

**DRAFT**

**HEDGESTREET, INC. INSTITUTIONAL**

**RULES**

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## RULES OF HEDGESTREET, INC.

### INTRODUCTION

The Commodity Exchange Act (“CEA”) requires that HedgeStreet and other contract markets and derivatives clearing organizations adopt rules governing the way they conduct their business. Those rules generally must be filed with the Commodity Futures Trading Commission (“Commission”) and generally cannot be amended without giving notice to the Commission, which can reject proposed rules and proposed amendments to existing rules. The following rules are the rules of HedgeStreet (“Rules”) that inform you of how the HedgeStreet intermediated market (the “Market”) operates and of your rights and obligations as a Clearing Member of the Market. Please remember that these Rules may be amended in the future, and if they are amended, all Members will be required to abide by the Rules as amended. HedgeStreet will notify all Members any time there is an amendment to the Rules.

### CHAPTER 1 DEFINITIONS

#### RULE 1.1 DEFINITIONS.

When used in these Rules:

(a) “Authorized Trader” means an individual or individuals employed by a Clearing Member who is authorized by that Clearing Member to have direct access to HedgeStreet, provided the Clearing Member maintains supervisory authority over such individual(s) trading activities.

(b) ~~(a)~~ “Cap” means the maximum rate, level, amount, measure or other value of the Underlying of a Variable Payout ~~Hedgelet~~ iHedgelet Contract that may be the Expiration Value or the Closing Trade Value. If the actual rate, level, amount, measure, or other value of the Underlying meets or exceeds the Cap on the Expiration Date, the Cap will be the Expiration Value.

(c) ~~(b)~~ “Class” means all ~~Hedgelets~~ iHedgelets of the same Type with the same Underlying.

(d) “Clearing Corporation” (“CCorp”) means the derivatives clearing organization designated by HedgeStreet, to clear transactions effected by Clearing Members on the Market.

(e) “Clearing Member” or “Member” means any Member of HedgeStreet that is also a CCorp Participant of the Clearing Corporation authorized to clear and settle iHedgelets executed on the Market.

(f) “CCorp Participant” means a Person that has been approved by the Clearing Corporation to clear and settle “exchange contracts” traded on an “exchange market”, as both terms are defined pursuant to the rules of the Clearing Corporation, but not a member of HedgeStreet.

~~(g) (e)~~—“**Closing Trade Value**” means the rate, level, amount, measure, or other value of the Underlying of a Variable Payout ~~Hedgelet~~Hedgelet Contract at which the ~~Contract~~Hedgelet is closed in a Clearing Member’s account.

(h) “Commodity Futures Trading Commission” or “Commission” means the Federal regulatory agency established by the Commodity Futures Trading Act of 1974 to administer the Commodity Exchange Act.

(i) “Customer” has the meaning set forth in Commission Regulation 1.3(k).

~~(j) (d)~~—“**Dollar Multiplier**” means the monetary amount by which the rate, level, amount, measure, or other value of an Underlying of a Variable Payout ~~Hedgelet~~Hedgelet Contract is multiplied to determine the Settlement Value.

(k) “Eligible Contract Participant” has the meaning set forth in CEA Section 1(a)(12).

~~(l) (e)~~—“**Expiration**” or “**Expiration Date**” means the date established by these Rules on which the Expiration Value of each ~~Hedgelet~~Hedgelet Contract is determined.

~~(m) (f)~~—“**Expiration Value**” means the rate, level, amount, measure, or other value of the Underlying at Expiration.

~~(g) —“Financial Institution” means a financial institution as that term is defined in 31 CFR 103.11(n) that is required to comply with the regulations issued by the United States Department of Treasury under the Bank Secrecy Act including, but not limited to, the anti-money laundering program and customer identification program rules.~~

~~(n) (h)~~—“**Fixed Payout ~~Hedgelet~~ Contract**Hedgelet” means the right to receive ~~\$10 from HedgeStreet on the Settlement Date if, and only if, the Hedgelet Contract’s Payout Criteria~~a fixed Settlement Value, not to exceed \$10,000 per contract, from the Clearing Corporation on the Settlement Date dependent upon whether you are holding a long position or short position in a Fixed Payout ~~iHedgelet~~. If you are holding a long position in a Fixed Payout ~~iHedgelet~~, you have the right to receive a fixed Settlement Value from the Clearing Corporation on the Settlement Date, if, and only if, the Fixed Payout ~~iHedgelet~~’s Payout Criteria encompasses the Expiration Value at Expiration. Conversely, if you are holding a short position in a Fixed Payout ~~iHedgelet~~, you have the right to receive a fixed Settlement Value if, and only if, the Fixed Payout ~~iHedgelet~~’s Payout Criteria does NOT encompass the Expiration Value at Expiration.

~~(o) (i)~~—“**Floor**” means the minimum rate, level, amount, measure, or other value of the Underlying of a Variable Payout ~~Hedgelet~~Hedgelet Contract that may be the Expiration Value or the Closing Trade Value. If the actual rate, level, amount, measure or other value of the Underlying meets or falls below the Floor on the Expiration Date, the Floor will be the Expiration Value.

~~(p) (j)~~—“**~~Hedgelet~~“~~iHedgelet~~ Contract,” “~~Hedgelet~~,~~iHedgelet~~” or “Contract**” means a Fixed Payout ~~Hedgelet~~Hedgelet Contract or a Variable Payout ~~Hedgelet~~ ~~Contract~~Hedgelet

Contract that may only be traded by Clearing Members and cleared and settled by the Clearing Corporation.

~~(k) —“Hedgelet Pair” or “Pair” means two Fixed Payout Hedgelet Contracts representing all mutually exclusive, collectively exhaustive Payout Criteria.~~

~~(q) (4) —“Last Trading Day” means the last date on which a Clearing Member may trade a Contract an iHedgelet on the Market.~~

~~(r) (m) —“Long Variable Payout Hedgelet/Hedgelet Contract” means (i) the right to receive at the time the Contract is closed or on the Settlement Date any positive number resulting from subtracting the Opening Trade Value from (A) the Closing Trade Value, if the Variable Payout Hedgelet/Hedgelet Contract was closed by an offsetting transaction before Expiration, or (B) the Expiration Value, if the Variable Payout Hedgelet/Hedgelet Contract was held to Expiration, and then multiplying the resulting figure by the Dollar Multiplier and (ii) the obligation to pay at the time the contract is closed or on the Settlement Date any positive number resulting from subtracting from the Opening Trade Value (A) the Closing Trade Value, if the Variable Payout Hedgelet/Hedgelet Contract was closed by an offsetting transaction before Expiration, or (B) the Expiration Value, if the Variable Payout Hedgelet/Hedgelet Contract was held to Expiration, and then multiplying the resulting figure by the Dollar Multiplier.~~

~~(s) (n) —“Market Maker” means a Member that is granted the privileges in exchange for assuming certain responsibilities as set forth in Chapter 4 of these Rules for the purpose of creating liquidity for certain Classes of Contracts iHedgelets.~~

~~(o) —“Member” means an individual or entity which has been approved by HedgeStreet to trade on the Market and which is bound by these Rules as they may be amended from time to time.~~

(t) “Membership Agreement” means the agreement between the Clearing Member and HedgeStreet authorizing the Clearing Member to trade on or otherwise provide access to HedgeStreet. The Clearing Member must acknowledge and agree to be bound by all of the terms and conditions contained in the Membership Agreement, including, but not limited to the HedgeStreet Rules and any other documentation HedgeStreet may require.

(u) “Person” means an individual, sole proprietorship, corporation, limited liability company, partnership, trust, or any other entity.

~~(v) (p) —“Opening Trade Value” means the rate, level, amount, measure, or other value of the Underlying of a Variable Payout Hedgelet Contract iHedgelet at which the Contract iHedgelet is opened in a Clearing Member’s account.~~

~~(w) (q) —“Payout Criterion” of a Hedgelet an iHedgelet Contract means the Expiration Value or range of Expiration Values that will cause that Hedgelet iHedgelet Contract to be “in-the-money.”~~

~~(r) —“Redemption” or “Selling Both” means selling a Hedgelet Pair to HedgeStreet for \$10 less any Redemption fees specified elsewhere in these Rules.~~

(x) **“Regulatory Agency”** means any government body, including the Commission and Securities and Exchange Commission, and any organization, whether domestic or foreign, granted authority under statutory or regulatory provisions to regulate its own activities and the activities of its members, and includes HedgeStreet, any other clearing organization or contract market, any national securities exchange or clearing agency, the National Futures Association (“NFA”) and the National Association of Securities Dealers (“NASD”).

(y) ~~(s)~~ **“Series”** means all ~~Hedgelets~~Hedgelets of the same Class having identical terms, including Payout Criterion and Expiration Date.

(z) ~~(t)~~ **“Settlement Date”** means the date on which money is paid to the account of a Clearing Member who has the right to receive money pursuant to a Fixed Payout ~~Hedgelet~~Hedgelet Contract or a Variable Payout ~~Hedgelet~~Hedgelet Contract held until Expiration, and on which money is paid from the account of a Clearing Member who is obligated to pay money pursuant to a Variable Payout ~~Hedgelet~~Hedgelet Contract held until Expiration. Unless otherwise specified in these Rules, the Settlement Date is the same day as the Expiration Date.

(aa) ~~(u)~~ **“Settlement Value”** means the amount paid to the accounts of holders of in-the-money ~~Contracts~~Hedgelets. The Settlement Value of ~~a Fixed Payout Hedgelet Contract is \$10. The Settlement Value of a Variable Payout Hedgelet Contract is determined as described in the definition for Long and Short Variable Payout Hedgelet Contracts.~~Hedgelets will be determined by the Clearing Corporation in accordance with its rules.

(bb) ~~(v)~~ **“Short Variable Payout ~~Hedgelet~~Hedgelet Contract”** means (i) the right to receive at the time the Contract is closed or on the Settlement Date any positive number resulting from subtracting from the Opening Trade Value (A) the Closing Trade Value, if the Variable Payout ~~Hedgelet~~Hedgelet Contract was closed by an offsetting transaction before Expiration, or (B) the Expiration Value, if the Variable Payout ~~Hedgelet~~Hedgelet Contract was held to Expiration, and then multiplying the resulting figure by the Dollar Multiplier and (ii) the obligation to pay at the time the Contract is closed or on the Settlement Date any positive number resulting from subtracting the Opening Trade Value from (A) the Closing Trade Value, if the Variable Payout ~~Hedgelet~~Hedgelet Contract was closed by an offsetting transaction before Expiration, or (B) the Expiration Value, if the Variable Payout ~~Hedgelet~~Hedgelet Contract was held to Expiration, then multiplying the resulting figure by the Dollar Multiplier.

(cc) ~~(w)~~ **“Source Agency”** means the agency that publishes the Underlying economic indicator and/or Expiration Value for any ~~Hedgelet Contract~~Hedgelet.

(dd) ~~(x)~~ **“Speculative Position Limits,” or “Position Limit”** means the maximum position, either net long or net short, in one Series or a combination of various Series of a particular Class that may be held or controlled by one ~~Member~~Person as prescribed by HedgeStreet and/or the ~~CFTC~~Commission.

(y) ~~“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.~~



~~(ee)~~ ~~(z)~~—“**Type**” means the classification of ~~a Hedgelet~~ an iHedgelet as a Fixed Payout ~~Hedgelet Contract/Hedgelet~~ or a Variable Payout ~~Hedgelet Contract/iHedgelet~~.

~~(aa)~~ ~~(ff)~~—“**Underlying**” means the index, rate, risk, measure, instrument, differential, indicator, value, contingency, occurrence, or extent of an occurrence the Expiration Value of which determines whether (and, in the case of a Variable Payout ~~Hedgelet Contract/Hedgelet~~, to what extent) ~~a Hedgelet Contract~~ an iHedgelet is in-the-money.

~~(bb)~~ ~~(gg)~~—“**Variable Payout ~~Hedgelet/Hedgelet~~ Contract**” means a ~~Long Variable Payout Hedgelet Contract~~ and/or a Short Variable Payout ~~Hedgelet Contract/iHedgelet~~ and/or a Long Variable Payout iHedgelet that may be traded only by Clearing Members and is cleared and settled by the Clearing Corporation.

## CHAPTER 2 MARKET GOVERNANCE

### RULE 2.1 POWERS OF HEDGESTREET’S BOARD OF DIRECTORS

The board of directors of HedgeStreet has the power to manage and direct HedgeStreet including but not limited to the power to define groups of people who may access the secure portions of HedgeStreet’s website, the power to amend, adopt, or repeal these Rules, and the power to oversee the business conduct of Members and impose penalties for violation of these Rules.

### RULE 2.2 RESTRICTIONS ON WHO MAY BE MEMBERS OF THE BOARD, MEMBERS OF DISCIPLINARY COMMITTEES, MEMBERS OF ARBITRATION OR OVERSIGHT PANELS, OR TEN PERCENT OR GREATER OWNERS

Commission Regulation 1.63 prohibits certain individuals who have been charged with, or have been found to have committed, disciplinary offenses (as defined in that section) within the past three years from serving on the HedgeStreet board of directors or any disciplinary committee of HedgeStreet. HedgeStreet will not permit any individual subject to disqualification under Commission Regulation 1.63(b) from serving on its board of directors, any of its disciplinary committees (including serving as compliance officer or hearing officer), oversight panels, or arbitration panels. Additionally, HedgeStreet will not permit any individual subject to disqualification under Commission Regulation 1.63(b) to own 10% or more of HedgeStreet or to serve as a HedgeStreet hearing officer. An amended version of Commission Regulation 1.63 is a Rule of HedgeStreet and is included for your information in Chapter 11 of these Rules.

### RULE 2.3 OFFICERS OF HEDGESTREET

(a) HedgeStreet has a seven member board of directors elected by a majority vote of all shareholders of HedgeStreet. Each director serves a two year term.

(b) HedgeStreet has a chief executive officer, president, secretary, and treasurer. These officers are appointed and may be dismissed (with or without cause) by majority vote of the board of directors or the shareholders.

(c) The chief executive officer of HedgeStreet must be a member of the board of directors. In the absence of the chairman, the chief executive officer will perform the chairman's duties. In the event of a disagreement between the chief executive officer and the board or the chairman of the board as to an exchange matter, the chairman and/or board shall control.

(d) Subject to the direction of the board of directors and the chief executive officer, the president will manage the day-to-day business of the exchange and is the chief operating officer of the exchange. In the absence of the chief executive officer, the president will perform the chief executive officer's duties.

(e) The treasurer of HedgeStreet will be responsible for all funds and stock of HedgeStreet and in general perform all duties incident to the office of treasurer and such other duties as from time to time may be assigned by the chief executive officer or the board of directors.

(f) The secretary of HedgeStreet will keep the minutes of the meetings of the board and in general perform all duties incident to the office of secretary and such other duties as from time to time may be assigned by the chief executive officer or the board of directors.

#### RULE 2.4 EMERGENCY RULES

(a) HedgeStreet may adopt emergency Rules in response to the emergencies that are described in paragraph (c) of this Rule. In the event of one of those emergencies, the board of directors may, without giving prior notice to, or securing prior approval from, the Commission, adopt a temporary emergency rule to address the emergency. Adoption of a temporary emergency rule requires the affirmative vote of two-thirds of the members of the board at a meeting of the board at which a quorum is present. HedgeStreet may count a member of the board of directors who abstains from voting on a temporary emergency rule to determine whether a quorum exists.

