

[Help](#)

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extern "C" {
#include "kou1d_lim.h"
#include "enums.h"
}
#include "pnl/pnl_random.h"
#include "pnl/pnl_cdf.h"
#include "pnl/pnl_mathtools.h"
#include "pnl/pnl_root.h"

extern "C" {

#if defined(PremiaCurrentVersion) && PremiaCurrentVersion < (2011+2) //The "#els
    static int CHK_OPT(MC_Kou_In_LRM)(void *Opt, void *Mod)
    {
        return NONACTIVE;
    }
    int CALC(MC_Kou_In_LRM)(void *Opt, void *Mod, PricingMethod *Met)
    {
        return AVAILABLE_IN_FULL_PREMIA;
    }
#else
//Algorithme de tri croissant
static void tri_up(double *x, int size)
{
    double sup, temp;
    int i, j, k = 0;
    for (i = 0; i < size - 1; i++)
    {
        sup = x[0];
        for (j = 0; j < size - i; j++)
        {
            if (x[j] > sup)
            {
                sup = x[j];
                k = j;
            }
        }
        if (k != size - i - 1)
        {
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        temp = x[size - i - 1];
        x[size - i - 1] = x[k];
        x[k] = temp;
    }
}

int Kou_Mc_In_Lrm(int b_type, double l, double rebate, double S0, NumFunc_1 *
                lambdam, double p, int generator, int n_points, int n_paths,
{
    double sum_payoffScoreFunction, sum_square_payoffScoreFunction, payoff, log_
    double nu, u0, *jump_time_vect, discount, var_payoffScoreFunction, *X, *W, K
    double *jump_size_vect, scoreFunction, beta, *t, s0, inf, sum_scoreFunction,
    double cov_payoff_payoffScoreFunction, var_payoff, sum_payoff_payoffScoreFun
    int i, j, k, jump_number, *N, n_vect;
    nu = ((r - divid) - sigma * sigma / 2 - lambda * (p * lambdap / (lambdap - 1
    K = P->Par[0].Val.V_DOUBLE;
    beta = 0.5826;
    discount = exp(-r * T);
    log_l_S0 = log(l / S0);
    sum_payoffScoreFunction = 0;
    sum_square_payoffScoreFunction = 0;
    sum_scoreFunction = 0;
    sum_payoff = 0;
    sum_payoff_payoffScoreFunction = 0;
    sum_square_payoff = 0;
    t = (double *)malloc((n_points + 1) * sizeof(double));
    for (i = 0; i <= n_points; i++)
        t[i] = i * T / n_points;
    N = (int *)malloc((n_points + 1) * sizeof(int));
    N[0] = 0;
    X = (double *)malloc((n_points + 1) * sizeof(double));
    W = (double *)malloc((n_points + 1) * sizeof(double));
    W[0] = 0;
    X[0] = 0;
    n_vect = pnl_iround(1000 * lambda * T);
    jump_size_vect = (double *)malloc(n_vect * sizeof(double));
    jump_time_vect = (double *)malloc(n_vect * sizeof(double));
    pnl_rand_init(generator, 1, n_paths);
    /*Down Case*/
    if (b_type == 0)

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{
  if ((P->Compute) == &Call) //call
  {
    for (i = 0; i < n_paths; i++)
    {
      jump_number = pnl_rand_poisson(lambda * T, generator);
      jump_time_vect[0] = 0;
      for (j = 1; j <= jump_number; j++)
      {
        jump_time_vect[j] = pnl_rand_uni_ab(0., T, generator);
        u0 = pnl_rand_uni(generator);
        if (1 - p <= u0)
          jump_size_vect[j] = -log(1 - (u0 - 1 + p) / p) / lambdap;
        else
          jump_size_vect[j] = log(u0 / (1 - p)) / lambdam;
      }
      jump_time_vect[jump_number + 1] = T;
      jump_size_vect[jump_number + 1] = 0;
      tri_up(jump_time_vect, jump_number + 1); //rearranging jump's times
      // simulation of the Brownian motion part at jump's times
      for (j = 1; j <= n_points; j++)
      {
        W[j] = sigma * pnl_rand_normal(generator) * sqrt(t[j] - t[j-1]);
      }
      // simulation of one Levy process X at jump's times
      for (k = 1; k <= n_points; k++)
      {
        N[k] = 0;
        for (j = 1; j <= jump_number; j++)
        {
          if (jump_time_vect[j] <= t[k])
            N[k]++;
        }
        s0 = 0;
        for (j = N[k - 1] + 1; j <= N[k]; j++)
          s0 += jump_size_vect[j];
        X[k] = X[k - 1] + (W[k] - W[k - 1]) + s0;
      }
      inf = X[0];
      for (j = 1; j <= n_points; j++)
      {

