



Quote in "Volatility Strike" & "Vega" - Transform to "Variance Strike" & "Variance Unit"

$$\text{Variance Strike} = \frac{252}{N_e - 1} \times (\text{volatility strike}^2 \times \frac{(N_e - 1 - n)}{252} + \sum_{i=1}^n R_i^2)$$

$$\text{Variance Unit} = \frac{\text{notional Vega}}{2 \times \text{volatility strike} \times 100} \times \frac{N_e - 1}{(N_e - 1 - n)}$$

Strike Compression - Convert to Listed Strikes

$$F_t = DF(t, T)(k - k_0) - \text{ARMVM} + C$$

DF(t, T) is a discount factor from time t to maturity (T)

When t = 0, ARMVM (Accumulated return on modified variation margin) = 0

$$\text{Otherwise, ARMVM} = \sum_{s=0}^{t-1} (F_s - C) \times B_{s+1,t} \times R_s / 365$$

C is a constant

*DF, ARMVM, C provided by exchange

Illustrated View