(b) Any temporary emergency rule adopted under this Rule may authorize HedgeStreet to act as the board of directors deems necessary or appropriate to meet the emergency, and those actions may adversely affect your ability to trade on the Market. Therefore, the chance of an emergency is one of the risks you should consider when deciding whether to trade on the Market.

(c) For the purposes of this Rule, an "emergency" is:

(i) any activity that manipulates or attempts to manipulate the Market;

(ii) any actual, attempted, or threatened corner, squeeze, or undue concentration of positions;

(iii) any circumstance that may materially affect the performance of the ~~Hedgelet Pairs originated by, or the Contracts~~ [Hedgelet](#) traded on, HedgeStreet;

(iv) any action taken by the United States, any foreign government, any state or local governmental body, any other contract market or board of trade, or any

other exchange, market, facility, or trade association (foreign or domestic) that may have a direct impact on trading on HedgeStreet;

(v) any circumstances that may have a severe, adverse impact upon the physical functions of HedgeStreet including, for example, natural disasters such as fire or flood, terrorist acts such as bomb threats, physical plant breakdowns such as plumbing, heating, or air conditioning problems, system breakdowns such as power, telephony, cable, trading systems, or computer systems failures or interruptions to communications, the network, or the Internet;

(vi) the imposition of any injunction or other restraint by any government agency, court, or arbitrator that may affect the ability of a Member to perform on Contracts;

(vii) any circumstance in which it appears that a HedgeStreet Member or any other person is in such operational condition, or is conducting business in such a manner, that such person cannot be permitted to continue in business without jeopardizing the safety of HedgeStreet Members or HedgeStreet itself; and

(viii) any other unusual, unforeseeable, and adverse circumstance which, in the opinion of the governing board, requires immediate action and threatens or may threaten such things as the fair and orderly trading in, or the liquidation of or delivery pursuant to, ~~Hedgelet Pairs or Contracts~~ [iHedgelets](#) traded on HedgeStreet.

(d) If deemed necessary to combat perceived market threats caused by an emergency, a HedgeStreet official authorized to do so may suspend trading on the Market during the duration of the emergency or take any other action that the official thinks is necessary or appropriate. The official will order an end to the action taken in response to the emergency as soon as the official determines that the emergency has sufficiently abated to permit the Market to function properly.

(e) HedgeStreet will make every effort practicable to notify the Director of the Division of Market Oversight, his delegates, and/or other persons designated by the Commission's Regulations that HedgeStreet intends to implement, modify, or terminate a temporary emergency rule pursuant to Rule 2.4(a) or an action in response to an emergency pursuant to Rule 2.4(d) prior to the implementation, modification, or termination of the rule or action. If it is not possible to notify the Commission prior to the implementation, modification, or termination of the rule or action, HedgeStreet will notify the Commission of the implementation, modification, or termination of the rule or action at the earliest possible time, and in no event more than 24 hours after implementation, modification, or termination.

(f) Any time that HedgeStreet takes action in response to an emergency, either under Rule 2.4(a) or Rule 2.4(d), HedgeStreet will document its decision-making process and reasons for taking emergency action.

## RULE 2.5 COMMITTEES AND SUBCOMMITTEES

(a) The HedgeStreet board of directors may create, appoint members of the board to serve on, and delegate powers to, committees and subcommittees.

(b) A majority of any committee or subcommittee will constitute a quorum, and a majority of a quorum is necessary for committee or subcommittee action. A committee or subcommittee may act by unanimous consent in writing, including by electronic mail, without a meeting.

#### RULE 2.6 VOTING BY INTERESTED BOARD MEMBERS

Commission regulations governing contract markets, such as HedgeStreet, exempt those markets from Commission Regulation 1.69. However, Core Principle 15 of Section 5(d) of the CEA requires that contract markets have adequate procedures to prevent conflicts of interest. Therefore, HedgeStreet has adopted an amended version of Commission Regulation 1.69 as a Rule of HedgeStreet. Commission Regulation 1.69 prohibits a member of the HedgeStreet board of directors or any disciplinary or oversight committee or subcommittee from taking part in any deliberations or voting on any matter in which the board, committee, or subcommittee member has an interest or has a relationship with a named party in interest. Regulation 1.69 also requires disclosure by board, committee, or subcommittee members of interests and relationships in certain circumstances. HedgeStreet board, committee, and subcommittee members shall not deliberate or vote on any matter in which the board, committee, or subcommittee member has an interest or has a relationship with a named party in interest and shall disclose such interests in accordance with Regulation 1.69. Regulation 1.69 as amended to be made applicable to HedgeStreet is a Rule of HedgeStreet and is included in Chapter 11 of these Rules.

#### RULE 2.7 INDEMNIFICATION OF DIRECTORS, OFFICERS, AND OTHERS

HedgeStreet will indemnify to the full extent authorized by law any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative in nature, by reason of the fact that such person is or was a director, officer, employee, or agent of HedgeStreet or is or was serving at the request of HedgeStreet as a director, officer, employee, or agent of HedgeStreet against expenses, including attorneys' fees, judgments, fines, and amounts paid in connection with such action, suit, or proceeding. Such indemnification shall not be deemed exclusive of any other rights to which a person may be entitled under any agreement or as a matter of law or otherwise. HedgeStreet may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, or agent of HedgeStreet against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not HedgeStreet would have the power to indemnify such person against such liability under the provisions of this Rule. However, no person shall be indemnified from liability for fraud, bad faith, willful misconduct, or gross negligence. Further, no person shall be indemnified against a civil penalty imposed by the Commission under Section 6b of the CEA.

#### RULE 2.8 PROHIBITION ON USE OF MATERIAL, NON-PUBLIC INFORMATION

(a) Commission Regulation 1.59 prohibits employees and members of the board of directors of HedgeStreet from using or disclosing material, non-public information gained through their employment or board service in certain circumstances. This Rule prohibits the use

and disclosure forbidden by Commission Regulation 1.59. As amended, a form of Regulation 1.59 is a Rule of HedgeStreet and is set forth in Chapter 11 of these Rules for your information.

(b) No member of the board of directors or any committee established by the board of directors or these Rules will use or disclose material, non-public information obtained as a result of participation on the board of directors or such committee for any purpose other than the performance of official duties as a board or committee member.

(c) No employee, consultant, or member of the board of directors or any committee of HedgeStreet will disclose to any other person material, nonpublic information obtained as a result of such person's employment for purposes inconsistent with such person's official duties.

(d) No employee, consultant, or member of the board of directors or any committee of HedgeStreet will trade for such person's account, or for or on behalf of any other account, in any commodity interest on the basis of any material, non-public information obtained through special access related to the performance of such person's duties as an employee, consultant, or member of the board of directors or committee.

(e) For purposes of this Rule, the terms "material information," "non-public information," "linked exchange," "commodity interest," and "related commodity interest" have the same meanings as they do in Commission Regulation 1.59.

(f) Any director, officer, or employee of HedgeStreet who violates any provision of this Rule will be required to indemnify HedgeStreet for any losses, damages, or costs caused by that violation.

### CHAPTER 3 CLEARING MEMBERS

#### RULE 3.1 ~~APPLICATIONS, CLASSIFICATIONS, AND PRIVILEGES~~ ELIGIBILITY AND APPLICATION PROCEDURES

(a) To be eligible to become a ~~HedgeStreet~~ Clearing Member:

(i) if you are ~~an individual, you must~~ a natural person, you must:

(1) reside in the United States ~~and have an account or accounts with a Financial Institution that you will use to fund your HedgeStreet account at the HedgeStreet settlement bank and to receive funds from your HedgeStreet account, and you must.~~

(2) certify that you are old enough to enter into a legally enforceable contract, ~~that you have read and understand the HedgeStreet Risk Disclosure Statement and Membership Agreement, that you agree to be bound by these Rules, and that you will trade only for yourself and will not trade as an intermediary for any other person or entity;~~

(ii) if you are an entity, you must

(1) be organized in the United States,

~~(2) (ii) if you are an entity, you must be organized in the United States, have an account or accounts with a Financial Institution that you will use to fund your HedgeStreet account at the HedgeStreet settlement bank and to receive funds from your HedgeStreet account, and you must~~ certify that you are validly organized, in good standing, and authorized by your governing body and, if relevant, documents of organization, to trade commodities, futures and options contracts, ~~that you have read and understand the HedgeStreet Risk Disclosure Statement and Membership Agreement, that you agree to be bound by these Rules, and that the individual(s) authorized to trade your account will trade only for you and will not trade for him/herself or as an intermediary for any other entity or person.~~

(3) designate Authorized Traders to trade your account,

(4) designate at least one officer who is responsible for supervising all activities of your employees relating to transactions effected on HedgeStreet or subject to HedgeStreet Rules and provide any information HedgeStreet may request regarding such officer(s),

(iii) you must certify that you have read and understand the HedgeStreet Risk Disclosure Statement if you are not an Eligible Contract Participant, and Membership Agreement,

(iv) you must agree to be bound by these Rules, and

(v) you must complete and submit the HedgeStreet membership application, which includes the Membership Agreement,

~~(vi) (b) In order to become a Member, you must complete and submit the HedgeStreet on line membership application, you must~~ provide HedgeStreet with any other information HedgeStreet may request, ~~and fund your HedgeStreet account by transferring to the customer segregated funds account at HedgeStreet's settlement bank an initial deposit of no less than \$100 in funds from your account at a Financial Institution. If you are a Member applicant but not an individual, you must designate an individual or individuals who are authorized to trade in your account.~~

(vii) you must have adequate financial resources and credit as determined by HedgeStreet and the Clearing Corporation;

(viii) you must be a CCorp Participant in good standing of the Clearing Corporation;

(ix) if you are a futures commission merchant registered with the Commission ("FCM"), you must submit to HedgeStreet a letter confirming that you maintain all Customer funds deposited with you in appropriately labeled customer segregated funds accounts separated from funds of non-customers, as required by Commission regulations; and

(x) you must meet any other criteria or complete any additional applications that HedgeStreet and/or the Clearing Corporation may request.

(b) HedgeStreet may investigate any Member applicant, Authorized Trader designate, or other Person associated with an applicant.

(c) Submission of your membership application to HedgeStreet constitutes your agreement to be bound by these Rules and other policies of HedgeStreet.

(d) HedgeStreet may in its sole discretion approve, deny, or condition any Member application as HedgeStreet deems necessary or appropriate.

## RULE 3.2 PRIVILEGES

~~(a) (d)~~—If your application as a Clearing Member is approved by HedgeStreet ~~and the HedgeStreet settlement bank confirms to HedgeStreet that you have deposited with it the funds required in paragraph (b) of this Rule~~, you will be a Clearing Member of HedgeStreet and will have the following Clearing Member privileges, which HedgeStreet may revoke, amend, or expand in accordance with, or by amending, these Rules:

~~(i)~~—~~to maintain a HedgeStreet account;~~

~~(ii)~~—~~to Subscribe for Hedgelet Pairs from HedgeStreet using the funds in your HedgeStreet account;~~

~~(iii)~~—~~to Redeem Hedgelet Pairs in your HedgeStreet account to HedgeStreet;~~

~~(i) (iv)~~—~~to buy Contracts on the Market using the funds in your HedgeStreet account;~~to buy iHedgelets for your own account or the account of your Customers, subject to these Rules and the rules of the Clearing Corporation;

~~(ii) (v)~~—~~to sell Contracts in iHedgelets for your HedgeStreet account on the Market~~own account or the account of your Customers, subject to these Rules and the rules of the Clearing Corporation;

~~(iii) (vi)~~—~~to view “real-time” the same best bids to buy and offers to sell the Contracts~~iHedgelets traded on the Market as are available to all other Clearing Members;

~~(iv) (vii)~~—~~to receive access to the Market via the FIX Gateway at your request, as long as you are willing to pay any and all fees or charges incurred for such access;~~HedgeStreet website or a dedicated private circuit;

~~(v) (viii)~~—to view the current trading volume and open interest for the Contracts traded on the Market; and

~~(vi) (ix)~~—to view all non-secure parts of the HedgeStreet website, including these Rules, ~~and descriptions of the Hedgelet Pairs and Contracts~~description of iHedgelets traded on the Market as well as all secure parts of the HedgeStreet website ~~outlined above in Rule 3.1(d)(i) — (vii).~~

~~(e) HedgeStreet may in its sole discretion approve, deny, or condition any Member application as HedgeStreet deems necessary or appropriate.~~

~~(f) If you are a Member that is an individual, you may not maintain and/or trade more than one HedgeStreet account. If you are a Member that is an entity, your authorized representative(s) may not maintain and/or trade more than one HedgeStreet account.~~

### RULE 3.3 ~~RULE 3.2~~ CLEARING MEMBER OBLIGATIONS

(a) As a Clearing Member, you and/or your ~~authorized representative~~ Authorized Trader(s) must comply with these Rules, relevant provisions of the Commodity Exchange Act, and relevant Commission regulations. You must also cooperate promptly and fully with HedgeStreet, its agents, and ~~or the Commission~~ any other Regulatory Agency in any investigation, call for information, inquiry, audit, examination, or proceeding. Additionally, you must update your e-mail address within 24 hours after it has changed and update all other information provided in your application for membership within five days after that information has changed. If you fail to satisfy these obligations, HedgeStreet may revoke or suspend your privileges in full or in part. You may also be subject to civil or criminal prosecution.

(b) As a Clearing Member, you consent to allow HedgeStreet to provide all information HedgeStreet has about you, including your trading activity, to ~~the Commission or any other regulatory or self-regulatory body~~ any Regulatory Agency, law enforcement authority, or judicial tribunal, including (as may be required by information sharing agreements or other contractual, regulatory, or legal provisions) foreign ~~regulatory or self-regulatory bodies~~ Regulatory Agencies, law enforcement authorities, or judicial tribunals.

(c) As a Clearing Member, you and/or your ~~authorized representative~~ Authorized Trader(s) are required to review the “~~Exchange~~-Notices” section of the HedgeStreet website to make yourself aware of material changes to these Rules or other notices that may affect your rights and obligations as a Clearing Member of HedgeStreet.

(d) As a Clearing Member, you must immediately notify HedgeStreet in writing upon becoming aware:

(i) that you, any of your officers or any of your Authorized Traders has had trading privileges suspended, access to, or membership or clearing membership in, any Regulatory Agency denied;

(ii) that you, any of your officers or any of your Authorized Traders has been convicted of, pled guilty or no contest to, or entered a plea agreement to, any felony in any domestic, foreign or military court;

(iii) that you, any of your officers or any of your Authorized Traders has been convicted of, pled guilty or no contest to, or entered a plea agreement to a misdemeanor in any domestic, foreign or military court which involves:



(1) embezzlement, theft, extortion, fraud, fraudulent conversion, forgery, counterfeiting, false pretenses, bribery, gambling, racketeering, or misappropriation of funds, securities or properties; or

(2) any transaction in or advice concerning futures, options on futures, leveraged transactions or securities;

(iv) that you, any of your officers or any of your Authorized Traders has been subject to, or associated with a firm that was subject to regulatory proceedings before any Regulatory Agency;

(v) that you, any of your officers or any of your Authorized Traders is currently a party to any investigation or proceeding, the resolution of which could result in an event described in Rule 3.3(d)(i)-(iv);

(vi) of any other material change in any information contained in the Clearing Member's membership application;

(vii) of any failure to maintain segregated funds as required by the Commission when the Member is a Clearing Member;

(viii) of becoming subject to early warning reporting under Commission Regulation 1.12 when the Member is a Clearing Member, and;

(ix) of becoming the subject of a bankruptcy proceeding or being unable to meet any financial obligation as it becomes due.

