



**The University of Chicago**  
**Department of Statistics**

**Mini-seminars for Second Year Ph.D. Students**

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**DAN WANG**

Department of Statistics  
The University of Chicago

**Hedging Variance Options**

**TUESDAY, March 6, 2007 at 4:00 PM**  
**110 Eckhart Hall, 5734 S. University Avenue**

**ABSTRACT**

Variance swaps, which pay the realized variance of an underlying price process, has provided a greater control over volatility risk exposures. However, it is hard to hedge directly the options on variance. However again, it is possible to subreplicate and superreplicate some variance options.