity Exchange Act, as amended, and the Commission's regulations adopted thereunder.

**DESCRIPTION OF AMENDMENTS**

**Rule 4.1, 4.3, 4.5 & 4.6**

HedgeStreet has changed these rules to remove the requirement of market makers to maintain a line of credit with a Financial Institution, as that term is defined in HedgeStreet Rule 1.1(d).



## EXHIBIT A

### CHAPTER 4 MARKET MAKERS

#### RULE 4.1 REGISTRATION OF MARKET MAKERS

(a) In order to become a Market Maker you must already be a Member of HedgeStreet in good standing. A Member shall file a written Market Maker application with HedgeStreet. ~~and submit with its application, verification that a line of credit has been established with a Financial Institution.~~ HedgeStreet shall consider such factors as business reputation, financial resources and trading activity in relevant futures, options or related cash markets in determining whether to approve a Market Maker application.

(b) [unchanged]

RULE 4.2 [unchanged]

#### RULE 4.3 APPOINTMENT OF MARKET MAKERS

(a) HedgeStreet shall appoint Market Makers to certain Classes of Contracts (“Designated Classes”) traded on HedgeStreet. In making such appointments, HedgeStreet shall consider (i) the financial resources available to the Market Maker, ~~including a line of credit established with a Financial Institution,~~ and (ii) the Market Maker’s experience in market making in futures, options and other derivative products.

(b) – (d) [unchanged]

RULE 4.4 [unchanged]

#### RULE 4.5 OBLIGATIONS OF MARKET MAKERS

(b) General – Transactions of Market Makers should constitute a course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market, and Market Makers shall not make bids or offers or enter into transactions that are inconsistent with such a course of dealings. Ordinarily, Market Makers shall be obligated to do the following:

(i) trade for the proprietary account of the market maker only – customer accounts may not be traded on HedgeStreet.



(ii) maintain two-sided displayed quotes at a predefined spread (“Spread”) for a Series of Contracts for a certain period of time throughout the trading day. In ordinary market conditions, quotes must be made within a maximum Spread. This Spread will be set at the time a Series is opened for trading and will be set in accordance with the maximum loss a Market Maker may incur by quoting within the Spread. In fast market conditions, Market Makers will be permitted to widen their Spreads to a level that will be set at the time a Series is opened for trading.

(c) A Market Maker has a continuous obligation to engage, to a reasonable degree under the existing circumstances, in dealings for the account of the Market Maker when there exists, or it is reasonably anticipated that there will exist, a lack of price continuity or a temporary disparity between the supply of and demand for quotations in a Series of a Designated Class to which the Market Maker is appointed. Without limiting the foregoing, a Market Maker is expected to perform the following activities in the course of maintaining a fair and orderly market;

(i) To post bid and ask quotations in all Designated Classes to which the Market Maker is appointed that, absent changed market conditions, will be honored by the Market Maker.

(ii) To update quotations in response to changed market conditions in all Designated Classes to which the Market Maker is appointed

(d) Like other Members of HedgeStreet, a Market Maker may not place an order unless it has the funds in its HedgeStreet account necessary to fulfill its obligations under that order.

#### RULE 4.6 — LINE OF CREDIT

~~(a) No Market Maker shall effect any transaction as a Market Maker on HedgeStreet unless a line of credit of not less than \$1,000,000 has been established by such Market Maker at a Financial Institution and, approved by HedgeStreet for the purpose of establishing an immediate source of funding for the Market Maker’s account at HedgeStreet in order to finance its trading in that account. (Like other Members of HedgeStreet, a Market Maker may not place an order unless it has the funds in its HedgeStreet account necessary to fulfill its obligations under that order.)~~

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Should you have any questions regarding the above, please do not hesitate to contact me.

Sincerely,

Stephanie Ford  
Vice President, Legal & Compliance