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(54) **Title:** EXCHANGES FOR CREATING AND TRADING DERIVATIVE SECURITIES

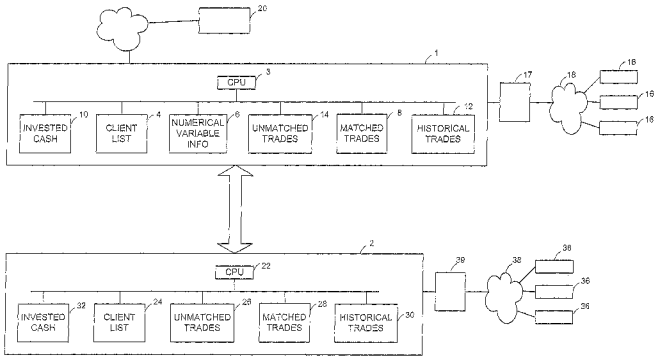


FIG. 1

(57) **Abstract:** A computer system (1) constitutes a primary exchange for creating and trading derivative securities that secure a claim of a nominal derivative security value e.g. $1 or £1 that is contingent on movement of a numerical variable such as a stock price. The system comprises: (a) a database (4-14) for storing data defining purchase offers and offers of sale, (b) inputs for receiving offers from traders (16), (c) a decision unit for determining whether or not a match exists between a purchase offer and an offer of sale in the database in terms of the bid and offer prices, the maturity time, stock price at the maturity time, and type of derivative security etc, (d) a derivative security creation module that creates complementary derivative securities, one for each trader, so that only one derivative security will pay out, and (e) a maturity settlement module for paying appropriate traders at the maturity time out of funds received from both traders at commencement of the trade. Derivative securities created by the system may also be traded on the system in a secondary exchange.

WO 2008/117033 A1