Part 1 Contract Specifications for Futures Contracts

Subpart 1.20 Contract Specifications for Variance Futures Contracts

1.20.7 Trading convention

1.20.7.2 Conversion

1.20.7.2.2 Accumulated Return on Modified STM Variation Margin

The Accumulated Return on Modified STM Variation Margin (ARMVM) is calculated on each variance observation day, using the following formula:

\[ ARMVM_t = ARMVM_{t-1} \times e^{(r_{t-1}^{e} \times \frac{\Delta t}{365})} + (S_{t-1} - C) \times (e^{(r_{t-1}^{e} \times \frac{\Delta t}{365})} - 1), \]

where

\[ S_{t-1} = \text{the settlement price of the variance futures on the previous business day according to 1.20.7.4} \]

\[ r_{t-1}^{e} = \text{the risk free overnight rate (EONIA€STR) that was published on the previous business day by the European Central Bank} \]

\[ \Delta t = \text{the difference between two subsequent calculations of the ARMVM in calendar days} \]

\[ C = \text{a constant term} \]

On the first trading day of a Variance Futures contract ARMVM is set to zero.

[...]

\[ h_{t} = h_{t-1} + (S_{t-1} - C) \times (e^{(r_{t-1}^{e} \times \frac{\Delta t}{365})} - 1), \]

where

\[ S_{t-1} = \text{the settlement price of the variance futures on the previous business day according to 1.20.7.4} \]