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 for calculating an intraday indicative value ("IIV") of an Exchange Traded Fund ("ETF"), the computer system comprising:

a communication processor configured to receive an intraday indicative value (IIV) file, the IIV file comprising:

a closing value for fixed-income securities included in the ETF; and

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

a computing processor configured to determine an intraday indicative value of the ETF based on intraday value information regarding the at least one derivative product,

wherein the intraday value information regarding the at least one derivative product comprises the accumulated value of the at least one derivative product and an intraday change in value of the at least one derivative product.

[0004A] The present disclosure 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:

retrieving, by the computing system, intraday performance information regarding the fixed-income securities 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; and

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

the intraday performance information regarding the fixed-income securities;

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 yet further provides a computer system for calculating an intraday indicative value ("IIV") of an exchange traded fund ("ETF"), the computer system comprising:

a communication processor configured to receive an intraday indicative value ("IIV") file, the IIV file comprising:

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

a computing processor configured to determine an intraday indicative value of the ETF based on intraday value information regarding the at least one derivative product,

wherein the intraday value information regarding the at least one derivative product comprises the accumulated value of the at least one derivative product and an intraday change in value of the at least one derivative product.

[0004C] The present disclosure still further provides a computer system for calculating an intraday indicative value ("IIV") of an Exchange Traded Fund ("ETF"), the computer system comprising:

an electronic communication processor configured to receive an intraday indicative value (IIV) file, the IIV file comprising:

a closing value for fixed-income securities included in the ETF;

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

an electronic computing processor configured to:

determine an intraday indicative value of the ETF based on intraday value information regarding the at least one derivative product;

compare the intraday indicative value of the ETF to a current market price of the ETF on a per share basis; and

identify one or more intraday arbitrage opportunities based on the comparison,

wherein the intraday value information regarding the at least one derivative product comprises the accumulated value of the at least one derivative product and an intraday change in value of the at least one derivative product.

[0004D] The present disclosure further provides a computer system for calculating an intraday indicative value ("IIV") of an Exchange Traded Fund ("ETF"), the computer system comprising:

an electronic communication processor configured to receive an intraday indicative value (IIV) file, the IIV file comprising:

a closing value for fixed-income securities included in the ETF; and

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

an electronic computing processor configured to:

determine an intraday indicative value of the ETF based on intraday value information regarding the at least one derivative product,

wherein the intraday value information regarding the at least one derivative product comprises the accumulated value of the at least one derivative product and an intraday change in value of the at least one derivative product.

[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