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        if (inf > X[j])
            inf = X[j];
    }
    payoff = discount * (S0 * exp(X[n_points]) - K) * (S0 * exp(X[n_
scoreFunction = (W[1] - nu * t[1]) / (sigma * sigma * t[1] * S0)
sum_payoff += payoff;
sum_scoreFunction += scoreFunction;
sum_square_payoff += payoff * payoff;
sum_payoffScoreFunction += payoff * scoreFunction;
sum_square_payoffScoreFunction += payoff * scoreFunction * payoff
sum_payoff_payoffScoreFunction += payoff * scoreFunction * payoff
    }
var_payoff = (sum_square_payoff - sum_payoff * sum_payoff / n_paths)
var_payoffScoreFunction = (sum_square_payoffScoreFunction - sum_payoff
cov_payoff_payoffScoreFunction = (sum_payoff_payoffScoreFunction - s

*ptPrice = sum_payoff / n_paths;
*priceError = 1.96 * sqrt(var_payoff) / sqrt((double)n_paths);
*ptDelta = sum_payoffScoreFunction / n_paths - (sum_scoreFunction /
*deltaError = 1.96 * sqrt(var_payoffScoreFunction + var_payoff * (su
    }
if ((P->Compute) == &Put) //put
{
    for (i = 0; i < n_paths; i++)
    {
        jump_number = pnl_rand_poisson(lambda * T, generator);
        jump_time_vect[0] = 0;
        for (j = 1; j <= jump_number; j++)
        {
            jump_time_vect[j] = pnl_rand_uni_ab(0., T, generator);
            u0 = pnl_rand_uni(generator);
            if (1 - p <= u0)
                jump_size_vect[j] = -log(1 - (u0 - 1 + p) / p) / lambdap;
            else
                jump_size_vect[j] = log(u0 / (1 - p)) / lambdam;
        }
        jump_time_vect[jump_number + 1] = T;
        jump_size_vect[jump_number + 1] = 0;
        tri_up(jump_time_vect, jump_number + 1); //rearranging jump's ti
        // simulation of the Brownian motion part at jump's times
        for (j = 1; j <= n_points; j++)

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    {
        W[j] = sigma * pnl_rand_normal(generator) * sqrt(t[j] - t[j-1])
    }
    // simulation of one Levy process X at jump's times
    for (k = 1; k <= n_points; k++)
    {
        N[k] = 0;
        for (j = 1; j <= jump_number; j++)
        {
            if (jump_time_vect[j] <= t[k])
                N[k]++;
        }
        s0 = 0;
        for (j = N[k - 1] + 1; j <= N[k]; j++)
            s0 += jump_size_vect[j];
        X[k] = X[k - 1] + (W[k] - W[k - 1]) + s0;
    }
    inf = X[0];
    for (j = 1; j <= n_points; j++)
    {
        if (inf > X[j])
            inf = X[j];
    }
    payoff = discount * (K - S0 * exp(X[n_points])) * (S0 * exp(X[n_points]) - S0);
    scoreFunction = (W[1] - nu * t[1]) / (sigma * sigma * t[1] * S0);
    sum_payoff += payoff;
    sum_scoreFunction += scoreFunction;
    sum_square_payoff += payoff * payoff;
    sum_payoffScoreFunction += payoff * scoreFunction;
    sum_square_payoffScoreFunction += payoff * scoreFunction * payoff;
    sum_payoff_payoffScoreFunction += payoff * scoreFunction * payoff;
}
var_payoff = (sum_square_payoff - sum_payoff * sum_payoff / n_paths);
var_payoffScoreFunction = (sum_square_payoffScoreFunction - sum_payoff * sum_payoffScoreFunction / n_paths);
cov_payoff_payoffScoreFunction = (sum_payoff_payoffScoreFunction - sum_payoff * sum_payoffScoreFunction / n_paths);

*ptPrice = sum_payoff / n_paths;
*priceError = 1.96 * sqrt(var_payoff) / sqrt((double)n_paths);
*ptDelta = sum_payoffScoreFunction / n_paths - (sum_scoreFunction / n_paths);
*deltaError = 1.96 * sqrt(var_payoffScoreFunction + var_payoff * (sum_payoffScoreFunction / n_paths)) / sqrt((double)n_paths);
}