(e) As a Clearing Member, you must diligently supervise all activities of your employees and/or agents, including all Authorized Traders, relating to transactions effected on HedgeStreet. Any violation of these Rules by any employee and/or agent, including the Authorized Trader of a Clearing Member shall constitute a violation of the Rules by such Clearing Member.

(f) If you are a Clearing Member that is not an FCM, you must at all times maintain a net worth<sup>1</sup> at or in excess of \$50,000, provided that, such amount is not below the financial requirements of CCorp relating to CCorp Participant qualifications, in which case, CCorp financial requirements shall be controlling. If you are a Clearing Member that is also an FCM, you must comply with the financial requirements set forth by the Commission, NFA and other contract markets.

(g) As a Clearing Member, you must only handle, maintain and/or solicit Customer orders, accounts or funds if you are properly registered with the NFA in accordance with the CEA and Commission Regulations adopted thereunder to conduct futures-related business with the public.

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<sup>1</sup> For purposes of these rules, "Net Worth" shall have the same meaning as "net asset value" pursuant to Commission Regulation 4.10(b).

(h) As a Clearing Member, you must submit statements of financial condition at such times and in such manner as shall be prescribed from time to time.

(i) As a Clearing Member, you must use due diligence in receiving and handling orders from Customers, entering such orders onto HedgeStreet on behalf of such Customers, responding to inquiries from Customers about their orders and reporting back to Customers the execution of such orders.

(j) As a Clearing Member, you must confirm any trades entered on behalf of a Customer to such Customer no later than the business day following the day upon which the transaction was executed. Such confirmation shall i) be in writing, ii) show the Hedgelet bought or sold, iii) show the amount, the price, and iv) the expiration date.

(k) As a Clearing Member, you must establish and enforce internal controls, policies and procedures to reasonably ensure that each order received from a Customer is entered on HedgeStreet prior to any order of the same Series being entered at the same price for:

(i) any proprietary account of the Clearing Member;

(ii) any account in which the Authorized Trader(s) has an interest or;

(iii) any account over which a Clearing Member or its Authorized Trader(s) have discretionary authority.

(l) Prior to entering an order for a Customer that is not an Eligible Contract Participant, a Clearing Member must first provide such Customer with the HedgeStreet Risk Disclosure Statement.

(m) Each Clearing Member must make and file reports in accordance with Commission Regulations in a manner and form and at such times as may be prescribed by the Commission.

(n) Each Clearing Member must make and file reports with HedgeStreet at such times, in such manner and form, and containing such information as HedgeStreet may prescribe from time to time.

(o) Each Clearing Member, upon a request of HedgeStreet or Regulatory Agency, must promptly respond to any requests for information that may be requested from time to time.

(p) Each Clearing Member may invest Customer Funds as long as such funds are invested pursuant to [Commission Regulation 1.25](#).

(q) Each Clearing Member must prepare, maintain and keep current those books and records required by the rules of HedgeStreet, the CEA and/or the Commission's Regulations. Such books and records shall be open to inspection and promptly provided to HedgeStreet and/or the Commission or the U.S. Department of Justice upon request.

RULE 3.4 ~~RULE 3.3~~—COMMUNICATIONS BETWEEN HEDGESTREET AND  
CLEARING MEMBERS

You must provide HedgeStreet with your current electronic mail address and immediately (and in any event within 24 hours) update that address whenever it changes. All communications between HedgeStreet and you, including confirmation of all transactions executed in your account, will be transmitted by electronic mail and/or posted on the HedgeStreet website. You will be responsible for promptly reviewing and, if necessary, responding to all electronic communications from HedgeStreet.

RULE 3.5 ~~RULE 3.4~~—AUTHORIZED ~~REPRESENTATIVES~~TRADERS

(a) Clearing Members other than natural persons must apply for authorization for all ~~representative~~Trader(s) who will access their accounts. Only ~~Member representatives~~Authorized Traders authorized by HedgeStreet and the Clearing Member may enter and execute transactions on the Market. Before ~~Member representative(s)~~an Authorized Trader may enter orders or execute trades on the Market, ~~they~~he/she must acknowledge having read and understood these Rules and agree to comply with these Rules.

(b) A Clearing Member may be required to submit evidence of the authority of an Authorized Trader to act on behalf of the Clearing Member and such other information about any Authorized Trader as HedgeStreet may request. A person may be conditionally approved as an Authorized Trader of a Clearing Member subject to any conditions HedgeStreet may consider appropriate in the interests of promoting a fair and orderly market.

(c) HedgeStreet may withdraw or suspend the registration of any Authorized Trader of any Clearing Member if HedgeStreet determines that:

(i) an Authorized Trader has caused the Clearing Member to fail to comply with the Rules of HedgeStreet;

(ii) an Authorized Trader is not properly performing the responsibilities of an Authorized Trader of a Clearing Member or Market Maker;

(iii) an Authorized Trader has failed to comply with the conditions set forth in paragraph (b) of this Rule; or

(iv) it is the best interests of maintaining a fair and orderly market to do so.

(d) If HedgeStreet suspends the registration of any Authorized Trader, the Clearing Member must ensure that the suspended Authorized Trader does not submit any quotes or orders into the HedgeStreet system.

(e) The registration of an Authorized Trader will be withdrawn upon the written request of the Clearing Member for which an Authorized Trader is registered. Such written request shall be submitted in a manner prescribed by HedgeStreet. Until such written request is received, or an Authorized Trader's registration is suspended or withdrawn pursuant to paragraph (c) of this

Rule, a Clearing Member will be responsible for all order entry and trading activity of such Authorized Trader(s).

RULE 3.6 ~~RULE 3.5~~—DUES, FEES, AND EXPENSES PAYABLE BY CLEARING MEMBERS

(a) Clearing Members are not required to pay dues.

(b) Clearing Members are charged fees for trading ~~Hedgelet~~/Hedgelet Contracts. The fees for trading both Fixed Payout ~~Hedgelet~~/Hedgelet Contracts and Variable Payout ~~Hedgelet~~/Hedgelet Contracts are charged in an amount to be reflected from time to time on HedgeStreet's website.

(c) Clearing Members are charged fees for settlement of ~~Hedgelet~~/Hedgelet Contracts at Expiration ~~and for Redemption of Hedgelet Pairs~~ to HedgeStreet. Fees for settlement of ~~Hedgelet~~/Hedgelet Contracts will be charged in an amount to be reflected from time to time on HedgeStreet's website. ~~The same fees will apply per Hedgelet Pair Redeemed.~~

~~(d) — Members are charged fees for settlement of Variable Payout Hedgelet Contracts at Expiration. Fees for settlement of Variable Payout Hedgelet Contracts will be charged as reflected from time to time on HedgeStreet's website.~~

~~(e) — HedgeStreet or its settlement bank will also deduct from your account expenses incurred in connection with your trading or account activity, such as fees for wire transfers, check processing via e-ValuCheck. All such fees will be charged in an amount to be reflected from time to time on HedgeStreet's website.~~

(d) ~~(f)~~— If HedgeStreet determines in the future to impose dues or additional fees, HedgeStreet will notify you of any dues or additional fees that will be imposed at least 30 days before they take effect.

## CHAPTER 4 MARKET MAKERS

### RULE 4.1 REGISTRATION OF MARKET MAKERS

(a) In order to become a Market Maker you must already be a Clearing Member of HedgeStreet in good standing. A Clearing Member shall file a written Market Maker application with HedgeStreet. 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) The designation of any Market Maker may be suspended or terminated by HedgeStreet at any time and for any reason.

### ~~RULE 4.2 — MARKET MAKER REPRESENTATIVES~~

~~(a) — Like other Members that are not natural persons, quotations and orders for entity Market Makers may be submitted to HedgeStreet only by the Market Maker's authorized~~

~~representative(s), and such authorized representative(s) may not trade for his or her own account or the account of any other Member.~~

~~(b) — A Market Maker may be required to submit evidence of the authority of an authorized representative to act on behalf of the Market Maker and such other information about any authorized representative as HedgeStreet may request. A person may be conditionally approved as an authorized representative of a Market Maker subject to any conditions HedgeStreet may consider appropriate in the interests of promoting a fair and orderly market.~~

~~(c) — HedgeStreet may withdraw or suspend the registration of any authorized representative of any Market Maker if HedgeStreet determines that;~~

~~(i) — an authorized representative has caused the Market Maker to fail to comply with the Rules of HedgeStreet;~~

~~(ii) — an authorized representative is not properly performing the responsibilities of an authorized representative of a Market Maker;~~

~~(iii) — an authorized representative has failed to comply with the conditions set forth in paragraph (b) of this Rule; or~~

~~(iv) — it is the best interests of maintaining a fair and orderly market to do so.~~

~~(d) — If HedgeStreet suspends the registration of any authorized representative, the Market Maker must ensure that the suspended authorized representative or representatives do not submit any quotes or orders into the HedgeStreet system.~~

~~(e) — The registration of an authorized representative will be withdrawn upon the written request of the Market Maker for which an authorized representative is registered. Such written request shall be submitted in a manner prescribed by HedgeStreet. Until such written request is received, or an authorized representative's registration is suspended or withdrawn pursuant to paragraph (c) of this Rule, a Market Maker will be responsible for all order entry and trading activity of such authorized representative(s).~~

#### RULE 4.2 ~~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, and (ii) the Market Maker’s experience in market making in futures, options and other derivative products.

(b) No appointment of a Market Maker to a Designated Class shall be made without the Market Maker’s consent to such appointment, provided that refusal to accept appointment to a Designated Class may be deemed sufficient cause for denial, suspension, or termination of registration as a Market Maker.

(c) HedgeStreet may suspend or terminate any appointment of a Market Maker to a Designated Class and may appoint more than one Market Maker to the same Designated Class.

(d) HedgeStreet may periodically conduct an evaluation of any Market Maker to determine whether it has fulfilled performance standards relating to, among other things, quality of the markets, competitive market making, observance of ethical standards, and administrative soundness. If the Market Maker fails to meet minimum performance standards, HedgeStreet may, among other things, (i) suspend, terminate or restrict the Market Maker's appointment to a particular Designated Class, (ii) restrict the Market Maker from appointments to additional Designated Class(es), and (iii) suspend, terminate or restrict the Market Maker's registration as such.

#### RULE 4.3 ~~RULE 4.4~~—BENEFITS OF BECOMING A MARKET MAKER

(a) Market Makers ~~will~~may have access to HedgeStreet via ~~the FIX gateway~~a dedicated private circuit for an additional fee to be determined by HedgeStreet on a case-by-case basis. HedgeStreet will provide a guaranteed throughput per day with a specified peak amount of orders that may be traded per second to all Market Makers.

(b) Market Makers shall receive reduced trading fees and/or participate in revenue sharing with HedgeStreet as an incentive for fulfilling the obligations of a market maker.

~~(c) — Market Makers shall have the ability to engage in the process of Subscription On Demand as defined in Rule 5.4(c).~~

~~(c)~~ ~~(d)~~—Market Makers shall have access to a designated group of operational specialists at HedgeStreet who handle issues relating to Market Makers.

#### RULE 4.4 ~~RULE 4.5~~—OBLIGATIONS OF MARKET MAKERS

~~(a) — 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.~~

(a) (ii) — 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 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.

(b) 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

~~(c) — 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.~~

## CHAPTER 5 METHOD FOR CLEARING MEMBERS TO ~~SUBSCRIBE FOR AND REDEEM HEDGELET PAIRS AND TRADE HEDGELET~~ TRADE iHEDGELET CONTRACTS

### RULE 5.1 PRIOR REVIEW OF RISK DISCLOSURE STATEMENT AND THESE RULES AND ACCEPTANCE OF TERMS OF MEMBERSHIP AGREEMENT IS REQUIRED

You may not ~~Subscribe for Hedgelet Pairs or~~ trade ~~Hedgelet~~/Hedgelet Contracts on the Market until you have received, read, understood, and accepted ~~the HedgeStreet Risk Disclosure Statement~~, these Rules, and the HedgeStreet ~~membership agreement~~Membership Agreement, and have certified that you have done so. If you are a Clearing Member that is not an Eligible Contract Participant, you may not trade iHedgelet Contracts on the Market until you have received, read, understood and accepted the HedgeStreet Risk Disclosure Statement.

### RULE 5.2 CLEARING MEMBER ACCESS TO HEDGESTREET

(a) During the HedgeStreet membership application process, you will be required to choose a user identification (“ID”) and password. You will be required to enter the ID and password to log onto and access secure portions of the HedgeStreet website. Each time you submit your unique user ID and password to HedgeStreet to log onto HedgeStreet, you affirm that you understand and agree to be bound by these Rules and other policies of HedgeStreet, as amended.

~~(b) After your membership application has been approved by HedgeStreet and you have deposited the requisite amount of funds into your account as specified under Rule 3.1(b), you become a Member.~~ As a Clearing Member, you will be able to access the Market, execute trades, and otherwise access information regarding, or perform functions in, your account using your ID and unique password.

(c) For account security and audit trail purposes, HedgeStreet will maintain logs of your IP address when you are logged into the HedgeStreet website.

(d) You will be responsible for protecting your ID and password from improper disclosure, and you may not knowingly or negligently permit any person not authorized by HedgeStreet and by you to use your ID and password to access the secure portion of the HedgeStreet website. You are required to immediately notify HedgeStreet if you know, or if you have reason to believe, that your ID and/or password have been disclosed to any person not authorized by HedgeStreet and you to use your ID and/or password. You will have reason to believe that your ID and/or password have been disclosed to an unauthorized person 12 hours after a trade is executed by that person in your account

(e) You will be liable for all costs and any losses that you may incur from transactions executed on HedgeStreet by any person, authorized or not, using your ID and password. HedgeStreet will not be responsible in any way for unauthorized transactions in your account.

(f) You are responsible for contracting with an Internet service provider [and/or obtaining a dedicated private circuit](#) through which you will access the HedgeStreet ~~website~~Market and for having a backup service provider [and/or dedicated private circuit](#) if you think it is necessary. ~~You~~[If your sole connection with the Market is via the internet, you](#) are also responsible for maintaining an Internet connection speed adequate for your needs. HedgeStreet will not be responsible in any way for any orders delayed or trades missed or not executed in a timely fashion because of failure of your Internet service provider [and/or dedicated private circuit](#) or slowness of your Internet connection speed [and/or dedicated private circuit](#). No communication from you will be deemed to have been received by HedgeStreet until that communication is logged by the HedgeStreet server.

