METHOD AND SYSTEM FOR CALCULATING AN INTRADAY INDICATIVE VALUE OF LEVERAGED BULLISH AND BEARISH EXCHANGE TRADED FUNDS

CROSS-REFERENCE TO RELATED APPLICATIONS

[0001] This application claims the benefit of priority under 35 U.S.C. §119(e) of provisional application serial number 60/668,601 filed on April 6, 2005, and provisional application serial number 60/719,985 filed on September 26, 2005, the disclosures of which are incorporated herein in their entireties.

BACKGROUND OF THE INVENTION

[0002] The present invention relates generally to the field of exchange traded funds. In particular, it relates to a method and system for calculating an intraday indicative value for leveraged bullish and/or bearish exchange traded funds ("ETF").

[0003] Shares of ETFs are traded intraday throughout the exchange trading hours. Investors can buy or sell these shares anytime during the trading hours and achieve the performance of a stock or bond portfolio as a single security. Currently, all of the ETFs listed on the U.S. Exchanges are "Index Funds or Trusts" that track specific market indexes. However, leveraged bullish and bearish ETFs (individually "Bullish ETFs" or "Bearish ETFs" and together "Bullish and Bearish ETFs") have only been proposed recently.

SUMMARY OF THE INVENTION

[0004] The present disclosure provides a computer system, comprising:

a computing processor configured to:

process data for share creation and redemption and near-real time share valuation for an Exchange Traded Fund ("ETF") that invests in at least one derivative product; and

create an intraday indicative value ("IIV") file for the ETF based on the data processed, the IIV file comprising an accumulated change in value of the at least one derivative product in which the ETF invests, wherein the accumulated value includes a gain or loss of

the at least one derivative product during a previous trading day; and

a publication processor configured to:

publish the IIV file to an authorized participant such that the authorized participant can utilize the IIV file to calculate an intraday indicative value of the ETF.

[0004A] The present disclosure further provides a nontransitory computer-readable medium, having instructions recorded thereon which, when executed on a computing system, cause the computing system to perform a method for calculating an intraday indicative value of an exchange traded fund ("ETF"), the method comprising:

determining, by the computing system, an intraday change in value of at least one derivative product included in the ETF;

retrieving, by the computing system, an accumulated value of the at least one derivative product, wherein the accumulated value includes a gain or loss of the at least one derivative product during a previous trading day; and

determining, by the computing system, the intraday indicative value of the ETF based on:

the accumulated value of the at least one derivative product; and

the intraday change in value of the at least one derivative product.

[0004B] The present disclosure still further provides a nontransitory computer-readable medium, having instructions recorded thereon which, when executed on a computing system, cause the computing system to perform a method for calculating an intraday indicative value of an Exchange Traded Fund ("ETF"), the method comprising:

retrieving, by the computing system, intraday performance information regarding the at least one fixed-income security included in the ETF;

determining, by the computing system, an intraday change in value of at least one derivative product included in the ETF;

retrieving, by the computing system, an accumulated value of the at least one derivative product, wherein the accumulated value includes a gain or loss of the at least one derivative product during a previous trading day;

determining, by the computing system, the intraday indicative value of the ETF by combining:

the intraday performance information regarding the at least one fixed-income security;

the accumulated value of the at least one derivative product; and

the intraday change in value of the at least one derivative product;

comparing, by the computing system, the intraday indicative value of the ETF to a current market price of the ETF; and

identifying, by the computing system, one or more intraday arbitrage opportunities based on the comparison.

[0004C] The present disclosure yet further provides a nontransitory computer-readable medium, having instructions recorded thereon which, when executed on a computing system, perform a method for calculating an intraday indicative value of an Exchange Traded Fund ("ETF"), the method comprising:

calculating, by the computing system, an intraday change in value of at least one derivative product included in the ETF;

retrieving, by the computing system, a daily accumulated change in value of the at least one derivative product, wherein the daily accumulated change includes a gain or loss of the at least one derivative product during a previous trading day;

calculating, by the computing system, a net asset value of the ETF by summing:

the daily accumulated change in value of the at least one derivative product;

the intraday change in value of the at least one derivative product; and

an estimated cash amount; and

dividing, by the computing system, the net asset value of ETF by a total number of shares outstanding to obtain a current intraday indicative value per share for the ETF.

[0004D] The present disclosure also provides a computer system, comprising:

a computing server configured to periodically create an intraday indicative value file ("IIV File") for an Exchange Traded Fund ("ETF"), the IIV File comprising:

a notional value of at least one derivative product in which the ETF invests;

an accumulated loss or gain of the at least one derivative product, wherein the accumulated value includes a gain or loss of the at least one derivative product during a previous trading day; and

other cash equivalent amounts; and

a publication server configured to periodically publish, over a network, the IIV File, such that an authorized participant can use the IIV File to calculate an intraday indicative value of the ETF.

[0004E] In certain embodiments the present invention relates to a computer implemented method of calculating and using an intraday value of a Bullish ETF for arbitrage purposes, comprising the steps of: calculating, or having calculated, an intraday current value of all the equity securities in the ETF; calculating, or having calculated, mark to market gains or losses of at least one derivative product; retrieving, or having retrieved, an accumulated loss or gain of the at least one derivative product; retrieving other cash equivalent amounts; determining, or having