

**Dr. Detlef Lehmann**

*The basic idea behind the rating of option prices and model-independent replication of variance swaps*

In the first part of the talk we review the basic idea of option pricing on a very basic example. We quickly discuss how a realistic model is constructed from this. In the second part of the talk we explain what a variance swap is and how it can be replicated by a suitable trading strategy in the underlying. No knowledge of financial mathematics is required to follow the talk, but actually knowledge of higher analysis is also not required, just the 4 basic arithmetic operations.