### ~~RULE 5.3—SUBSCRIPTION FOR AND REDEMPTION OF FIXED PAYOUT HEDGELET PAIRS~~

~~(a)—You will be able to Subscribe for Fixed Payout Hedgelet Pairs from HedgeStreet for \$10.00. Each Hedgelet Pair will contain Fixed Payout Hedgelet Contracts representing all possible, mutually exclusive movements in the Underlying for the Hedgelet Pair. (Variable Payout Hedgelet Contracts are not sold in Hedgelet Pairs and therefore are not subject to Subscription and Redemption.)~~

~~(b)—After logging onto the secure portion of the HedgeStreet website, you will input your Hedgelet Pair Subscription order. The Market will check your HedgeStreet account balance to determine whether you have sufficient available funds in your account to complete the order. If you do have enough available funds in your account to complete the order, HedgeStreet will debit your account in the amount necessary to pay for your Hedgelet Pair Subscription, credit that money to the HedgeStreet settlement account, and place into your account one of each of the Contracts that make up the Hedgelet Pair. If you do not have enough available funds in your account to complete the order, HedgeStreet will cancel your order.~~



~~(c) — HedgeStreet will purchase Hedgelet Pairs you wish to Redeem for \$10 per Hedgelet Pair. To Redeem a Hedgelet Pair, you must have in your account each Fixed Payout Hedgelet Contract that makes up the Hedgelet Pair. You will input your Redemption order, and HedgeStreet will check your account to ensure that you have the appropriate number of Fixed Payout Hedgelet Contracts for the number of Hedgelet Pairs you wish to Redeem. If you do have the correct number of Fixed Payout Hedgelet Contracts, HedgeStreet will credit \$10 per Hedgelet Pair you Redeem to your account and delete from your account the Fixed Payout Hedgelet Contracts that make up the Hedgelet Pairs you have redeemed. If you do not have the correct number of Fixed Payout Hedgelet Contracts in your account for the number of Hedgelet Pairs you wish to Redeem, HedgeStreet will cancel your order.~~

### RULE 5.3 ~~RULE 5.4~~ TRADING CONTRACTS TRADING iHEDGELETS

(a) Every iHedgelet executed on the Market must be effected for the account of or through a Clearing Member authorized by the Clearing Corporation and HedgeStreet to act as a Clearing Member for the Class of iHedgelet.

~~(b) (a) — You~~ As a Clearing Member, you will be able to trade Fixed Payout ~~Hedgelet Contracts on the Market by entering bids to purchase or offers to sell those Contracts and to trade Variable Payout Hedgelet Contracts by entering values or levels of the Underlying at or~~ Variable Payout iHedgelets on the Market for your account(s) or the account(s) of your Customers by entering bids and offers at prices in which you or your Customer are willing to open a Long Variable Payout Hedgelet Contract or a Short Variable Payout Hedgelet Contract, or close such Contracts. After logging ~~into~~ onto the secure portion of the HedgeStreet website, you will input ~~your~~ orders into the HedgeStreet trading system. When an order is matched, it will be reported to the Clearing Corporation. The rules of the Clearing Corporation will govern all matched trades.

~~(b) — When your order is matched by an order from another Member(s);~~

~~(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 not have the necessary Fixed Payout Hedgelet Contracts in your account, HedgeStreet will cancel your order prior to trade execution. If you do have the necessary Fixed Payout Hedgelet Contracts in your account, HedgeStreet will execute the trade. Upon trade execution, HedgeStreet will: (1) debit the account of the buyer(s) and credit the account of the seller(s) of the Contract; (2) adjust the Contracts in your account and the account of the other Member(s) in accordance with the matched trade; and (3) inform you by electronic mail that the trade has been executed.~~

~~(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 not have the necessary funds in your account, HedgeStreet will cancel your order prior to trade execution. If you do have the necessary funds in your account, HedgeStreet will execute the trade. Upon trade execution, HedgeStreet will: (1) debit the account of the buyer(s) and credit the account~~

~~of the seller(s) of the Contract; (2) adjust the Contracts in your account and the account of the other Member(s) in accordance with the matched trade; and (3) inform you by electronic mail that the trade has been executed~~

~~(iii) — If your order is to enter into one or more Variable Payout Hedgelet Contracts for which you do not have an offsetting position in your account, HedgeStreet will check your account to ensure you have enough funds to cover your maximum loss under the Variable Payout Hedgelet Contract(s) you are attempting to enter into. If you do not have the necessary funds in your account, HedgeStreet will cancel your order prior to trade execution. If you do have the necessary funds in your account, HedgeStreet will execute the trade. Upon trade execution, HedgeStreet will: (1) debit the funds from your account in an amount necessary to cover the maximum loss, (2) credited to the HedgeStreet settlement account, and (3) place the Variable Payout Hedgelet Contracts that were the subject of the order into your account and notify you by electronic mail that the trade has been executed. The maximum amount that you can lose under a Long Variable Payout Hedgelet Contract (and, therefore, the amount that will be debited from your account and then paid into the HedgeStreet settlement account) is determined by subtracting the Floor from the Opening Trade Value and then multiplying the resulting figure by the Dollar Multiplier. The maximum amount that you can lose under a Short Variable Payout Hedgelet Contract is determined by subtracting the Opening Trade Value from the Cap and then multiplying the resulting figure by the Dollar Multiplier.~~

~~(iv) — If the transaction involves entering into one or more Variable Payout Hedgelet Contracts for which you have an offsetting position in your account (for example, entering into a Short Variable Payout Hedgelet Contract of a Series when you have a Long Variable Payout Hedgelet Contract of that same Series in your account), upon execution of the trade HedgeStreet will: (1) close the offsetting position in your account; (2) debit the HedgeStreet settlement account in the amount of (A) any gains realized by the offsetting transaction; and (B) any funds that were debited from your account at the time the Variable Payout Hedgelet Contract(s) that is being closed was entered into and that were not also used to pay any losses on such Contract(s); (3) credit those amounts to your account; and (4) notify you by electronic mail that the trade has been executed.~~

~~(e) Notwithstanding anything to the contrary in Rule 5.4(b)(i), each Market Maker shall have the ability to enter sell orders on the market without having the Fixed Payout Hedgelet Contracts to be sold in its account at the time the order is matched with a buy order of another Member. 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.~~

~~(d) 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 outlined above in 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.~~

(c) Each Clearing Member must require each Customer to execute an agreement including at least the following acknowledgements and agreements, which the parties may not modify in any material respect:

THERE ARE NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS PROVIDED BY THE CLEARING CORPORATION (“CCORP”) TO SUBSCRIBERS OF THE HEDGESTREET (“HS”) SYSTEM RELATING TO ANY OF THE SERVICES OR FACILITIES PROVIDED BY CCORP, INCLUDING BUT NOT LIMITED TO THE WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE OR USE.

EXCEPT AS MAY OTHERWISE BE SPECIFICALLY AGREED WITH CCORP, IN NO EVENT SHALL CCORP OR ANY OF ITS GOVERNORS, DIRECTORS, OFFICERS OR

EMPLOYEES, BE FINANCIALLY RESPONSIBLE FOR, OR OTHERWISE GUARANTEE THE PAYMENT OR RETURN BY CCORP OR ANY THIRD PARTY OF ANY ORIGINAL MARGIN OR COLLATERAL DEPOSIT, VARIATION MARGIN, OPTION PREMIUM, SETTLEMENT AMOUNT OR DELIVERY OBLIGATION IN RESPECT OF ANY HS CONTRACT. NEITHER CCORP NOR ANY OF ITS GOVERNORS, DIRECTORS, OFFICERS OR EMPLOYEES SHALL BE LIABLE TO ANY PERSON FOR ANY LOSSES, DAMAGES, COSTS OR EXPENSES (INCLUDING, BUT NOT LIMITED TO, LOSS OF PROFITS, LOSS OF USE, DIRECT, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES) ARISING FROM ANY FAILURE OR MALFUNCTION, OR ANY FAULT IN DELIVERY, DELAY, OMISSION, SUSPENSION, INACCURACY OR TERMINATION, OR ANY OTHER CAUSE, IN CONNECTION WITH THE FURNISHING, PERFORMANCE, MAINTENANCE, USE OF OR INABILITY TO USE ALL OR ANY PART OF THE SERVICES PROVIDED BY CCORP TO HS OR TO CCORP PARTICIPANTS. THE FOREGOING SHALL APPLY REGARDLESS OF WHETHER A CLAIM ARISES IN CONTRACT, TORT, NEGLIGENCE, STRICT LIABILITY OR OTHERWISE.

#### RULE 5.4 MARGIN

(a) Clearing Members shall collect sufficient margin from its Customers in an amount no less than 100 percent of the premium amount of a transaction.

(b) Clearing Members shall abide by all rules and policies of CCorp, including, without limitation, all rules relating to margin requirements.

(c) No Clearing Member shall extend any credit or give any rebate or gratuity of any kind to any Person for the purpose of circumventing or evading margin requirements.

#### RULE 5.5 ORDER ENTRY

(a) You will enter orders to purchase ~~Hedgelet Pairs or trade~~ and sell ~~iHedgelets~~ Contracts by electronic transmission over the Internet or a dedicated private circuit, and ~~HedgeStreetHe~~ dgeStreet will maintain an electronic record of your order entries.

~~(b) — You will enter Subscriptions or Redemptions by indicating to HedgeStreet in the manner required by HedgeStreet the Series for, and the number of, the Hedgelet Pairs you wish to purchase or redeem.~~

~~(b) (e)~~—You will enter an order to trade one or more Contracts by indicating to HedgeStreet in the manner required by HedgeStreet including, but not limited to: (i) order type (i.e., buy or sell); (ii) the Series of Contract; (iii) the price at which ~~you want~~ to buy or sell the Contract; ~~and~~ (iv) the number of Contracts ~~you want to buy or sell~~ to be bought or sold; (v) whether the trade is for your account or the account of your Customer and, (vi) whether the trade is an opening or closing transaction.

~~(c) (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.

Once the order is accepted by HedgeStreet, 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.

~~(d) (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.~~ The records kept by HedgeStreet will include all of the terms identified in paragraphs (b) ~~and (e)~~ of this Rule as well as the date and time, ~~to the nearest tenth of a second,~~ that the transaction was completed, to the nearest tenth of a second for all executed Contract trades, and to the nearest second for all orders to trade Contracts.

#### RULE 5.6 RECORDKEEPING OF CUSTOMER ORDERS

(a) No separate record need be made for Customer orders received by a Clearing Member or Authorized Trader which are capable of being immediately entered onto the HedgeStreet system, unless otherwise required by these Rules. However, if a Clearing Member or Authorized Trader receives an order that cannot be immediately entered into the HedgeStreet system, such Clearing Member or Authorized Trader must prepare a written record of the order and include the account designation, date and time of receipt and order instructions. The written record of the order shall be time-stamped and appropriately indicate whether the order was not executed, executed or cancelled.

(b) All time-stamps required under this Rule 5.6 must show the time to the nearest minute.

(c) All written orders and any other original records pertaining to orders entered through the HedgeStreet system must be retained for no less than five years. For orders that were entered immediately upon receipt into the HedgeStreet system, the information contained in the HedgeStreet system shall be deemed the original records of the transaction.

#### RULE 5.7 WITHHOLDING ORDERS PROHIBITED

(a) No Clearing Member or Authorized Trader may withhold or withdraw from the market any order or any part of an order for the benefit of any Person other than the Person placing the order.

#### RULE 5.8 DISCLOSING ORDERS PROHIBITED

(a) It is a violation of this Rule 5.8 for any Person to disclose another Person’s order to buy or sell iHedgelets except as may be requested by HedgeStreet or the Commission.

(b) It is a violation of this Rule 5.8 for any Person to take action or direct another Person to take action based on non-public order information, however acquired.

#### RULE 5.9 ERRORS IN HANDLING ORDERS BY CLEARING MEMBERS

(a) If a Clearing Member (or an Authorized Trader of the Clearing Member), fails to execute a Customer order or under buys or under sells on a Customer order (collectively

“Unfilled Order”), the Clearing Member shall execute the order or the remainder of the order in the market to correct the error made as a result of the Unfilled Order (“Filled Order”). If the Filled Order is executed at a worse price than the Customer should have received but for the Unfilled Order, the Clearing Member may allocate the Filled Order to its error account and assign the opposite side of the order to its error account at the price the Customer was entitled. If the Filled Order is executed at a more favorable price, the Customer is entitled to the better price.

(b) If a Clearing Member executes i) a Customer order in the wrong Type, Class and/or Series and/or ii) an order on the wrong side of the market (e.g. enters a buy order instead of a sell order or enters a sell order instead of a buy order) (collectively, “Erroneous Execution”), and the Erroneous Execution has been placed in the Clearing Member’s error account, the Erroneous Execution may be corrected by executing the order with the correct terms (“Corrected Execution”). If the Corrected Execution is executed at a worse price due to the Erroneous Execution, the Clearing Member shall make an adjustment by check in a sufficient amount to ensure that the Customer receives the better price.

(c) If a Clearing Member over buys or over sells on an order in an attempt to correct an Unfilled Order or Erroneous Execution, the Customer is not entitled to any of the excess. A Clearing Member that has established an excess position due to an attempt to correct an Unfilled Order or Erroneous Execution must place such excess position in the error account of the Clearing Member or Authorized Trader responsible for the error. Any profits resulting from the liquidation of the trades placed in the error account belong to the Clearing Member or the Authorized Trader, and may be retained or disbursed at the discretion of the Clearing Member or the Authorized Trader.

#### RULE 5.10 ~~RULE 5.6~~—DISPUTED ORDERS

(a) If you believe that an order to ~~Subscribe for or Redeem a Hedgelet Pair or to trade one or more Contracts~~ buy or sell iHedgelets was incorrectly executed or rejected by HedgeStreet you may request review of the order by providing the confirmation number for the order and stating the grounds for your disagreement with the handling of the order.

(b) Upon receipt of a request for review of an order and the accompanying confirmation number, HedgeStreet will review its electronic audit trail to determine if the HedgeStreet trading system correctly interpreted and executed your order.

(c) If the review described in paragraph (b) of this Rule reveals that the HedgeStreet trading system made a mistake, the order will be cancelled and the accounts of all Members that were party to the order will be returned to their state before the trade was executed.

(d) If the review described in paragraph (b) of this Rule reveals that the HedgeStreet trading system did not make a mistake, HedgeStreet will inform you of its determination that the order was properly handled, the evidence supporting that determination, and that an adjustment will not be made.

(e) You may appeal a determination under paragraph (d) of this Rule to a HedgeStreet compliance officer through the electronic mail address provided on the HedgeStreet website.

You will be required to provide a response to the evidence described in paragraph (d) of this Rule that the order was properly handled, and you may provide any other information you wish to disclose. If your appeal does not contain a response to the evidence described in paragraph (d), it will be rejected. The compliance officer will decide your appeal no later than 10 days after its receipt, and that decision will be final.

(f) HedgeStreet will document in writing all requests for review of orders received by HedgeStreet, the time and manner in which HedgeStreet reviewed its electronic audit trail in response to the request, the outcome of that review, and the action or actions taken by HedgeStreet in response to that review, including the results of any appeal filed under paragraph (e) of this Rule and the review conducted by the compliance officer in deciding that appeal.

#### RULE 5.11 ~~RULE 5.7~~ ACCEPTABLE ORDERS

(a) You may only enter limit orders to trade Contracts on the Market except in accordance with the conditions and procedures under which such orders may be permitted under these Rules.

(b) For the purpose of this Rule, a “limit order” is an order to buy or sell the number of Contracts you specify at the price you specify, or a better price if a better price is available.

#### RULE 5.12 TRADING AGAINST CUSTOMER ORDERS IS PROHIBITED

(a) No Clearing Member or Authorized Trader in possession of a Customer order may knowingly enter into a transaction for such order directly or indirectly for him/herself or any other Person with whom such Person has a direct or indirect financial interest.

(b) The restriction imposed by Rule 5.12(a) will not apply to the following transactions:

(i) Transactions executed pursuant to Rule 5.13;

(ii) Transactions where a Customer has consented in writing no more than 12 months prior to the transaction to waive the restriction imposed in Rule 5.12(a). Such transactions shall also be subject to the following conditions;

(1) the transaction shall conform to the requirements of Rule 5.15;

(2) the Member shall clearly identify all of the terms of such transactions, including i) time of execution, ii) name of the Customer, iii) Series of Contract, iv) the date, v) price and vi) quantity.

