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September 8, 2004

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

**RE: Self-Certification filing amending HedgeStreet Rule 1.1(r), 5.4(b) –
(f), 5.5(b), (e)**

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 September 9, 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 ADDITIONS AND AMENDMENTS

Rule 1.1(r)

HedgeStreet has clarified this definition to indicate that all fees can be found on HedgeStreet's website.

Rule 5.4(b) - (f) and Rule 5.5(b), (e)

HedgeStreet has amended Rule 5.4(b), (f), 5.5(b) and (e), and added Rule 5.4(d) and Rule 5.4(e) to permit a market maker to enter buy and sell orders without having the necessary funds/contracts in its account at the time the order is entered. Instead, for sell orders, the market maker must have those contracts in its account at the time the order is executed or must have sufficient funds to subscribe for the number of Hedgelet Pairs necessary to fill that sell order at the time the order is executed. Conversely, for buy orders, market makers must have sufficient funds to purchase the number of Contracts necessary to fill the buy order at the time the order is executed. This rule change will permit market makers to provide additional



liquidity to the market while still requiring all Contracts to be fully paid-up at the time they are issued or purchased on the market.

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

Sincerely,

Stephanie Ford
Vice President, Legal & Compliance



EXHIBIT A

RULE 1.1 DEFINITIONS

When used in these Rules;

(a) – (q) [unchanged]

(r) **“Subscription” or “Buying Both”** means purchasing a Hedgelet Pair from HedgeStreet for \$10 less any Subscription fees specified elsewhere in these Rules or on the HedgeStreet website.

(s) – (t) [unchanged]

RULE 4.4 BENEFITS OF BECOMING A MARKET MAKER

(a) – (b) [unchanged]

(c) Market Makers shall have the ability to enter Market Maker Orders as defined in Rule 5.4(d) and Rule 5.4(e).

(d) [except for renumbering, this rule is unchanged]

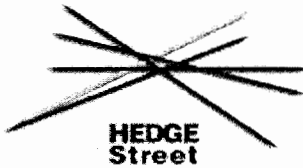
RULE 5.4 TRADING CONTRACTS

(a) [unchanged]

(b) For orders other than Market Maker sell and buy orders (which are subject to Rule 5.4(d) and 5.4(e) respectively (“Market Maker Orders”)), bBefore your order is accepted by the Market, the Market performs the following checks:

(i) if your order is to sell one or more Fixed Payout Hedgelet Contracts, HedgeStreet will check your account to ensure you have the number of Contracts you are attempting to sell. If you do, HedgeStreet will place your order on the Market and “block” the Fixed Payout Hedgelet Contracts you are attempting to sell. Such Contracts will remain blocked and unavailable for any other purpose until the order is modified or cancelled. If you do not have the necessary Fixed Payout Hedgelet Contracts in your account, HedgeStreet will cancel your order prior to placing it in the order book.

(ii) if your order is to purchase one or more Fixed Payout Hedgelet Contracts, HedgeStreet will check your account to ensure you have the funds necessary to complete the purchase. If you do have the necessary funds in your



account, HedgeStreet will place your order on the Market and “block” the funds in your account necessary to complete the purchase. Such funds will remain blocked and unavailable for any other purpose unless the order is modified or cancelled. If you do not have the necessary funds in your account, HedgeStreet will cancel your order prior to placing it in the order book.

(c) Upon trade execution for any order other than Market Maker Orders, HedgeStreet will debit the account of the buyer(s) and credit the account of the seller(s) of the Contract, adjust the Contracts in your account and the account of the other Member(s) in accordance with the matched trade, and inform you by electronic mail that the trade has been executed.

(d) Notwithstanding anything to the contrary in Rules 5.4(b)(i) or 5.4(c), each Market Maker shall have the ability to enter sell orders on the market without having the Contracts to be sold in its account at the time of order acceptance by HedgeStreet, and without HedgeStreet “blocking” Contracts necessary to satisfy such sell orders. Instead, a Market Maker sell order will be placed on the Market immediately when entered. When a Market Maker sell order is matched with a buy order from another Member, HedgeStreet will check the Market Maker’s account to determine whether the Market Maker has the number of Contracts necessary to fill the sell order.

