

[Help](#)

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#include "hes1d_std.h"
#include <stdlib.h>
#include "pnl/pnl_vector.h"
#include "pnl/pnl_fft.h"
#include "math/wienerhopf_rs.h"

#if defined(PremiaCurrentVersion) && PremiaCurrentVersion < (2011+2) //The "#els
static int CHK_OPT(AP_fastwhamer_hes)(void *Opt, void *Mod)
{
    return NONACTIVE;
}
int CALC(AP_fastwhamer_hes)(void *Opt, void *Mod, PricingMethod *Met)
{
    return AVAILABLE_IN_FULL_PREMIA;
}
#else

int wh_hes_amer(int ifCall, double Spot,
                double r, double divi, double v0, double kappa, double theta, do
                double T, double Strike,
                double er, double h, long int step,
                int nstates, double ver,
                double *ptprice, double *ptdelta)
{
    PnlVect *shftp, *shftm, *volh, *svar, *mu, *qu;
    PnlVect *prices, *deltas;
    double omh, kah, tok, rok, mu0, rov, var, mui;
    double vmin, vmax, vh;
    int k0;
    PnlMat *lam;
    int i, j;
    double omegas;
    double lambdap, lambdam, cm, cp;

    //eps= 1.0e-7; // accuracy of iterations
```

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mu = pnl_vect_create(nstates + 1);
qu = pnl_vect_create(nstates + 1);
shftp = pnl_vect_create(nstates + 1);
shftm = pnl_vect_create(nstates + 1);
volh = pnl_vect_create(nstates + 1);
svar = pnl_vect_create(nstates + 1);
prices = pnl_vect_create(nstates + 1);
deltas = pnl_vect_create(nstates + 1);
lam = pnl_mat_create(nstates + 1, nstates + 1);

if (ifCall == 0)
{
    omegas = 2.0;
}
else
{
    omegas = -1.0;
}
//to change below

v0 = pow(v0, 0.5);
vmax = 6.*v0 * ver;
vmin = v0 / 8. / ver;
vh = pow(vmax / vmin, 1. / (nstates - 1));

k0 = (int)ceil(log(v0 / vmin) / log(vh)); //warning k0<nstates

for (i = 0; i < nstates; i++)
{
    LET(svar, i) = v0 * pow(vh, (i - k0 + 1));
}

for (i = 0; i < nstates - 1; i++)
{
    LET(volh, i) = GET(svar, i + 1) - GET(svar, i);
}
LET(volh, nstates - 1) = 0;

omh = 0.5 * omega;
omh = -omh * omh;

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kah = kappa / 2.;
tok = theta - omega * omega / kappa / 4;
rok = rho * kappa / omega;
rov = 2 * rho / omega;
mu0 = r - rok * tok - divi; ///!!!
//////////not corrected transition matrix - always positive
for (i = 0; i < nstates; i++)
{
    for (j = 0; j < nstates; j++)
    {
        MLET(lam, i, j) = 0.0;
    }
}

for (i = 1; i < nstates - 1; i++)
{
    var = GET(svar, i) * GET(svar, i);
    mui = kah * (tok - var) / GET(svar, i);
    if (tok > var)
    {
        MLET(lam, i, i - 1) = (-omh - mui * GET(volh, i)) / (GET(volh, i - 1))
        if (MGET(lam, i, i - 1) >= 0)
        {
            MLET(lam, i, i + 1) = (-omh + mui * GET(volh, i - 1)) / (GET(volh, i - 1))
        }
        else
        {
            MLET(lam, i, i) = omh / (GET(volh, i - 1) + GET(volh, i));
            MLET(lam, i, i - 1) = -MGET(lam, i, i) / GET(volh, i - 1);
            MLET(lam, i, i + 1) = (-MGET(lam, i, i) + mui) / GET(volh, i);
        }
    }
    else
    {
        MLET(lam, i, i + 1) = (-omh + mui * GET(volh, i - 1)) / (GET(volh, i - 1))
        if (MGET(lam, i, i + 1) >= 0)
        {
            MLET(lam, i, i - 1) = (-omh - mui * GET(volh, i)) / (GET(volh, i - 1))
        }
        else
    }
}

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        {
            MLET(lam, i, i) = omh / (GET(volh, i - 1) + GET(volh, i));
            MLET(lam, i, i - 1) = (-MGET(lam, i, i) - mui) / GET(volh, i - 1);
            MLET(lam, i, i + 1) = -MGET(lam, i, i) / GET(volh, i);
        }
    }
    MLET(lam, i, i) = -MGET(lam, i, i - 1) - MGET(lam, i, i + 1);
}
var = GET(svar, 0) * GET(svar, 0);
MLET(lam, 0, 0) = omh / GET(volh, 0);
if (tok > var)
{
    MLET(lam, 0, 1) = (-MGET(lam, 0, 0) + kah * (tok - var) / GET(svar, 0)) /
    MLET(lam, 0, 0) = -MGET(lam, 0, 1);
}
else
{
    MLET(lam, 0, 1) = -MGET(lam, 0, 0) / GET(volh, 0);
    MLET(lam, 0, 0) = -MGET(lam, 0, 1);
}

var = GET(svar, nstates - 1) * GET(svar, nstates - 1);
MLET(lam, nstates - 1, nstates - 1) = omh / (GET(volh, nstates - 1) + GET(volh,
if (tok > var)
{
    MLET(lam, nstates - 1, nstates - 2) = -MGET(lam, nstates - 1, nstates - 1)
    MLET(lam, nstates - 1, nstates - 1) = -MGET(lam, nstates - 1, nstates - 2)
}
else
{
    MLET(lam, nstates - 1, nstates - 2) = (-MGET(lam, nstates - 1, nstates - 1)
    MLET(lam, nstates - 1, nstates - 1) = -MGET(lam, nstates - 1, nstates - 2)
}
////////////////////////////////////end of transition matrix////////////////////////////////
LET(shftm, 0) = 0;
for (i = 0; i < nstates; i++)
{
    LET(shftp, i) = rov * GET(svar, i) * GET(volh, i);
    if (i > 0)
    {
        LET(shftm, i) = rov * GET(svar, i) * GET(volh, i - 1);
    }
}

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    }
    LET(mu, i) = mu0 - (0.5 - rok) * GET(svar, i) * GET(svar, i);
    LET(svar, i) = (1 - rho * rho) * GET(svar, i) * GET(svar, i);
    LET(qu, i) = r - GET(mu, i) * omegas - GET(svar, i) * omegas * omegas / 2.
    LET(mu, i) = GET(mu, i) + omegas * GET(svar, i);
    lambdap = 5.0;
    lambdam = -5.0;
    cm = 0.0;
    cp = 0.0;
}

////////////////////////////////////ok

fastwienerhopfamer_hs(6, nstates, mu, qu, omegas, ifCall, Spot, lambdam, lambda,
                      shftm, shftp, cm, cp, r, divi, lam,
                      T, h, Strike, er, step, prices, deltas);
////////////////////////////////////barrier

//Price
*ptprice = GET(prices, k0 - 1);
//Delta
*ptdelta = GET(deltas, k0 - 1);

// Memory deallocation
pnl_vect_free(&mu);
pnl_vect_free(&qu);
pnl_vect_free(&prices);
pnl_vect_free(&deltas);
pnl_vect_free(&shftm);
pnl_vect_free(&shftp);
pnl_vect_free(&svar);
pnl_vect_free(&volh);
pnl_mat_free(&lam);

return OK;
}

//=====
int CALC(AP_fastwhamer_hes)(void *Opt, void *Mod, PricingMethod *Met)

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```

{
    TYPEOPT *ptOpt = (TYPEOPT *)Opt;
    TYPEMOD *ptMod = (TYPEMOD *)Mod;
    double strike, spot;
    double r, divid;
    int res;
    int ifCall;
    NumFunc_1 *p;

    r = log(1. + ptMod->R.Val.V_DOUBLE / 100.);
    divid = log(1. + ptMod->Divid.Val.V_DOUBLE / 100.);
    p = ptOpt->PayOff.Val.V_NUMFUNC_1;
    strike = p->Par[0].Val.V_DOUBLE;
    spot = ptMod->S0.Val.V_DOUBLE;
    ifCall = ((p->Compute) == &Call);

    ////////////
    res = wh_hes_amer(ifCall, spot, r,
                     divid, ptMod->Sigma0.Val.V_PDOUBLE,
                     , ptMod->MeanReversion.Val.V_PDOUBLE,
                     ptMod->LongRunVariance.Val.V_PDOUBLE,
                     ptMod->Sigma.Val.V_PDOUBLE,
                     ptMod->Rho.Val.V_PDOUBLE,
                     ptOpt->Maturity.Val.V_DATE - ptMod->T.Val.V_DATE,
                     strike, Met->Par[0].Val.V_DOUBLE, Met->Par[1].Val.V_DOUBLE,
                     , Met->Par[3].Val.V_INT2, Met->Par[4].Val.V_DOUBLE,
                     &(Met->Res[0].Val.V_DOUBLE), &(Met->Res[1].Val.V_DOUBLE));
    //double er, double h, long int step, int nstates, double ver,
    return res;

}

static int CHK_OPT(AP_fastwhamer_hes)(void *Opt, void *Mod)
{
    // return NONACTIVE;
    if ((strcmp(((Option *)Opt)->Name, "PutAmer") == 0) || (strcmp(((Option *)Opt)
        return OK;

    return WRONG;
}