#### RULE 5.13 BLOCK TRADES

(a) Clearing Members acting on their own behalf or on behalf of their Customers, may enter into privately negotiated transactions with respect to any Class of iHedgelet Contract approved by HedgeStreet for such purpose (hereinafter referred to as “Block Trades”) provided that all of the following conditions of this Rule 5.13 are met:

(b) Each party to a Block Trade must be a Clearing Member or its Customer that qualifies as an Eligible Contract Participant, provided that, if the Block Trade is entered into on behalf of a Customer by a commodity trading advisor (registered with NFA) (“NFA”), or any investment advisor registered as such with the Securities and Exchange Commission that is exempt from CTA registration under the CEA or Commission regulations, in either case with total assets under management exceeding US \$25 million, the Customer need not be an Eligible Contract Participant.

(c) A Clearing Member may not take the opposite side of a Block Trade with a Customer without such Customer’s prior written consent, which may be in the form of a blanket consent to all transactions effected after such consent is given.

(d) A Clearing Member may effect a Block Trade on behalf of a Customer only if the Clearing Member has received an order to do so from the Customer. Such order must be recorded and time-stamped with the time the order is placed and the time the order is executed.

(e) Each buy or sell order underlying a Block Trade must:

(i) explicitly state that it is to be, or may be, executed by means of a Block Trade; and

(ii) be for at least the applicable minimum threshold (“Block Size”) as specified in the chart below:

<u>Contract</u>	<u>Minimum Block Size<sup>2</sup></u>

(f) The price at which the Block Trade is executed must be “fair and reasonable” in light of:

(i) the size of the Block Trade;

(ii) the price and size of other transactions in the same Contract at the relevant time;

(iii) the price and size of transactions in other relevant markets, including, without limitation, the underlying cash and futures market (if applicable) at the relevant time, or

<sup>2</sup> HedgeStreet has not included in this submission the series of iHedgelets that will be eligible to engage in block trading nor the relevant minimum size requirements for any of these instruments. Such designations will be submitted separately to the Commission.



(iv) the circumstances of the market or the parties to such block trades.

(g) Immediately upon agreeing to enter into a Block Trade transaction, or upon the opening of the Market, if the transaction is agreed to be entered into by the parties at a time when the Market is closed, the Clearing Member who is the Block Trade seller (or whose Customer is the Block Trade seller) shall report the details of the Block Trade on the screen. The report shall include the name of the selling Clearing Member, the name of the buying Clearing Member, the Contract, Contract month, price and quantity of the transaction. Within five (5) minutes of reporting the details of the Block Trade, the Clearing Member who is the Block Trade buyer (or whose Customer is the Block Trade buyer) shall confirm such Block Trade on the screen. Block Trades must be reported to HedgeStreet within five minutes of the Time of Execution. Time of Execution means the time the agreement is entered into between the buyer and the seller. The report must include the Contract, Contract month, price and quantity of the transactions. HedgeStreet shall immediately publish that Block Trade report onto the Market.

(h) Each time a Clearing Member arranges a Block Trade on the Market, the Clearing Member has the responsibility of ensuring that the execution of such Block Trade promotes a fair and orderly Market. Upon the request of HedgeStreet and/or NFA, a Clearing Member must provide satisfactory evidence that a Block Trade was arranged in accordance with these Rules.

#### RULE 5.14 TRANSFER TRADES

(a) A Clearing Member may transfer a trade in iHedgelets from one account to another account i) within the same Clearing Member or ii) to another Clearing Member, provided that the transfer would not result in a change in beneficial ownership in any iHedgelet, unless the transfer is made in order to;

(i) correct an error in a previously executed transaction, provided that the Clearing Member is able to provide evidence of such error in a form prescribed by HedgeStreet;

(ii) reflect a change in ownership occurring by operation of law due to the death or bankruptcy of a Person having an ownership interest in such iHedgelet, or;

(iii) facilitate a merger, consolidation, disposition of a line of business, reorganization, or similar event effecting such Person.

(b) A Clearing Member that transfers an iHedgelet trade shall notify HedgeStreet and CCorp of the transfer in a manner and form as prescribed by HedgeStreet and CCorp.

(c) Transfers of Clearing Member or Customer trades shall be made at the historic price at which such transactions were executed.

#### RULE 5.15 CROSS TRADES

(a) No Member shall enter into a Cross Trade unless the following conditions are satisfied;

(i) In the case of a Customer order, the Customer has given consent to enter into such Cross Trade (which may be in the form of a blanket consent);

(ii) During pre-negotiations and in executing Cross Trades for a Customer, the Clearing Member ensures that;

(1) it acts with due skill, care and diligence, and

(2) the Customer's interests are not prejudiced.

(iii) When a Customer order is on one side of the Cross Trade, then the Customer order must be submitted onto the Market first.

(iv) If both parties agree to execute the transaction above the existing bid price and below the existing offer price, the Cross Trade may be executed immediately on the Market. In the absence of a bid and an offer price in the relevant iHedgelet Series, then the Clearing Member seeking to execute a Cross-Trade must;

(1) Enter an order onto the Market;

(2) Allow the order to remain on the Market for 10 seconds, provided that, if the order represents the first transaction in a Series, the order shall remain on the Market for 60 seconds, and

(3) The Clearing Member may immediately enter the opposite order after the 10 second or 60 second period has expired in accordance with Rule 5.15(a)(iv)(2).

(v) A Clearing Member must not enter a bid and/or an offer onto the Market in an attempt to circumvent Rule 5.15(iv).

#### RULE 5.16 GIVE-UPS

(a) A Give-Up occurs when a CCorp Participant executes a trade ("Executing Participant") on behalf of another CCorp Participant ("Carrying Participant") and subsequently transfers the trade to the Carrying Participant.

(b) The Executing Participant must i) indicate that the transaction is being executed as a Give-Up prior to order entry, and ii) indicate the Carrying Participant.

(c) The Executing Participant must submit Give-Up transactions to CCorp for clearing and, remains responsible for the clearing and settlement of such Give-Up transaction as determined by the rules of CCorp.

#### RULE 5.17 ~~RULE 5.8~~ PRIORITY OF ORDERS

The Market's trading algorithms execute all trades by matching orders according first by price and then time priority. This means that orders entered at different prices will be executed in order of price, from best to worst, regardless of what time they were placed on the Market, and

orders placed on the Market at the same price will be executed in order of time, from oldest to most recent.

#### [RULE 5.18](#) ~~RULE 5.9~~—FILLING ORDERS TO TRADE CONTRACTS

The HedgeStreet trading system will fill all orders to trade Contracts on an “or better” basis. This means that if you place an order to buy a Contract or Contracts at a price higher than the price of the best sell offer on the market, the system will fill your order at the better sell offer price(s) until all available sell offers under or equal to your limit price are filled or until your buy order is completely filled. Likewise, if you enter a sell order at a price lower than the price of the best buy offer, the system will fill your order at the better buy offer price(s) until all available buy offers over your limit price are filled or your sell order is completely filled. If your order is only partially filled, the unfilled portion of your order will be placed in the order book as a resting order at the limit price you specified. Should a better order subsequently be placed in the system, the unfilled portion of your original order will be executed at its limit price.

#### [RULE 5.19](#) ~~RULE 5.10~~—MODIFICATION AND CANCELLATION OF ORDERS

(a) You can either cancel or modify an order you have placed on the Market if it has not yet been executed. All your pending orders will be listed on your account page. To modify a pending order, select the order to be changed and, using the prompts, (1) cancel the order, (2) modify the order, or (3) leave the order unchanged. If you choose to cancel the order and the order has not been executed, the HedgeStreet system will withdraw the order from the order book and confirm the cancellation of the order. If you choose to amend the order, you will be shown the details of the existing order and be allowed to change any part of the order except the Underlying. You will then be given a new order confirmation number and be informed that the system will treat the modified order as a new order, causing the amended order to lose its original time priority.

(b) HedgeStreet will attempt to modify or cancel your order as soon as possible after you enter a modification or cancellation order. However, the order may be executed before HedgeStreet is able to cancel or modify it. If your order has been filled in whole or in part, you may modify or cancel only that portion of the order (if any) that has not been executed.

#### [RULE 5.20](#) ~~RULE 5.11~~—VIEWING THE MARKET AND EXECUTED ORDERS

HedgeStreet will allow its [Clearing](#) Members to view the current best bid and offer on the Market. HedgeStreet will also allow [Clearing](#) Members to view the last executed order to trade Contracts.

#### [RULE 5.21](#) ~~RULE 5.12~~—HOURS FOR ~~THE SUBSCRIPTION AND REDEMPTION OF HEDGELET PAIRS AND~~ TRADING HEDGELET CONTRACTS

The Market will be open for execution of your orders from 9:00 a.m. to 8:00 p.m. Eastern Standard Time Monday through Friday (each, a “Trade Day”), 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 5.22 ~~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:~~

Number of Per Incident Violations Within a Calendar Year	Penalty
1	\$10 fee deducted from your account
2	\$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).
3	\$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
4	\$20 fee deducted from your account and suspension of your trading privileges for 30 days (regardless of explanation)
5	\$25 fee deducted from your account and suspension of your trading privileges for 6 months (regardless of explanation)
6	\$30 fee and revocation of trading privileges (regardless of explanation)

(a) (b)—You are prohibited from accepting any order or attempting to enter into any trade on the Market that is or has been directly or indirectly prearranged except in accordance with the conditions and procedures under which such transactions may be permitted under these Rules. In other words, you may not agree with another ~~Member~~Person that one of you will enter a trade and the other Person will attempt to match that trade by timing the orders or otherwise unless such agreements are permitted pursuant to these Rules.

(b) (e)—You are prohibited from accepting any order or attempting to enter into or entering into any trade on the Market that does not result in a change in beneficial ownership, that is designed to unnaturally inflate trading volume, that in any way attempts to circumvent the Market’s order processing, trade ordering, and trade execution systems, or otherwise to circumvent exposure of the order to open and competitive bidding on the Market, or that has some other illegitimate purpose.

(c) (d)—You are prohibited from accepting any order or entering into any trade designed or used to cause any price for a Contract other than a true and bona fide price to be reported, registered, or recorded by the Market.

(d) You are prohibited from knowingly accepting any bids or offers to be entered, entering or causing to be entered, bids or offers onto the Market other than in good faith for the purpose of executing bona fide transactions.

(e) You are prohibited from trading in, transferring, assigning, or otherwise disposing of ~~Hedgelet Pairs or~~ Contracts other than as provided for in these Rules.

(f) You are prohibited from agreeing to transfer or from transferring the benefit of any position in any ~~Hedgelet Pair or~~ Hedgelet Contract to another ~~person~~ Person other than through a transaction executed through the Market, except in accordance with the conditions and procedures under which such transactions may be permitted under these Rules.

~~(g) — You are prohibited from trading for a person or entity other than yourself or the Member for whom you are an authorized representative.~~

~~(g)~~ ~~(h)~~—You are prohibited from engaging in any activity that presents a risk of harm to HedgeStreet, its ~~members~~, Members, Customers or the public.

~~(h)~~ ~~(i)~~—You are prohibited from engaging in any activity that adversely affects the integrity of the Market or its underlying systems.

~~(j) — You are prohibited from failing to abide by an arbitration decision or award handed down under Chapter 10 of these Rules.~~

~~(i)~~ ~~(k)~~—You are prohibited from intentionally providing erroneous or fraudulent information to HedgeStreet on your membership application or otherwise.

(j) You are prohibited from violating or failing to timely comply with the terms of any agreement between you and HedgeStreet or the Clearing Corporation, or any order or arbitration decision or award of HedgeStreet, NFA or the Clearing Corporation.

(k) ~~(l)~~—You are prohibited from engaging in any activity that is intended to, or has the effect of, manipulating the market in violation of Sections 6(c) and 9(a)(2) of the CEA and from engaging in any other activity that would violate the CEA or the Commission’s Regulations.

(l) You are prohibited from entering any bids, offers or transactions on the Market when you have, or should know that you are subject to early warning reporting requirements under Commission Regulation 1.12, are subject to a proceeding in bankruptcy or are otherwise unable to pay your obligations as they become due, without the prior written approval of HedgeStreet.

(m) You are prohibited from knowingly carrying an account, entering an order or effecting any transactions for any employee of HedgeStreet or the Clearing Corporation without the prior written consent of the employer.

(n) You are prohibited from directly or indirectly guaranteeing the execution of an order to buy or sell a Contract on HedgeStreet, or any of its terms, including quantity and price unless such order has been executed or reported on the Market.

(o) You are prohibited from handling, mainting or soliciting any Customer orders, accounts or funds unless you are properly registered with the NFA in accordance with the CEA and Commission Regulation adopted thereunder to conduct futures-related business with the public.

RULE 5.23 ~~RULE 5.14~~—SPECULATIVE POSITION LIMITS

(a) HedgeStreet has imposed Speculative Position Limits on certain Classes of Contracts as defined in Chapter 12 of these Rules. Any Member who exceeds or causes any Person to exceed a Speculative Position Limit shall be deemed in violation of this Rule ~~5.14~~5.23. In addition, any Member accepting or entering bids or offers, if accepted, causing ~~the Member~~any Person to exceed the applicable Speculative Position Limit shall be in violation of this Rule.

(b) If a Member fails to reduce any position in a manner and time as directed by HedgeStreet, HedgeStreet shall have the authority to liquidate the applicable position to a level below the defined Speculative Position Limit stipulated under the relevant Class of Contracts in Chapter 12 of these Rules.

(c) In addition to the restrictions and requirements imposed in Section ~~5.14~~5.23(a) and (b), the first violation of a Speculative Position Limit by a Member shall result in a letter of warning to be issued by the HedgeStreet Compliance Department to the Member.

(d) In addition to the restrictions and requirements placed in Section ~~5.14~~5.23(c), any subsequent violation of a Speculative Position Limit within the preceding 12 months by a Member shall result in the issuance of a second letter of warning to the Member and the suspension or revocation of membership privileges in accordance with Chapter 9 of these Rules.

(e) Position limits shall apply to i) all positions in accounts for which any ~~person~~Person by power of attorney or otherwise, directly or indirectly holds positions or controls trading, and ii) positions held by two or more ~~persons~~Persons acting pursuant to an express or implied agreement or understanding the same as if the positions were held by, or the trading of the position were done by, a single individual.

