

Conversion factor calculation for EUR-denominated bonds

$$\text{Conversion factor} = \frac{1}{\left(1 + \frac{\text{not}}{100}\right)^f} \times \left[\frac{c}{100} \times \frac{\delta_i}{\text{act}_2} + \frac{c}{\text{not}} \times \left(\left(1 + \frac{\text{not}}{100}\right) - \frac{1}{\left(1 + \frac{\text{not}}{100}\right)^n} \right) + \frac{1}{\left(1 + \frac{\text{not}}{100}\right)^n} \right] - \frac{c}{100} \times \left(\frac{\delta_i}{\text{act}_2} - \frac{\delta_e}{\text{act}_1} \right)$$

Definition:

DD	Delivery date
NCD	Next coupon date after delivery date
NCD1y	1 year before the NCD
NCD2y	2 years before the NCD
LCD	Last coupon date before the delivery date. Start interest period if last coupon date not available
δ_e	NCD1y - DD
act_1	NCD - NCD1y, where $\delta_e < 0$ NCD1y - NCD2y, where $\delta_e \geq 0$
δ_i	NCD1y - LCD
act_2	NCD - NCD1y, where $\delta_i < 0$ NCD1y - NCD2y, where $\delta_i \geq 0$
f	$1 + \delta_e / \text{act}_1$
c	Coupon
n	Integer years from the NCD until the maturity date of the bond
not	Notional coupon of futures contract