

# iBoxx Standardized Total Return Swap (TRS) Accrual Method

## Overview

The accrual method allows for the trade value of iBoxx Standardized TRS contracts to be calculated at unwind or maturity by considering two components: the undiscounted value of the performance leg and the undiscounted value of the accrual leg.

This method offers users simplicity and speed in calculation; however, calculation accuracy is also maintained. In order to calculate the accrual leg, the relevant LIBOR rate is utilized as of the last IMM date with an Actual/360 day count convention applied. The accrual leg is calculated as a product of the reference rate, the day count fraction, and the economic notional of the trade. The performance leg is calculated as the total return earned on the economic notional of the trade.

## Formula

$$TV = -N * \left(1 - \frac{P_t}{P_0}\right) + -N * \frac{(EffectiveDate - PriorIMMDate) * FixedRate}{360}$$

*EffectiveDate: One Calendar Day after Unwind Trade Date*

*FixedRate: LIBOR Reference Rate as of Prior IMM Date*

*N: Notional Amount*

*P<sub>0</sub>: Index Level at Entry Date*

*P<sub>t</sub>: Index Level at Unwind Trade Date*

*PriorIMMDate: Last IMM Date*

*TV: Trade Value at Unwind Trade Date*