In adopting the modifications to the Directives of the PCT Assembly Relating to the Establishment of Equivalent Amounts of Certain PCT Fees, the Assembly noted that the Director General will establish equivalent amounts of the international filing fee in euro, Japanese yen and United States dollar under paragraphs 2(i) and 6(i) of the Directives according to the following process:

1. On the first Monday of October in a given year, the International Bureau will acquire, for each month of the following year in which a currency inflow in respect of international filing fees in euro, Japanese yen or United States dollar is anticipated, forward contracts for each of the currencies concerned.
   1. Each forward contract will contain a forward (exchange) rate which represents the rate at which the hedged currency is to be sold and Swiss francs are to be purchased.
   2. The hedge cover provided by those forward contracts will not be for the total of forecast currency inflows but will be established at a certain percentage level to be determined by the Director General (which could vary by currency and/or month) in order to allow for variances between income forecast and income actually received.
   3. The Director General may determine not to hedge the inflows of either one or more of the currencies concerned, depending on market conditions and outlook at the time of entering into the contracts.
2. Following the acquisition of the forward contracts, the International Bureau will calculate, on that same first Monday of October, a weighted average forward rate (the “blended hedge rate”) for each of the currencies concerned by adding together the various amounts of the currency to be hedged during the year and dividing the resulting figure by the total amount of Swiss francs to be received during the same year.
3. The International Bureau will use that “blended hedge rate” to establish new equivalent amounts of the international filing fee for the three currencies concerned, to take effect as of January 1 of the following year.
4. The following example illustrates this calculation:

In year X, the International Bureau expects three inflows of international filing fees in United States dollar (USD) for international filing fees (for simplicity of the example – in reality, inflows in USD would be expected every month): 10 million USD in March, 15 million USD in June and 20 million USD in September. On the first Monday in October of the year before, (spot rate: USD /CHF = 0.9690), it hedges 80 per cent of the expected three inflows and obtains forward contract rates as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Amount of USD hedged** | **Rate** | **CHF to be received** |
| **March** | 8,000,000 | 0.9672 | 7,737,600 |
| **June** | 12,000,000 | 0.9656 | 11,587,200 |
| **September** | 16,000,000 | 0.9635 | 15,416,000 |
| **Totals** | 36,000,000 |  | 34,740,800 |

Weighted average forward rate is calculated as:

In this example, the rate of 0.96502 would be the “blended hedge rate” and therefore be used as the basis for establishing the equivalent amount of the international filing fee in United States dollars.