**CHAPTER 6 SETTLING ~~HEDGELET PAIR SUBSCRIPTIONS AND REDEMPTIONS, CONTRACT TRADES,~~HEDGELET TRADES AND ~~HEDGELET~~ CONTRACTS AT EXPIRATION, ~~AND MEMBER WITHDRAWAL REQUESTS.~~**

**RULE 6.1 SETTLING ~~HEDGELET PAIR SUBSCRIPTIONS AND REDEMPTIONS AND CONTRACT TRADES,~~HEDGELETS FOR CLEARING MEMBERS**

~~(a) — HedgeStreet will maintain, on its system, a record of each Member’s account balances and Contracts. HedgeStreet will also maintain a “HedgeStreet settlement account,” which will reflect funds used by Members to Subscribe for Hedgelet Pairs, as well as funds paid by HedgeStreet to redeem Hedgelet Pairs. HedgeStreet will also maintain a “HedgeStreet proprietary account,” which will be credited with all fees debited from Member accounts due to trades and expiration settlements and redemptions. All settlements among these accounts on the HedgeStreet system will be instantaneous.~~

~~(b) — All funds in Member accounts and in the HedgeStreet settlement account will be maintained in an account at the HedgeStreet settlement bank that is designated as a customer segregated funds account under the CEA and the Commission’s Regulations. Because those funds will be commingled at the settlement bank, transfers among Member accounts and transfers between Member accounts and the HedgeStreet settlement account will not be~~

~~transmitted to the settlement bank. Such records will only be maintained on the HedgeStreet system. However, once every settlement bank business day, HedgeStreet will send to its settlement bank by batch mode electronic transmission instructions for the settlement bank to transfer fees credited by HedgeStreet to the HedgeStreet proprietary account on its system from the customer segregated funds account at the settlement bank to the HedgeStreet proprietary account at the settlement bank.~~

~~(c) — The settlement bank will complete the transfer in the settlement instructions described in paragraph (b) of this Rule and notify HedgeStreet of its completion.~~

## ~~RULE 6.2 — SETTLING CONTRACTS AT EXPIRATION~~

~~(a) When a Series of Fixed Payout Hedgelet Contracts expires, the Fixed Payout Hedgelet Contract whose Payout Criterion encompasses the Expiration Value of the Underlying will settle in the money for \$10.00. The other Fixed Payout Hedgelet Contract in the Hedgelet Pair will settle out of the money for \$00.00. When a Series of Variable Payout Hedgelet Contracts expires, those Contracts will settle in an amount (if any) determined by the calculations set forth in the definitions for Long and Short Linear Payout Hedgelet Contracts set forth in Chapter 1 of these Rules. [Settlement of iHedgelet trades and expirations will be conducted in accordance with the by-laws and rules of the Clearing Corporation.](#)~~

~~(b) — On the Settlement Date;~~

~~(i) — HedgeStreet will notify all members which Contract is in the money and which Contract is out of the money.~~

~~(ii) — HedgeStreet will immediately settle the Fixed Payout Hedgelet Contracts by debiting HedgeStreet's settlement account in an amount equal to \$10.00 multiplied by the total number of outstanding in the money Fixed Payout Hedgelet Contracts and credit those funds to the accounts of the Members holding the in the money Fixed Payout Hedgelet Contracts at a rate of \$10.00 per such Contract.~~

~~(iii) — HedgeStreet will immediately settle the Variable Payout Hedgelet Contracts by (A) debiting HedgeStreet's settlement account in an amount equal to (1) any gains realized by Members plus (2) any blocked funds that were debited from Members' accounts at the time the Variable Payout Hedgelet Contracts that are expiring were entered into that are not used to pay any losses on such Contract(s) and (B) crediting those amounts, respectively, to the accounts of (1) Members who realized such gains, in each case in the amount of such gains realized by each Member, and (2) Members from whose accounts such blocked funds were taken, in each case in the amount of such blocked funds that was not required to pay losses experienced by such accounts on such Contracts.~~

~~(iv) — HedgeStreet will delete all Contracts of the expiring Series from the accounts of Members.~~

~~(c) — If you believe there has been an error in settlement, you must report that error to HedgeStreet immediately. Your report must state why you believe there has been an error in~~



~~settlement. If HedgeStreet receives notice of a settlement error before the end of the fifth Trading Day following settlement, HedgeStreet will review that report and will correct any error that HedgeStreet determines has been made. If HedgeStreet does not receive notice of an error of settlement before the end of the fifth Trading Day following settlement, then (i) settlement will be final and (ii) you agree that HedgeStreet shall not be responsible to you in any fashion for an uncorrected error in settlement.~~

### ~~RULE 6.3 — SETTLING MEMBER WITHDRAWAL REQUESTS~~

~~Within one settlement bank business day of when a Member requests to withdraw funds from its HedgeStreet account, HedgeStreet will transmit such request to its settlement bank in electronic batch mode transmission. The settlement bank will process that request and send those funds to the account at the Financial Institution registered with HedgeStreet by the Member (unless the Member has unsatisfied outstanding obligations on HedgeStreet, in which case HedgeStreet may retain such balances as necessary to satisfy such obligations or until the Member otherwise satisfies such obligations). You should refer to HedgeStreet's website under the Fee Schedule for all fees and costs associated with withdrawal of funds from your HedgeStreet account.~~

## **CHAPTER 7 ADJUSTMENTS NECESSITATED BY MATERIAL CHANGES IN THE UNDERLYING**

### **RULE 7.1 ADJUSTMENTS**

In the event that, during the term of a Series, changes beyond the control of HedgeStreet occur in the way the Underlying is calculated or an Expiration Value for the Underlying is unavailable or undefined in light of intervening events, HedgeStreet may adjust the terms of outstanding Series as it deems appropriate in its discretion to achieve fairness to holders of Contracts of the affected Series. In addition, if the outcome of the underlying event is unclear, HedgeStreet may, at its sole discretion, delay settlement of the Series until the outcome is clear to HedgeStreet as determined by reasonable means. While it is impossible to provide in advance for all possible events that could require an adjustment to be made, HedgeStreet will abide by any guidelines that may be established in this Chapter for making Contract adjustments.

### **RULE 7.2 GOVERNMENT ACTIONS**

Any change in instructions, order, ruling, directive, or law issued or enacted by any court or agency of the Federal Government of the United States that conflicts with the Rules contained in this Chapter shall take precedence, immediately become a part of these Rules, and be effective for all currently traded and newly listed Series.

## **CHAPTER 8 INVESTMENT OF CLEARING MEMBER ACCOUNT FUNDS**

~~Member funds on deposit with HedgeStreet and funds in the HedgeStreet settlement account (i.e., the account containing the funds paid by Members to purchase Fixed Payout Hedgelet Pairs from HedgeStreet and which are to be used to pay Members holding in the money Fixed Payout Hedgelet Contracts at expiration) will be segregated as customer funds in accordance with the Commission's Regulations. HedgeStreet may invest such funds subject to~~

~~the limitations and conditions set forth in Commission Regulation 1.25. HedgeStreet will pay interest to Members' accounts at a floating rate to be determined by HedgeStreet on funds in Members' HedgeStreet accounts in excess of an amount to be determined by HedgeStreet. HedgeStreet will retain all profit from investment of Member funds not paid to Members in accordance with the preceding sentence.~~

## RULE 8.1 INVESTMENT OF CLEARING MEMBER FUNDS HELD AT THE CLEARING CORPORATION

Clearing Member funds and the funds of Clearing Member Customers on deposit at the Clearing Corporation will be deposited and invested in accordance with the Clearing Corporation's policies and rules.

## **CHAPTER 9 RULE ENFORCEMENT**

### **RULE 9.1 MONITORING THE MARKET**

HedgeStreet's trading system will record and store for a period of not less than 5 years in a searchable, read-only database a record of all data entered into the HedgeStreet trading system, including the Member's identity and the information in Rule 5.5. Programs are run on this data by HedgeStreet and by an organization with which HedgeStreet has entered into an agreement to provide certain market surveillance and trade practice surveillance and investigatory services, and those programs will alert HedgeStreet or its market/trade practice surveillance services provider when potentially unusual trading activity takes place. HedgeStreet or its services provider will initiate investigations upon receipt of notice of unusual trading activity, and HedgeStreet and/or its service provider will review and further investigate any reports of such activity provided by its market surveillance services provider. HedgeStreet will also investigate any time it has other reason to believe that inappropriate activity of any sort is taking place on the Market or its website.

### **RULE 9.2 INVESTIGATIONS, HEARINGS, AND APPEALS**

(a) HedgeStreet has a compliance department consisting of one or more compliance officers. In addition, HedgeStreet may enter into agreements with one or more investigatory service providers in order to perform the specified functions assigned by these Rules to HedgeStreet compliance officers. Compliance officers investigate unusual trading activity or other activity that compliance officers have reasonable cause to believe could constitute a violation of these Rules. HedgeStreet has a Disciplinary Committee that determines whether disciplinary action should be brought against a Member based on the findings of compliance officers. HedgeStreet also retains hearing officers, who adjudicate findings by compliance officers that are disputed by Members. Hearing officers and compliance officers may not communicate regarding a matter brought before the hearing officer without informing the Member who is the subject of the communication of its substance and allowing the Member an opportunity to respond. Compliance officers and hearing officers may compel testimony, subpoena documents, and require statements under oath from any Member or its authorized representative. Compliance officers, hearing officers, and employees or agents of HedgeStreet working under their supervision, may not be a Member or an authorized representative of a

Member or trade, directly or indirectly, in any commodity interest traded on or subject to the rules of any registered contract market.

(b) Upon the conclusion of any investigation by a compliance officer, the officer will draft a document detailing the facts that led to the opening of the investigation, the facts that were found during the investigation, and the compliance officer's analysis and conclusion. If the compliance officer concludes that there is reasonable cause to believe a Member has violated HedgeStreet's Rules or other applicable statutes or regulations, the compliance officer will present his/her analysis and conclusions to the HedgeStreet Disciplinary Committee for review and final determination as to whether disciplinary proceedings should commence against the Member. If the Disciplinary Committee determines that disciplinary proceedings should be brought against the Member, the compliance officer will submit by electronic mail to the Member whose activity is the subject of the investigation a report that will include:

- (i) the reason the investigation was begun;
- (ii) the charges or a summary of the charges;
- (iii) the response, if any, or a summary of the response;
- (iv) a summary of the investigation conducted;
- (v) findings and conclusions as to each charge, including which of these Rules the Member or its authorized representative violated, if any; and
- (vi) the penalty, if any, proposed by the ~~compliance officer~~Disciplinary Committee.

(c) The Member whose activity is the subject of the investigation may contest the ~~compliance officer~~Disciplinary Committee's findings by forwarding a response to those findings by electronic mail to the compliance officer within 15 days. The Member has a right to examine the evidence relied upon by the compliance officer and Disciplinary Committee. The Member's response must contain a detailed response to the findings and conclusions as to each charge and any other information the Member thinks is relevant.

(d) If the findings of the ~~compliance officer~~Disciplinary Committee are not contested by the Member, HedgeStreet will deem those findings admitted by the Member and impose the penalty (if any) proposed by the ~~compliance officer~~Disciplinary Committee. The Member will be notified of the imposition of any penalty by electronic mail.

(e) If the findings of the ~~compliance officer~~Disciplinary Committee are contested, the compliance officer's report and the Member's response will be submitted to a HedgeStreet hearing officer. The hearing officer will conduct a telephonic hearing with the compliance officer and the Member within 20 days of receipt of the Member's response contesting the ~~compliance officer~~Disciplinary Committee's finding and/or proposed sanction and, within 20 days after that hearing, issue findings, which will be delivered to the Member by electronic mail. Prior to the hearing, the parties may (but need not) submit proposed findings, briefs, and exhibits (including affidavits), and during the hearing the parties may present witnesses. The telephonic

hearing will be recorded, and all information submitted by the parties (including the compliance officer's report and the Member's response) as well as the recording of the hearing, will be preserved by the hearing officer, along with the hearing officer's findings, as the record of the proceedings (the "hearing record"). The findings of the hearing officer will contain the following information:

- (i) a brief description of the allegations;
- (ii) a brief summary of the evidence received;
- (iii) findings and conclusions;
- (iv) a declaration of any penalty to be imposed on the Member as the result of the findings and conclusions;
- (v) the effective date and duration of that penalty; and
- (vi) a statement that the Member has the right to appeal any adverse decision by the hearing officer to the HedgeStreet board of directors, but must do so within 15 days.

(f) Either the Member or the compliance officer may appeal the decision of the hearing officer within 15 days by filing an appeal by electronic mail with the HedgeStreet board of directors and forwarding a copy to the other parties to the appeal. Any penalties will be stayed pending appeal unless the hearing officer determines that a stay pending appeal would likely be detrimental to the exchange, other Members, or the public. The board of directors will review the hearing record and any information submitted by the compliance officer and the Member on appeal and issue its decision, which shall be final. The member shall be notified of the decision by electronic mail. The hearing record, any information submitted on appeal, and the board's decisions shall be preserved as the record on appeal. The decision will contain the information listed in paragraph (e) of this Rule, except for (e)(vi), and will also contain:

- (i) a statement that any person aggrieved by the action may have a right to appeal the action pursuant to Part 9 of the Commission's Regulations, within 30 days of service; and
- (ii) a statement that any person aggrieved by the action may petition the Commission for a stay pursuant to Part 9 of the Commission's Regulations, within 10 days of service.

### RULE 9.3 SETTLEMENT OF INVESTIGATIONS

(a) HedgeStreet may enter into settlements with any Member or its authorized representative who is the subject of an investigation. The Member, its authorized representative, or a compliance officer may initiate a settlement offer. Any settlement offer shall be forwarded to a HedgeStreet hearing officer with a recommendation by the compliance officer that the proposed settlement be accepted, rejected, or modified. A settlement offer may be withdrawn at any time before it is accepted by the hearing officer.

(b) The hearing officer may accept, reject, or offer a modification to the proposed settlement, and the decision of the hearing officer will be final.

(c) Any settlement under this Rule will be written and will state:

(i) the charges or a summary of the charges;

(ii) the response, if any, or a summary of the response;

(iii) a summary of the investigation conducted;

(iv) findings and conclusions as to each charge, including each act the person charged was found to have committed or omitted, be committing or omitting, or be about to commit or omit, and each of these Rules that such act or practice violated, is violating, or is about to violate; and

(v) any penalty imposed and the penalty's effective date.

(d) Failed settlement negotiations, or withdrawn settlement offers, will not prejudice a Member or otherwise affect subsequent procedures in the rule enforcement process.

#### RULE 9.4 NOTICE AND PUBLICATION OF DECISION

(a) HedgeStreet will provide to the person charged and to the Commission a copy of an adverse investigation report, appeal determination, or settlement within 30 days after it becomes final in accordance with the provisions of Commission Regulation 9.11.

(b) HedgeStreet will publish the outcome of all disciplinary proceedings and settlements on its website.

#### 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;

(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

(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).

## RULE 9.6 SUMMARY SUSPENSION

(a) HedgeStreet may summarily suspend or restrict a Member (or any of its authorized representative's) privileges if the chairman and the chief executive officer believe suspension or restriction is necessary to protect the commodity futures markets, HedgeStreet, the public, or other Members. If either the chief executive officer or the chairman or an entity with whom the chief executive officer or chairman is associated has a financial, personal, or other direct interest in the matter that is the basis of the summary action, the chief executive officer and/or chairman will not make any decision with respect to summary action and that decision will instead be made by a member of the board of directors chosen by a compliance officer to act in the place of the chief executive officer and/or chairman.

(b) Whenever practicable HedgeStreet will notify the Member whose privileges are to be summarily suspended by electronic mail before the action is taken. If prior notice is not practicable, the Member shall be served with notice by electronic mail at the earliest opportunity. This notice shall:

(i) state the action taken or to be taken;

(ii) briefly state the reasons for the action;

(iii) state the time and date when the action became or becomes effective and its duration; and

(iv) state that any person aggrieved by the action may petition the Commission for a stay of the effective date of the action pending a hearing pursuant to Part 9 of the Commission's Regulations, within 10 days of service.

