**Methods for calculating the commitment of non-standard derivatives**

This document is Annex III of AMF Instruction DOC-2011-15 – Calculation of global exposure for authorised UCITS and AIFs.

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| Variance Swaps | Variance swaps are contracts that allow investors to gain exposure to the variance (squared volatility) against current implied volatility. According to market practice, the strike and the vega notional are expressed in terms of volatility. For the variance notional, this gives:The vega notional provides a theoretical measure of the profit or loss resulting from a 1% change in volatility.As realised volatility cannot be less than zero, a long swap position has a known maximum loss. The maximum loss on a short swap is often limited by the inclusion of a cap on volatility. Without a cap, however, a short swap’s potential losses are unlimited.The conversion methodology to be used for a given contract time *t* is: Variance Notional \* (current) Variancet (without volatility cap)Variance Notional \* min [(current) Variancet; (volatility cap)2] (with volatility cap)whereby: (current) variancet is a function of the squared realised and implicit volatility, more precisely: |
| Volatility Swaps | By analogy with variance swaps, the following conversion formula should be applied to volatility swaps:Vega Notional \* (current) Volatilityt (without volatility cap)Vega Notional \* min [(current) Volatilityt; (volatility cap)2] (with volatility cap)whereby: (current) volatilityt is a function of the realised and implicit volatility. |
| Barrier (knock-in knock-out) Options | Number of contracts \* notional contract size \* market value of underlying equity share \* maximum delta Whereby the maximum delta is equal to the highest (if positive) or lowest (if negative) value that the delta of the option may attain taking account of all possible market scenarios. If use of the commitment approach leads to an infinite value, the maximum potential loss as a result of issuer default may be taken.  |