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    }
    /*Up Case*/
    if (b_type == 1)
    {
        if ((P->Compute) == &Call) //call
        {
            for (i = 0; i < n_paths; i++)
            {
                jump_number = pnl_rand_poisson(lambda * T, generator);
                jump_time_vect[0] = 0;
                for (j = 1; j <= jump_number; j++)
                {
                    jump_time_vect[j] = pnl_rand_uni_ab(0., T, generator);
                    u0 = pnl_rand_uni(generator);
                    if (1 - p <= u0)
                        jump_size_vect[j] = -log(1 - (u0 - 1 + p) / p) / lambdap;
                    else
                        jump_size_vect[j] = log(u0 / (1 - p)) / lambdam;
                }
                jump_time_vect[jump_number + 1] = T;
                jump_size_vect[jump_number + 1] = 0;
                tri_up(jump_time_vect, jump_number + 1); //rearranging jump's ti
                // simulation of the Brownian motion part at jump's times
                for (j = 1; j <= n_points; j++)
                {
                    W[j] = sigma * pnl_rand_normal(generator) * sqrt(t[j] - t[j-1]);
                }
                // simulation of one Levy process X at jump's times
                for (k = 1; k <= n_points; k++)
                {
                    N[k] = 0;
                    for (j = 1; j <= jump_number; j++)
                    {
                        if (jump_time_vect[j] <= t[k])
                            N[k]++;
                    }
                    s0 = 0;
                    for (j = N[k - 1] + 1; j <= N[k]; j++)
                        s0 += jump_size_vect[j];
                    X[k] = X[k - 1] + (W[k] - W[k - 1]) + s0;
                }
            }
        }
    }

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sup = X[0];
for (j = 1; j <= n_points; j++)
{
    if (sup < X[j])
        sup = X[j];
}
payoff = discount * (S0 * exp(X[n_points]) - K) * (S0 * exp(X[n_
scoreFunction = (W[1] - nu * t[1]) / (sigma * sigma * t[1] * S0)
sum_payoff += payoff;
sum_scoreFunction += scoreFunction;
sum_square_payoff += payoff * payoff;
sum_payoffScoreFunction += payoff * scoreFunction;
sum_square_payoffScoreFunction += payoff * scoreFunction * payoff
sum_payoff_payoffScoreFunction += payoff * scoreFunction * payoff
}
var_payoff = (sum_square_payoff - sum_payoff * sum_payoff / n_paths)
var_payoffScoreFunction = (sum_square_payoffScoreFunction - sum_payo
cov_payoff_payoffScoreFunction = (sum_payoff_payoffScoreFunction - s

*ptPrice = sum_payoff / n_paths;
*priceError = 1.96 * sqrt(var_payoff) / sqrt((double)n_paths);
*ptDelta = sum_payoffScoreFunction / n_paths - (sum_scoreFunction /
*deltaError = 1.96 * sqrt(var_payoffScoreFunction + var_payoff * (su
}
if ((P->Compute) == &Put) //put
{
    for (i = 0; i < n_paths; i++)
    {
        jump_number = pnl_rand_poisson(lambda * T, generator);
        jump_time_vect[0] = 0;
        for (j = 1; j <= jump_number; j++)
        {
            jump_time_vect[j] = pnl_rand_uni_ab(0., T, generator);
            u0 = pnl_rand_uni(generator);
            if (1 - p <= u0)
                jump_size_vect[j] = -log(1 - (u0 - 1 + p) / p) / lambdap;
            else
                jump_size_vect[j] = log(u0 / (1 - p)) / lambdam;
        }
        jump_time_vect[jump_number + 1] = T;
        jump_size_vect[jump_number + 1] = 0;
    }
}