(c) The Member whose privileges are to be summarily suspended shall be given an opportunity for appeal under the procedures outlined in Rule 9.2(f) of these Rules. The decision affirming, modifying, or reversing the summary suspension shall be furnished by electronic mail to the suspended Member and the Commission no later than one business day after it is issued. The decision shall contain:

(i) a description of the action taken and the reasons for the action;

(ii) a brief summary of the evidence received during the appeal process;

(iii) findings and conclusions;

(iv) a determination as to whether the summary action that was taken should be affirmed, modified, or reversed;

(v) a declaration of any action to be taken against the suspended Member as the result of that determination;

(vi) the effective date and duration of that action;

(vii) a determination of the appropriate relief based on the findings and conclusions;

(viii) a statement that any person aggrieved by the action may have a right to appeal the action pursuant to Part 9 of the Commission's Regulations, within 30 days of service; and

(ix) a statement that any person aggrieved by the action may petition the Commission for a stay pursuant to Part 9 of the Commission's Regulations, within 10 days of service.

## RULE 9.7 ACTIONS RESPECTING NON-MEMBERS

(a) If HedgeStreet has reason to believe that any non-Member is conducting trading activities in violation of the CEA or that would be a violation of these Rules if the non-Member were a Member, HedgeStreet may require any Clearing Member that acts on behalf of the non-Member, to appear, produce documents and testify, at a HedgeStreet Compliance Department interview or investigation, or a disciplinary proceeding before a hearing officer.

(b) If it is determined at the conclusion of the disciplinary proceeding that the actions of the non-Member violate the CEA or would violate these Rules if the non-Member were a Member, the hearing officer may:

(i) order any Clearing Member to liquidate any or all portion of such non-Member's positions;

(ii) order that no Clearing Member accept new positions on behalf of any such non-Member;

(iii) deny or terminate access of such non-Member to the Market; or

(iv) order such other action as the hearing officer deems is necessary or advisable to prevent the actions that may violate the CEA or would violate these Rules if the non-Member were a Member.

## RULE 9.8 ~~RULE 9.7~~—REPRESENTATION BY COUNSEL

A Member has the right to retain and be represented by counsel during any and all proceedings under this Chapter.

## **CHAPTER 10 LIMITATION OF LIABILITY; TIME PERIOD IN WHICH TO BRING ACTIONS; GOVERNING LAW; ARBITRATION**

### **RULE 10.1 LIMITATION OF LIABILITY**

(a) AS A MEMBER YOU AGREE THAT NEITHER HEDGESTREET, THE CLEARING CORPORATION, NOR ~~HS~~THEIR RESPECTIVE OFFICERS, DIRECTORS, AGENTS AND/OR EMPLOYEES (COLLECTIVELY REFERRED TO AS "HEDGESTREET

PARTIES”) SHALL HAVE ANY RESPONSIBILITY FOR COMPLIANCE BY MEMBER WITH ANY LAW OR REGULATION GOVERNING MEMBER’S CONDUCT. MOREOVER, YOU ALSO AGREE THAT NO HEDGESTREET PARTY SHALL BE LIABLE IN ANY MANNER WHATSOEVER FOR ANY LOSS OR DAMAGE SUSTAINED BY MEMBER, INCLUDING ANY CONSEQUENTIAL LOSS, LOSS OF PROFIT OR LOSS OF TRADING OPPORTUNITY, AS A RESULT OF ANY ACTUAL OR PROPOSED TRANSACTIONS OR AS A DIRECT OR INDIRECT RESULT OF ANY SERVICES PROVIDED BY HEDGESTREET PARTIES (INCLUDING, WITHOUT LIMITATION, ANY FAILURE IN HEDGESTREET’S SYSTEMS OR ANY INACCURATE INFORMATION PROVIDED BY A HEDGESTREET PARTY), UNLESS THE RELEVANT HEDGESTREET PARTY IS DETERMINED BY FINAL RULING OF AN ARBITRATION PROCEEDING TO HAVE ACTED OR FAILED TO ACT IN A MANNER THAT IS GROSSLY NEGLIGENT, RECKLESS, OR FRAUDULENT. FOR THE AVOIDANCE OF DOUBT, NOTHING IN THIS RULE IS INTENDED TO LIMIT THE LIABILITY OF ANY PERSON AS MAY BE PROVIDED IN THE CEA, THE REGULATIONS OF THE COMMISSION, OR BY ACTS OF WILLFUL OR WANTON MISCONDUCT OR FRAUD.

(b) AS A MEMBER, YOU AGREE THAT YOU MAY NOT BRING ANY ACTION AGAINST A HEDGESTREET PARTY UNLESS YOU BRING SUCH ACTION WITHIN 2 YEARS OF THE FIRST OCCURRENCE OR LACK OF OCCURRENCE OF THE ACT OR OMISSION COMPLAINED OF.

(c) AS A MEMBER, YOU AGREE THAT ANY ACTION YOU BRING ~~A~~ AGAINST HEDGESTREET PARTY WILL BE GOVERNED BY ILLINOIS LAW, WITHOUT REGARD TO STATUTES, PRECEDENT, LEGAL DOCTRINE, OR CONTRACTUAL PROVISIONS THAT WOULD REQUIRE THE APPLICATION OF THE LAWS OF A DIFFERENT JURISDICTION.

(d) AS A MEMBER, YOU AGREE THAT ANY ACTION YOU BRING AGAINST A HEDGESTREET PARTY OR AGAINST ANOTHER HEDGESTREET MEMBER WILL BE RESOLVED BY BINDING ARBITRATION, IN ACCORDANCE WITH THE RULES OF THIS CHAPTER AND OTHER RULES OF HEDGESTREET, IF APPLICABLE.

## RULE 10.2 ARBITRATION OF MEMBER-MEMBER DISPUTES

Any dispute, controversy, or claim between or among Members arising out of or relating to transactions on HedgeStreet shall be submitted to binding arbitration in Cook County, Illinois before, and according to the arbitration rules of, National Futures Association. The decision of the arbitrator or arbitrators will be final, and judgment upon that decision may be entered in any court of competent jurisdiction. Unless the arbitrator or arbitrators find that one of the parties has acted in bad faith, each party will pay its own expenses.

## RULE 10.3 ARBITRATION OF HEDGESTREET-MEMBER DISPUTES

Any dispute, controversy, or claim brought against HedgeStreet by any Member shall be submitted to binding arbitration in Cook County, Illinois before, and according to the arbitration rules of, National Futures Association. The decision of the arbitrator or arbitrators will be final,



and judgment upon that decision may be entered in any court of competent jurisdiction. Unless the arbitrator or arbitrators find that one of the parties has acted in bad faith, each party will pay its own expenses. Upon request of either party the arbitrator or arbitrators will make a finding as to whether HedgeStreet has acted in a manner that is grossly negligent, reckless, or fraudulent.

#### RULE 10.4 ARBITRATION OF CLEARING MEMBER-CUSTOMER DISPUTES

Any dispute, controversy, or claim brought against any Clearing Member by any Customer arising out of or relating to transactions on HedgeStreet shall be submitted to binding arbitration in Cook County, Illinois, before, and according to the arbitration rules of National Futures Association, or in the case of any Customer which is an ECP, such other self-regulatory organization as the parties may agree; provided, however, that the submission of such dispute to arbitration shall be voluntary on the part of any Customer which is not an ECP. The decision of the arbitrator or arbitrators or court of law, will be final, and judgment upon that decision may be entered in any court of competent jurisdiction. The failure by any Clearing Member to comply with any decision issued by the arbitrator or arbitrators in resolving any such dispute shall constitute a violation of these Rules, unless the decision is the subject of pending judicial review.

#### RULE 10.5 ~~RULE 10.4~~—FAILURE TO ABIDE BY ARBITRATION DECISION

It will be a violation of the HedgeStreet Rules for a Member to fail to pay an award or otherwise satisfy or abide by a judgment in arbitration, and HedgeStreet may take disciplinary action against any such Member, including suspension or revocation of Membership.

#### RULE 10.6 ~~RULE 10.5~~—CHANGE IN ARBITRATION PROCEDURE

HedgeStreet will file all changes to its arbitration procedure with the Commission.

#### RULE 10.7 DISPUTES INVOLVING CLEARING OF iHEDGELETS

Notwithstanding anything to the contrary in these Rules, any disputes arising from or connection with the clearance of iHedgelets shall be resolved pursuant to the procedures set forth in the Clearing Corporation's rules and policies.

### **CHAPTER 11 COMMISSION REGULATIONS THAT HAVE BEEN ADAPTED TO BE PART OF THE RULES**

The following Rules are adaptations of regulations adopted by the Commission. They must be followed by Members and HedgeStreet itself, and any violation of these regulations will be a punishable violation of the Rules.

#### **RULE 11.1 ACTIVITIES OF SELF-REGULATORY ORGANIZATION EMPLOYEES AND GOVERNING MEMBERS WHO POSSESS MATERIAL, NON-PUBLIC INFORMATION (ADAPTED FROM COMMISSION REGULATION 1.59)**

(a) Definitions. For purposes of this Rule:

(1) Self-regulatory organization means “self-regulatory organization,” as defined in Commission regulation 1.3(ee), and includes the term “clearing organization,” as defined in Commission regulation 1.3(d).

(2) Governing board member means a member, or functional equivalent thereof, of the board of governors of a self-regulatory organization.

(3) Committee member means a member, or functional equivalent thereof, of any committee of a self-regulatory organization.

(4) Employee means any person hired or otherwise employed on a salaried or contract basis by a self-regulatory organization, but does not include:

(i) Any governing board member compensated by a self-regulatory organization solely for governing board activities; or

(ii) Any committee member compensated by a self-regulatory organization solely for committee activities; or

(iii) Any consultant hired by a self-regulatory organization.

(5) Material information means information which, if such information were publicly known, would be considered important by a reasonable person in deciding whether to trade a particular commodity interest on a contract market. As used in this Rule, “material information” includes, but is not limited to, information relating to present or anticipated cash, futures, or option positions, trading strategies, the financial condition of members of self-regulatory organizations or members of linked exchanges or their customers or option customers, or the regulatory actions or proposed regulatory actions of a self-regulatory organization or a linked exchange.

(6) Non-public information means information which has not been disseminated in a manner which makes it generally available to the trading public.

(7) Linked exchange means:

(i) any board of trade, exchange or market outside the United States, its territories or possessions, which has an agreement with a contract market in the United States that permits positions in a commodity interest which have been established on one of the two markets to be liquidated on the other market;

(ii) any board of trade, exchange or market outside the United States, its territories or possessions, the products of which are listed on a United States contract market or a trading facility thereof; or

(iii) any securities exchange, the products of which are held as margin in a commodity account or cleared by a securities clearing organization pursuant to a cross-margining arrangement with a futures clearing organization which clears the products of any of the foregoing markets.

(8) Commodity interest means any commodity futures or commodity option contract traded on or subject to the rules of a contract market or linked exchange, or cash commodities traded on or subject to the rules of a board of trade which has been designated as a contract market.

(9) Related commodity interest means any commodity interest which is traded on or subject to the rules of a contract market, linked exchange, or other board of trade, exchange or market, other than the self-regulatory organization by which a person is employed, and with respect to which:

(i) Such employing self-regulatory organization has recognized or established intermarket spread margins or other special margin treatment between that other commodity interest and a commodity interest which is traded on or subject to the rules of the employing self-regulatory organization; or

(ii) Such other self-regulatory organization has recognized or established intermarket spread margins or other special margin treatment with another commodity interest as to which the person has access to material, nonpublic information.

(10) Pooled investment vehicle means a trading vehicle organized and operated as a commodity pool within Commission Regulation 4.10(d), and whose units of participation have been registered under the Securities Act of 1933, or a trading vehicle for which Commission Regulation 4.5 makes available relief from regulation as a commodity pool operator, i.e., registered investment companies, insurance company separate accounts, bank trust funds, and certain pension plans.

(b) Employees of self-regulatory organizations; Self-regulatory organization rules.

(1) HedgeStreet must maintain in effect Rules which have been submitted to the Commission pursuant to Section 5c(c) of the Act and Commission Regulations 38.4(a) or 39.4(a) and 40.5 that, at a minimum, prohibit:

(i) Employees of HedgeStreet from trading, directly or indirectly, in any commodity interest traded on or cleared by HedgeStreet or in any related commodity interest;

(ii) Employees of HedgeStreet from trading directly or indirectly in any commodity interest traded on or cleared by contract markets or clearing organizations other than HedgeStreet and in any commodity interest traded on or cleared by a linked exchange if the employee has access to material non-public information concerning such commodity interest.

(c) Members of HedgeStreet's governing boards and committees and HedgeStreet consultants; HedgeStreet's Rules. HedgeStreet must maintain in effect Rules which have been submitted to the Commission pursuant to Section 5c(c) of the Act and Commission Regulations 38.4(a) or 39.4(a) and 40.5 which provide that no member of HedgeStreet's governing board or of a committee of HedgeStreet and no HedgeStreet consultant shall use or disclose, for any purpose other than the performance of such person's official duties as a governing board or committee member or consultant, material, non-public information obtained as a result of such

person's participation on any committee or governing board of HedgeStreet or as a consultant of HedgeStreet.

(d) Prohibited conduct.

(1) No person who is an employee of, a member of the governing board of, or a member of any committee of, or a consultant of HedgeStreet shall:

(i) Trade for such person's own account, or for or on behalf of any other account, in any commodity interest on the basis of any material, non-public information obtained through special access related to the performance of such person's official duties as an employee, board or committee member, or consultant; or

(ii) Disclose for any purpose inconsistent with the performance of such person's official duties as an employee, board or committee member, or consultant, any material, non-public information obtained through special access related to the performance of such duties.

(2) No person shall trade for such person's own account, or for or on behalf of any account, in any commodity interest, on the basis of any material, non-public information that such person knows was obtained in violation of paragraph (d)(1) from an employee of, a member of the governing board of, a member of any committee, or a consultant of a self-regulatory organization.

**RULE 11.2 SERVICE ON SELF-REGULATORY ORGANIZATION GOVERNING  
BOARDS OR COMMITTEES BY PERSONS WITH DISCIPLINARY HISTORIES  
(ADAPTED FROM COMMISSION REGULATION 1.63)**

(a) Definitions. For purposes of this section:

(1) Self-regulatory organization means a "self-regulatory organization" as defined in Commission Regulation 1.3(ee), and includes a "clearing organization" as defined in Commission Regulation 1.3(d), except as defined in paragraph (b)(6) of this Rule.

(2) Disciplinary committee means any person or committee of persons, or any subcommittee thereof, that is authorized by a self-regulatory organization to issue disciplinary charges, to conduct disciplinary proceedings, to settle disciplinary charges, to impose disciplinary sanctions or to hear appeals thereof.

(3) Arbitration panel means any person or panel empowered by a self-regulatory organization to arbitrate disputes involving such organization's members or their customers.

(4) Oversight panel means any panel authorized by a self-regulatory organization to review, recommend or establish policies or procedures with respect to the self-regulatory organization's surveillance, compliance, rule enforcement or disciplinary responsibilities.

(5) Final decision means:

(i) A decision of a self-regulatory organization which cannot be further appealed within the self-regulatory organization, is not subject to the stay of the Commission or a court of competent jurisdiction, and has not been reversed by the Commission or any court of competent jurisdiction; or,

(ii) Any decision by an administrative law judge, a court of competent jurisdiction or the Commission which has not been stayed or reversed.

