

Conversion Factor Formula

$$\text{Conversion Factor} = \frac{\frac{a}{X} \times \left(\left(1 + \frac{X}{2} \right)^b - 1 \right) + 100}{\left(1 + \frac{X}{2} \right)^{\frac{c}{6}} \times 100} - \frac{a \times (6 - d)}{1200}$$

a = amount of interest payable per year

b = number of payment from delivery day to the redemption date

c = number of months from delivery day to the redemption date

d = number of months from delivery day to the next coupon payment date

X = (i) 0.03 (5-year JGB Futures & 20-year JGB Futures)

(ii) 0.06 (10-year JGB Futures)

The above b & d shall be changed to the following calculation, if the bond to be delivered for the settlement of 10-year (20-year) JGB Futures has maturity of more than 10 years (20 years) and yet to have the first coupon payment on the delivery date.

b = aforementioned $b + 1$

d = number of months from the delivery day to the first payment date - 6

In each process of calculation, fractions smaller than 10th decimal place are discarded.

In the final process of calculation, fractions smaller than 6th decimal place are discarded.