(i) If the Market Maker does have the necessary number of Contracts, HedgeStreet will execute the trade.

(ii) If the Market Maker does not have the necessary number of Contracts in its account to fill the sell order, HedgeStreet will check the Market Maker’s account to determine if the account has sufficient funds to pay for the number of Hedgelet Pairs equal to the number of Contracts in the sell order, minus the sale price of the Contracts in the sell order, plus the fees (if any) the Market Maker will be charged for the Subscriptions and the execution of the sell order.

(1) If the Market Maker has the necessary funds, HedgeStreet will simultaneously Subscribe for the account of the Market Maker the number of Pairs containing the Contract to be sold equal to the number of Contracts to be sold, sell the Contracts to be sold, debit the Market Maker’s account with the difference between the sale price and the cost of the Subscription, credit the sale price and the amount debited from the Market Maker’s account to the HedgeStreet settlement account, debit the Market Maker’s account with any fees and credit the fees to the HedgeStreet proprietary account, and credit the Market Maker’s account with the Contracts in the Pair that were Subscribed for but not sold.



(i) For example, if the Market Maker's order is to sell 10 "Yes" Contracts for \$4, the Market Maker's account contains none of those Contracts but does contain \$70, and the cost to the Market Maker of executing the trade would be \$1.00, when the sell order is matched, HedgeStreet will for the account of the Market Maker Subscribe for 10 Pairs containing the "Yes" Contract, sell the 10 "Yes" Contracts for \$40, debit the Market Maker's account \$60, credit the \$100 from the proceeds of the sale and the debit to the Market Maker's account to the HedgeStreet settlement account as payment for the 10 Pairs, debit the Market Maker's account \$1 for the cost of the trade, credit that \$1 to the HedgeStreet proprietary account, and leave the 10 "No" Contracts that remain from the 10 Pairs Subscribed for in the Market Maker's account. This process is called "Subscription on Demand."

(2) If the Market Maker does not have the Contracts or the necessary funds in its account to pay for the Subscription on Demand when the sell order is matched with a buy order, the sell order will be canceled by HedgeStreet and removed from the order book.

(e) Notwithstanding anything to the contrary in 5.4(b)(ii) or 5.4(c), each Market Maker shall have the ability to enter a buy orders on the market without having the necessary funds available in its account at the time of order acceptance by HedgeStreet, and without HedgeStreet "blocking" the necessary funds to satisfy such buy orders. Instead, a Market Maker buy order will be placed on the Market immediately when entered. When a Market Maker buy order is matched with a sell order from another Member, HedgeStreet will check the Market Maker's account to determine whether the Market Maker has the necessary funds to cover the cost of the buy order.

(i) If the Market Maker does have the necessary funds, HedgeStreet will execute the trade.

(ii) If the Market Maker does not have the necessary funds in its account to purchase the Contracts when the buy order is matched with a sell order, the buy order will be cancelled by HedgeStreet and removed from the order book.

(d) (f) If your order is placed on the market and not immediately matched by an order from another Member, it will rest on the market until it is matched and executed in accordance with the procedures in paragraphs (b) and ~~(e)-(e)~~ of this Rule, until you cancel it, or until it is cancelled by HedgeStreet upon the Expiration of the Series or otherwise in accordance with these Rules.



RULE 5.5 ORDER ENTRY

(a) – (c) [unchanged]

(d) Upon entry of an order to Subscribe for or Redeem a Hedgelet Pair or to trade one or more Contracts, you will be required to confirm the order before it is sent to HedgeStreet. If the order is accepted by HedgeStreet after the checks described in Rules ~~5.5 (b)~~ 5.4(b), (d) and (e), HedgeStreet will send to you by electronic mail an order confirmation number. You will be responsible for any and all order entries confirmed for your account and accepted by HedgeStreet.

(e) HedgeStreet's trading system will keep an electronic record of all Subscriptions and Redemptions for Hedgelet Pairs, all orders to trade Contracts, and all executed Contract trades, and the record kept by HedgeStreet will include all of the terms identified in paragraphs (b) ~~and (e) - (e)~~ of this Rule as well as the date and time, to the nearest tenth of a second, that the transaction was completed.