(6) Disciplinary offense means:

(i) Any violation of the rules of a self-regulatory organization except those rules related to;

(A) Decorum or attire,

(B) Financial requirements, or

(C) Reporting or recordkeeping unless resulting in fines aggregating more than \$5,000 within any calendar year;

(ii) Any rule violation described in subparagraphs (a)(6)(i) (A) through (C) of this Rule which involves fraud, deceit or conversion or results in a suspension or expulsion;

(iii) Any violation of the Act or the regulations promulgated thereunder;

(iv) Any failure to exercise supervisory responsibility with respect to acts described in paragraphs (a)(6)(i) through (iii) of this Rule when such failure is itself a violation of either the rules of a self-regulatory organization, the Act or the regulations promulgated thereunder; or

(v) A disciplinary offense must arise out of a proceeding or action which is brought by a self-regulatory organization, the Commission, any federal or state agency, or other governmental body.

(7) Settlement agreement means any agreement consenting to the imposition of sanctions by a self-regulatory organization, a court of competent jurisdiction or the Commission.

(b) HedgeStreet must maintain in effect Rules which have been submitted to the Commission pursuant to Section 5c(c) of the Act and Commission Regulations 38.4(a) or 39.4(a) and 40.5 that render a person ineligible to serve on its disciplinary committees, arbitration panels, oversight panels or governing board who:

(1) Was found within the prior three years by a final decision of a self-regulatory organization, an administrative law judge, a court of competent jurisdiction or the Commission to have committed a disciplinary offense;

(2) Entered into a settlement agreement within the prior three years in which any of the findings or, in the absence of such findings, any of the acts charged included a disciplinary offense;

(3) Currently is suspended from trading on any contract market, is suspended or expelled from membership with any self-regulatory organization, is serving any sentence of probation or owes any portion of a fine imposed pursuant to either:

(i) A finding by a final decision of a self-regulatory organization, an administrative law judge, a court of competent jurisdiction or the Commission that such person committed a disciplinary offense; or,

(ii) A settlement agreement in which any of the findings or, in the absence of such findings, any of the acts charged included a disciplinary offense.

(4) Currently is subject to an agreement with the Commission or any self-regulatory organization not to apply for registration with the Commission or membership in any self-regulatory organization;

(5) Currently is subject to or has had imposed on him within the prior three years a Commission registration revocation or suspension in any capacity for any reason, or has been convicted within the prior three years of any of the felonies listed in section 8a(2)(D) (ii) through (iv) of the Act; or

(6) Currently is subject to a denial, suspension or disqualification from serving on the disciplinary committee, arbitration panel or governing board of any self-regulatory organization as that term is defined in section 3(a)(26) of the Securities Exchange Act of 1934.

(c) No person may serve on a disciplinary committee, arbitration panel, oversight panel or governing board of HedgeStreet if such person is subject to any of the conditions listed in paragraphs (b) (1) through (6) of this Rule.

(d) HedgeStreet shall submit to the Commission a schedule listing all those rule violations which constitute disciplinary offenses as defined in paragraph (a)(6)(i) of this Rule and to the extent necessary to reflect revisions shall submit an amended schedule within thirty days of the end of each calendar year. HedgeStreet must maintain and keep current the schedule required by this section, post the schedule in a public place designed to provide notice to members and otherwise ensure its availability to the general public.

(e) HedgeStreet shall submit to the Commission within thirty days of the end of each calendar year a certified list of any persons who have been removed from its disciplinary committees, arbitration panels, oversight panels or governing board pursuant to the requirements of this regulation during the prior year.

(f) Whenever HedgeStreet finds by final decision that a person has committed a disciplinary offense and such finding makes such person ineligible to serve on that self-regulatory organization's disciplinary committees, arbitration panels, oversight panels or governing board, HedgeStreet shall inform the Commission of that finding and the length of the

ineligibility in any notice it is required to provide to the Commission pursuant to either section 17(h)(1) of the Act or Commission Regulation 9.11.

**RULE 11.3 VOTING BY INTERESTED MEMBERS OF SELF-REGULATORY ORGANIZATION GOVERNING BOARDS AND VARIOUS COMMITTEES (ADAPTED FROM COMMISSION REGULATION 1.69)**

(a) Definitions. For purposes of this section:

(1) Disciplinary committee means any person or committee of persons, or any subcommittee thereof, that is authorized by HedgeStreet to issue disciplinary charges, to conduct disciplinary proceedings, to settle disciplinary charges, to impose disciplinary sanctions, or to hear appeals thereof in cases involving any violation of the Rules of HedgeStreet except those cases where the person or committee is authorized summarily to impose minor penalties for violating Rules regarding decorum, attire, the timely submission of accurate records for clearing or verifying each day's transactions or other similar activities.

(2) Family relationship of a person means the person's spouse, former spouse, parent, stepparent, child, stepchild, sibling, stepbrother, stepsister, grandparent, grandchild, uncle, aunt, nephew, niece or in-law.

(3) Governing board means HedgeStreet's board of directors, board of governors, board of managers, or similar body, or any subcommittee thereof, duly authorized, pursuant to a rule of HedgeStreet that has been approved by the Commission or has become effective pursuant to Section 5c(c) of the Act and Commission Regulations 38.4(a) or 39.4(a) and 40.5 to take action or to recommend the taking of action on behalf of HedgeStreet.

(4) Oversight panel means any panel, or any subcommittee thereof, authorized by HedgeStreet to recommend or establish policies or procedures with respect to HedgeStreet's surveillance, compliance, rule enforcement, or disciplinary responsibilities.

(5) Member's affiliated firm is a firm in which the member is a "principal," as defined in Commission Regulation 3.1(a), or an employee.

(6) Named party in interest means a person or entity that is identified by name as a subject of any matter being considered by a governing board, disciplinary committee, or oversight panel.

(7) Self-regulatory organization means a "self-regulatory organization" as defined in Commission Regulation 1.3(ee) and includes a "clearing organization" as defined in Commission Regulation 1.3(d), but excludes registered futures associations for the purposes of paragraph (b)(2) of this section.

(8) Significant action includes any of the following types of HedgeStreet actions or rule changes that can be implemented without the Commission's prior approval:

(i) Any actions or rule changes which address an "emergency" as defined in Commission Regulation 40.1; and,

(ii) Any changes in margin levels that are designed to respond to extraordinary market conditions such as an actual or attempted corner, squeeze, congestion or undue concentration of positions, or that otherwise are likely to have a substantial effect on prices in any contract traded or cleared at HedgeStreet; but does not include any rule not submitted for prior Commission approval because such rule is unrelated to the terms and conditions of any contract traded at HedgeStreet.

(b) HedgeStreet Rules. HedgeStreet shall maintain in effect Rules that have been submitted to the Commission pursuant to Section 5c(c) of the Act and Commission Regulations 38.4(a) or 39.4(a) and 40.5 to address the avoidance of conflicts of interest in the execution of its self-regulatory functions. Such Rules must provide for the following:

(1) Relationship with named party in interest—

(i) Nature of relationship. A member of HedgeStreet’s governing board, disciplinary committee or oversight panel must abstain from such body’s deliberations and voting on any matter involving a named party in interest where such member:

(A) Is a named party in interest;

(B) Is an employer, employee, or fellow employee of a named party in interest;

(C) Is associated with a named party in interest through a “broker association” as defined in Commission Regulation 156.1;

(D) Has any other significant, ongoing business relationship with a named party in interest, not including relationships limited to executing futures or option transactions opposite of each other or to clearing futures or option transactions through the same clearing member; or

(E) Has a family relationship with a named party in interest.

(ii) Disclosure of relationship. Prior to the consideration of any matter involving a named party in interest, each member of a HedgeStreet governing board, disciplinary committee or oversight panel must disclose to the appropriate HedgeStreet staff whether he or she has one of the relationships listed in paragraph (b)(1)(i) of this Rule with a named party in interest.

(iii) Procedure for determination. HedgeStreet must establish procedures for determining whether any member of its governing board, disciplinary committees or oversight committees is subject to a conflicts restriction in any matter involving a named party in interest. Taking into consideration the exigency of the committee action, such determinations should be based upon:

(A) Information provided by the member pursuant to paragraph (b)(1)(ii) of this Rule; and



(B) Any other source of information that is held by and reasonably available to HedgeStreet.

(2) Financial interest in a significant action—

(i) Nature of interest. A member of a HedgeStreet governing board, disciplinary committee or oversight panel must abstain from such body's deliberations and voting on any significant action if the member knowingly has a direct and substantial financial interest in the result of the vote based upon either exchange or non-exchange positions that could reasonably be expected to be affected by the action.

(ii) Disclosure of interest. Prior to the consideration of any significant action, each member of a HedgeStreet governing board, disciplinary committee or oversight panel must disclose to the appropriate HedgeStreet staff the position information referred to in paragraph (b)(2)(iii) of this Rule that is known to him or her. This requirement does not apply to members who choose to abstain from deliberations and voting on the subject significant action.

(iii) Procedure for determination. HedgeStreet must establish procedures for determining whether any member of its governing board, disciplinary committees or oversight committees is subject to a conflicts restriction under this section in any significant action. Such determination must include a review of:

(A) Gross positions held at HedgeStreet in the member's personal accounts or "controlled accounts," as defined in Commission Regulation 1.3(j);

(B) Gross positions held at HedgeStreet in proprietary accounts, as defined in Commission Regulation 1.17(b)(3), at the member's affiliated firm;

(C) Gross positions held at HedgeStreet in accounts in which the member is a principal, as defined in Commission Regulation 3.1(a);

(D) Net positions held at HedgeStreet in "customer" accounts, as defined in Commission Regulation 1.17(b)(2), at the member's affiliated firm; and

(E) Any other types of positions, whether maintained at HedgeStreet or elsewhere, held in the member's personal accounts or the proprietary accounts of the member's affiliated firm that the self-regulatory organization reasonably expects could be affected by the significant action.

(iv) Bases for determination. Taking into consideration the exigency of the significant action, such determinations should be based upon:

(A) The most recent large trader reports and clearing records available to HedgeStreet;

(B) Information provided by the member with respect to positions pursuant to paragraph (b)(2)(ii) of this Rule; and

(C) Any other source of information that is held by and reasonably available to HedgeStreet.

(3) Participation in deliberations.

(i) Under the Rules required by this section, a HedgeStreet governing board, disciplinary committee or oversight panel may permit a member to participate in deliberations prior to a vote on a significant action for which he or she otherwise would be required to abstain, pursuant to paragraph (b)(2) of this Rule, if such participation would be consistent with the public interest and the member recuses himself or herself from voting on such action.

(ii) In making a determination as to whether to permit a member to participate in deliberations on a significant action for which he or she otherwise would be required to abstain, the deliberating body shall consider the following factors:

(A) Whether the member's participation in deliberations is necessary for the deliberating body to achieve a quorum in the matter; and

(B) Whether the member has unique or special expertise, knowledge or experience in the matter under consideration.

(iii) Prior to any determination pursuant to paragraph (b)(3)(i) of this Rule, the deliberating body must fully consider the position information which is the basis for the member's direct and substantial financial interest in the result of a vote on a significant action pursuant to paragraph (b)(2) of this Rule.

(4) Documentation of determination. HedgeStreet's governing boards, disciplinary committees, and oversight panels must reflect in their minutes or otherwise document that the conflicts determination procedures required by this section have been followed. Such records also must include:

(i) The names of all members who attended the meeting in person or who otherwise were present by electronic means;

(ii) The name of any member who voluntarily recused himself or herself or was required to abstain from deliberations and/or voting on a matter and the reason for the recusal or abstention, if stated; and

(iii) Information on the position information that was reviewed for each member.

## **CHAPTER 12 TERMS OF HEDGELET CONTRACTS TRADED ON HEDGESTREET**

The following Rules set forth the terms of the Hedgelet Contracts traded on HedgeStreet. You should not trade any Hedgelet unless you are certain that you completely understand its terms. Additional information with respect to each Hedgelet can be found on the home page for the specific Hedgelet Contract.

## RULE 12.1 TERMS THAT ARE UNIFORM ACROSS CONTRACTS.

There are certain terms that are uniform across Hedgelets.

(a) The minimum unit of trading for each Hedgelet is one Contract.

(b) All Contract prices are quoted in U.S. dollars and cents per Contract.

(c) The minimum quote increment for each Contract is \$.01 per Contract.

(d) All Expiration Values will be posted on HedgeStreet's website no later than the close of business of the Expiration Date of a Contract Series.

(e) DAILY CONTRACTS means a Series of Contracts that have a Payout Criterion based on the last reported level of the Underlying by the Source Agency and have an Expiration Date on the same day that they are issued.

(f) SPOT CONTRACTS means a Series of Contracts that have a Payout Criterion based on the last reported level of the Underlying by the Source Agency and have an Expiration Date on the date after they are issued.

(g) MONTHLY CONTRACTS mean a Series of Contracts that have a Payout Criterion based on the last reported level of the Underlying at the end of the previous month by the Source Agency. Unless otherwise specified in these rules, this Series shall have an Expiration Date that is equal to the Last Trading Date of the current month.

(h) WEEKLY CONTRACTS mean a Series of Contracts that have a Payout Criterion based on the last reported level of the Underlying by the Source Agency. Weekly Contracts have an Expiration Date that is no less than five calendar days and no greater than seven calendar days from the date on which the last reported level of the Underlying is released by the Source Agency. Unless otherwise specified in these rules, this Series shall have an Expiration Date that is equal to the Last Trading Date of the current week.

(i) QUARTERLY CONTRACTS mean a Series of Contracts that have a Payout Criterion based on the last reported level of the Underlying during the previous quarter as released by the Source Agency. Unless otherwise specified in these rules, this Series shall have an Expiration Date that is equal to the Last Trading Date of the current quarter as defined by the Source Agency.

(j) BI-ANNUAL CONTRACTS mean a Series of Contracts that have a Payout Criterion based on the last reported level of the Underlying from two quarters back as released by the Source Agency. Unless otherwise specified in these rules, this Series shall have an Expiration Date that is equal to the Last Trading Date of the current quarter as defined by the Source Agency. For example, if the Source Agency reports a level for the Underlying every February, May, August and November, a Bi-Annual Contract will have a Payout Criterion based on the level reported in May with the Expiration Value based on the level of the Underlying scheduled to be released in November.

(k) YEAR-END CONTRACTS ~~mean~~means a Series of Contracts that have a Payout Criterion based on the last reported level of the Underlying by the Source Agency prior to the issuance date of the Contract. Unless otherwise specified in these rules, this Series of Contracts shall have an Expiration Date that is equal to the Last Trading Date of the current year.

(l) TWO MONTH CONTRACTS mean a Series of Contracts that have a Payout Criterion based on the last reported level of the Underlying from two months back as released by the Source Agency. Unless otherwise specified in these rules, this Series shall have an Expiration Date that is equal to the Last Trading Date of the current month as defined by the Source Agency.

(m) HALTED MARKETS - In the event that any market irregularities are declared by the President of the Exchange, a Hedgelet market may be halted for trading, and an explanation will be posted on the HedgeStreet Notices section of the website within a reasonable amount of time but no later than 24 hours after the initiation of the halt.

(n) CONTRACT MODIFICATIONS - Specifications shall be fixed as of the first day of trading of a contract. If any U.S. governmental agency or body issues an order, ruling, directive or law that conflicts with the requirements of these rules, such order, ruling, directive or law shall be construed to take precedence and become part of these rules, and all open and new contracts shall be subject to such government orders.

Document comparison done by DeltaView on Monday, October 24, 2005 10:11:45 AM

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Document 2	file://H:/Archives/CFTC/CCORP/Post iMarket Submission Documents/Appendix 1 HS Rules_Institutional_20051024.doc
Rendering set	Standard

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Moved cell	
Split/Merged cell	
Padding cell	

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Deletions	387
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Moved to	31
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