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tri_up(jump_time_vect, jump_number + 1); //rearranging jump's ti
// simulation of the Brownian motion part at jump's times
for (j = 1; j <= n_points; j++)
{
    W[j] = sigma * pnl_rand_normal(generator) * sqrt(t[j] - t[j-1])
}
// simulation of one Levy process X at jump's times
for (k = 1; k <= n_points; k++)
{
    N[k] = 0;
    for (j = 1; j <= jump_number; j++)
    {
        if (jump_time_vect[j] <= t[k])
            N[k]++;
    }
    s0 = 0;
    for (j = N[k - 1] + 1; j <= N[k]; j++)
        s0 += jump_size_vect[j];
    X[k] = X[k - 1] + (W[k] - W[k - 1]) + s0;
}
sup = X[0];
for (j = 1; j <= n_points; j++)
{
    if (sup < X[j])
        sup = X[j];
}
payoff = discount * (K - S0 * exp(X[n_points])) * (S0 * exp(X[n_points]) - K);
scoreFunction = (W[1] - nu * t[1]) / (sigma * sigma * t[1] * S0);
sum_payoff += payoff;
sum_scoreFunction += scoreFunction;
sum_square_payoff += payoff * payoff;
sum_payoffScoreFunction += payoff * scoreFunction;
sum_square_payoffScoreFunction += payoff * scoreFunction * payoff;
sum_payoff_payoffScoreFunction += payoff * scoreFunction * payoff;
}
var_payoff = (sum_square_payoff - sum_payoff * sum_payoff / n_paths);
var_payoffScoreFunction = (sum_square_payoffScoreFunction - sum_payoff * sum_payoffScoreFunction / n_paths);
cov_payoff_payoffScoreFunction = (sum_payoff_payoffScoreFunction - sum_payoff * sum_payoffScoreFunction / n_paths);

*ptPrice = sum_payoff / n_paths;
*priceError = 1.96 * sqrt(var_payoff) / sqrt((double)n_paths);

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        *ptDelta = sum_payoffScoreFunction / n_paths - (sum_scoreFunction /
        *deltaError = 1.96 * sqrt(var_payoffScoreFunction + var_payoff * (su
    }
}
free(jump_time_vect);
free(jump_size_vect);
free(X);
free(W);
free(N);
free(t);
return OK;
}
int CALC(MC_Kou_In_LRM)(void *Opt, void *Mod, PricingMethod *Met)
{
    TYPEOPT *ptOpt = (TYPEOPT *)Opt;
    TYPEMOD *ptMod = (TYPEMOD *)Mod;
    double r, divid, limit, rebate;
    int upordown;

    r = log(1. + ptMod->R.Val.V_DOUBLE / 100.);
    divid = log(1. + ptMod->Divid.Val.V_DOUBLE / 100.);
    limit = ((ptOpt->Limit.Val.V_NUMFUNC_1)->Compute)((ptOpt->Limit.Val.V_NUMFUN
    rebate = ((ptOpt->Rebate.Val.V_NUMFUNC_1)->Compute)((ptOpt->Rebate.Val.V_NUM

    if ((ptOpt->DownOrUp).Val.V_BOOL == DOWN)
        upordown = 0;
    else upordown = 1;

    return Kou_Mc_In_Lrm(upordown, limit, rebate, ptMod->S0.Val.V_PDOUBLE, ptOp
}

static int CHK_OPT(MC_Kou_In_LRM)(void *Opt, void *Mod)
{
    Option *ptOpt = (Option *)Opt;
    TYPEOPT *opt = (TYPEOPT *) (ptOpt->TypeOpt);

    /*if ((opt->RebOrNo).Val.V_BOOL==NOREBATE)*/
    if ((opt->OutOrIn).Val.V_BOOL == IN)
        if ((opt->EuOrAm).Val.V_BOOL == EURO)
            if ((opt->Parisian).Val.V_BOOL == FALSE)
                return OK;

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    return WRONG;
}
#endif //PremiaCurrentVersion
static int MET(Init)(PricingMethod *Met, Option *Opt)
{
    if (Met->init == 0)
    {
        Met->init = 1;
        Met->HelpFilenameHint = "mc_kou_in_lrm";
        Met->Par[0].Val.V_ENUM.value = 0;
        Met->Par[0].Val.V_ENUM.members = &PremiaEnumMCRNGs;
        Met->Par[1].Val.V_PINT = 50;
        Met->Par[2].Val.V_LONG = 100000;
    }
    return OK;
}
PricingMethod MET(MC_Kou_In_LRM) =
{
    "MC_Kou_In_LRM",
    {
        {"RandomGenerator", ENUM, {100}, ALLOW},
        {"Number of discretization steps", LONG, {100}, ALLOW},
        {"N iterations", LONG, {100}, ALLOW},
        {" ", PREMIA_NULLTYPE, {0}, FORBID}
    },
    CALC(MC_Kou_In_LRM),
    {
        {"Price", DOUBLE, {100}, FORBID},
        {"Delta", DOUBLE, {100}, FORBID},
        {"Price Error", DOUBLE, {100}, FORBID},
        {"Delta Error", DOUBLE, {100}, FORBID},
        {" ", PREMIA_NULLTYPE, {0}, FORBID}
    },
    CHK_OPT(MC_Kou_In_LRM),
    CHK_ok,
    MET(Init)
} ;
}

```