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to the Radon-Nikodym derivative, Nunes is able to obtain approximate pricing models in closed-form for single-barrier caps and floors in a multivariate Gaussian Heath-Jarrow-Morton framework. Comparisons against a Monte Carlo solution and an alternative quasi-analytic technique demonstrate that this technique can produce a huge improvement in performance, in some cases achieving better accuracy in under a second than Monte Carlo valuation reaches in more than 24 hours.

WHERE SHOULD YOU BUY YOUR OPTIONS? THE PRICING OF EXCHANGE-TRADED CERTIFICATES AND OTC DERIVATIVES IN GERMANY 82

MATTHIAS MUCK AND GEORGE L. YE

With the expansion of electronic exchanges and the nearly universal access to the Internet, it has become possible for retail investors to buy and sell exchange-traded derivative contracts from their desktops. In Europe this ability has even been extended to allow small investors to purchase over-the-counter exotic option contracts through the Internet. In this article, Muck analyzes the pricing of a variety of web-traded exotic instruments, available in this "market." As one would expect, the contracts are overpriced on average, relative to theoretical valuations based on exchange-traded options on the same underlying DAX index. A second hypothesis, that overpricing diminishes as the contracts approach maturity receives a little less support.