```

```

#endif //PremiaCurrentVersion
static int MET(Init)(PricingMethod *Met, Option *Opt)
{
    static int first = 1;

    if (first)
    {
        Met->HelpFilenameHint = "AP_fastwhamer_hes";
        Met->Par[0].Val.V_PDOUBLE = 2.0;
        Met->Par[1].Val.V_PDOUBLE = 0.01;
        Met->Par[2].Val.V_INT2 = 100;
        Met->Par[3].Val.V_INT2 = 10;
        Met->Par[4].Val.V_PDOUBLE = 1;

        first = 0;
    }
    return OK;
}

PricingMethod MET(AP_fastwhamer_hes) =
{
    "AP_FastWHAMer_HES",
    { {"Scale of logprice range", DOUBLE, {100}, ALLOW},
      {"Space Discretization Step", DOUBLE, {500}, ALLOW},
      {"TimeStepNumber", INT2, {100}, ALLOW},
      {"Number of the states", INT2, {100}, ALLOW},
      {"Scale of volatility range", DOUBLE, {500}, ALLOW},
      {" ", PREMIA_NULLTYPE, {0}, FORBID}
    },
    CALC(AP_fastwhamer_hes),
    { {"Price ", DOUBLE, {100}, FORBID},
      {"Delta ", DOUBLE, {100}, FORBID},
      {" ", PREMIA_NULLTYPE, {0}, FORBID}
    },
    CHK_OPT(AP_fastwhamer_hes),
    CHK_split,
    MET(Init)
};

```