(Original article at http://en.wikipedia.org/wiki/Day_count_convention#Actual.2FActual_AFB)

Actual/Actual AFB

Formulas:

"Actual/Actual AFB/FBF Master Agreement" has the DiY equal to 365 (if the calculation period does not contain 29 February) or 366 (if 29 February falls within the Calculation Period or Compounding Period).

If the Calculation Period or Compounding Period is a term of more than one year, the basis shall be calculated as follows:

- the number of complete years shall be counted back from the last day of the Calculation Period or Compounding Period; and
- this number shall be increased by the fraction for the relevant period calculated.

When counting backwards for this purpose, if the last day of the relevant period is 28 February, the full year should be counted back to the previous 28 February unless 29 February exists, in which case, 29 February should be used.

$$\text{Factor} = \frac{\text{Days}(\text{Date1}, \text{Date2})}{\text{DiY}}$$

1/1[edit]

This is used for inflation instruments and divides the overall 4 year period distributing the additional day across all 4 years i.e. giving 365.25 days to each year.

Sources:

- EMU and Market Conventions: Recent Developments
- Master Agreement for Financial Transactions / Supplement to the Derivatives Annex / INTEREST RATE TRANSACTIONS / Edition 2004