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(54) Title: DYNAMIC REALLOCATION HEDGE ACCOUNTING

(57) **Abstract:** A hedged exposure and an associated hedging instrument can be accounted for to reduce periodic earnings volatility associated with the hedged exposure. The accounting to reduce the earnings volatility includes designating a portion of the value of the financial exposure as being hedged by the hedging instrument. The designated portion is determined based on a price sensitivity of the hedging instrument with respect to changes in market value of an underlying instrument. In each of a number of sequential periods, the portion of the financial exposure is redesignated based on changed price sensitivity of the hedging instrument. Periodic earnings volatility associated with a hedged exposure also can be reduced by dividing (for accounting purposes) the hedging instrument into a first part (also referred to as a designated part) and a second part (also referred to as a residue part). This division is made in a way that ensures that changes in the value of the first part substantially offset changes in value of the financial exposure. The method also includes designating a portion of the first part as a hedge of the financial exposure such the remainder of the first part offsets the delta of the second part. In each of a plurality of sequential periods, the portion of the first part is redesignated to maintain the relationship between the first part and the second part whereby the remainder of the first part offsets the delta of the second part.

## INTERNATIONAL SEARCH REPORT

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**A. CLASSIFICATION OF SUBJECT MATTER**

IPC(7) : G06F 17/60

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According to International Patent Classification (IPC) or to both national classification and IPC

**B. FIELDS SEARCHED**

Minimum documentation searched (classification system followed by classification symbols)

U.S. : 705/36

Documentation searched other than minimum documentation to the extent that such documents are included in the fields searched

Electronic data base consulted during the international search (name of data base and, where practicable, search terms used)

**C. DOCUMENTS CONSIDERED TO BE RELEVANT**

Category *	Citation of document, with indication, where appropriate, of the relevant passages	Relevant to claim No.
Y	US 5,704,045 A (KING et al) 30 December 1997 (30.12.1997), columns 1-38.	1-14
Y	US 6,157,918 A (SHEPHERD) 05 December 2000 (05.12.2000), columns 1-18.	1-14
Y	US 6,360,210 B1 (WALLMAN) 19 March 2002 (19.03.2002), columns 1-20.	1-14



Further documents are listed in the continuation of Box C.



See patent family annex.

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