Bermudan Swaption

An interest rate Bermudan swaption gives the holder the right but not the obligation to enter an interest rate swap at predefined dates. It is one of the fundamental ways for an investor to enter a swap. Comparing to regular swaptions, Bermudan swaptions provide market participants more flexibility and control over the exercising of an option and less restriction.

Given those flexibilities, a Bermudan swaption is more expensive than a regular European swaption. In terms of valuation, it is also much more complex.

A Bermudan swaption is an option on an interest rate swap with a predefined exercise schedule. A Bermudan swaption gives the holder the right but not the obligation to enter an interest rate swap at predefined dates. Bermudan swaptions give the holders several some flexibility to enter swaps.

A comparison of European swaption, American swaption and Bermudan swaption: 1) European swaption has only one exercise date at the maturity. 2) American swaption has multiple exercise dates (daily). 3) Bermudan swaption has multiple exercise dates (but not daily): such as quarterly, monthly, etc.

Reference:

https://finpricing.com/lib/EqWarrant.html