

An Introduction to the Mathematics of Financial Derivatives Errata for third edition (second printing)

April 16, 2018

1. **Page 260 Correction** Part of the formula (15.69) in the second line

$$e^{-\frac{1}{2\pi\sigma^2 T}(Y_T - (r - \frac{1}{2}\sigma^2)T)^2}$$

should be

$$e^{-\frac{1}{2\sigma^2 T}(Y_T - (r - \frac{1}{2}\sigma^2)T)^2}$$

(i.e. π should be removed).

2. **Page 261 Correction** In the second line of the formula (15.71) (i.e. RHS of the formula (15.71)) dY_T should be dZ .

3. **Page 261 Correction** LHS of formula (15.76) dY_T should be dZ .

4. **Page 261 Correction** In the RHS of formula (15.78)

$$\log\left(\frac{K}{S_0}\right)$$

should be $-d_2$.

5. **Pages 264, 265 Corrections** formulas (15.104) and (15.108) the term

$$\frac{1}{2}F_{ss}\sigma_t^2 dt$$

should be

$$\frac{1}{2}F_{ss}\sigma_t^2$$

6. **Page 266 Correction** formula (15.114)

$$e^{-rt}F(S_t, t) = F(S_0, 0) + \int_0^t e^{-ru} \left[-rF + F_t + \frac{1}{2}F_{ss}\sigma_u^2 + F_s r S_u \right] du + \int_0^t e^{-ru} \sigma_u F_s dW_u^*$$

should be

$$e^{-rt}F(S_t, t) = F(S_0, 0) + \int_0^t e^{-ru} \left[-rF + F_u + \frac{1}{2}F_{ss}\sigma_u^2 + F_s r S_u \right] du + \int_0^t e^{-ru} \sigma_u F_s dW_u^*$$

7. Page 266 Correction Formula (15.117)

$$\int_0^t e^{-ru} \left[-rF + F_t + \frac{1}{2}F_{ss}\sigma_u^2 + F_srS_u \right] du$$

should be

$$\int_0^t e^{-ru} \left[-rF + F_u + \frac{1}{2}F_{ss}\sigma_u^2 + F_srS_u \right] du$$