

[Help](#)

```
extern "C" {
#include "
href../../../../mod/doublehes1d/doublehes1d_vol/doublehes1d_vol_h_src.pdfhes1d_vol.
}
#include "
href../../../../common/math/numerics_h_src.pdfmath/numerics.h"
#include <
href../../../../common/math/complex_erf_h_src.pdfcomplex>

#include "
href../../../../common/math/fft_h_src.pdfmath/fft.h"
#include "
href../../../../common/math/intg_h_src.pdfmath/intg.h"

extern "C" {

#if defined(PremiaCurrentVersion) && PremiaCurrentVersion < (2008+2) //The "#els
    static int CHK_OPT(AP_HES_REALVAR)(void *Opt, void *Mod)
    {
        return NONACTIVE;
    }
    int CALC(AP_HES_REALVAR)(void *Opt, void *Mod, PricingMethod *Met)
    {
        return AVAILABLE_IN_FULL_PREMIA;
    }
#else

    static complex<double> I(0.0, 1.0);

    static complex<double> cphi(double v, double s, double v0, double ka, double t

    /*////////////////////////////////////*/
    static int ap_hes_realvar(int ifCall, double v0, double ka, double theta, doub
    {

        double K;
        double shift = parsigma;
        double temp;
```

```

long int n;
complex<double> fact;

K = Strike; //p->Par[0].Val.V_DOUBLE;
K = K * K * T / 10000.0;

long int Nlimit;
for (n = 1, Nlimit = 1; n < exp2 + 1; n++, Nlimit *= 2); //number of integra
double h = parstep; //step of integrtion

double logstrikestep = 2 * M_PI / Nlimit / h; //strike discretization step
double A = Nlimit * h / 2.0; // integration domain is (-A/2,A/2)
double odd = -1.0; // to control Simpson's weights
//expectation of variance
double mval = (theta * T + (v0 - theta) * (1.0 - exp(-ka * T)) / ka); // /T?

double *y = new double [Nlimit];
double *y_img = new double [Nlimit];
double *k_arr = new double[Nlimit];

double vn = -A;
//double weight = 0.5; //trapezoidal rule weights
double weight = 1. / 3; //Simpson's rule weights

complex<double> dzeta = exp(-r * T) * (cphi(vn, shift, v0, ka, theta, sigma,

y[0] = weight * real(dzeta);
y_img[0] = weight * imag(dzeta);
k_arr[0] = K;

//price
for (n = 1; n < Nlimit - 1; n++)
{
    vn += h;
    //weight = 1; //trapezoidal rule weights
    odd *= -1.0; //weight = (weight<1) ? 4./3 : 2./3; //Simpson's rule weigh
    temp = h * n * K;

    dzeta = exp(-r * T) * exp(I * temp) * (cphi(vn, shift, v0, ka, theta, si
    //price
    y[n] = (1.0 + odd * weight) * real(dzeta);

```

```

        y_img[n] = (1.0 + odd * weight) * imag(dzeta);
        k_arr[n] = K + n * logstrikestep;
    }

    vn += h;
    //weight = 0.5; //trapezoidal rule weights
    weight = 1.0 / 3.0; //Simpson's rule weights

    temp = h * n * K;
    dzeta = exp(-r * T) * exp(I * temp) * (cphi(vn, shift, v0, ka, theta, sigma,

    y[Nlimit - 1] = weight * real(dzeta);
    y_img[Nlimit - 1] = weight * imag(dzeta);
    k_arr[Nlimit - 1] = K + (Nlimit - 1) * logstrikestep;

    fft1d(y, y_img, Nlimit, 1);
    /**/

    if (ifCall)//((p->Compute)==&Call)
    {
        for (n = 0; n < Nlimit - 1; n++)
        {
            fact = exp((shift - I * A) * k_arr[n]) * A / M_PI;
            temp = y[n];
            y[n] = real(fact) * y[n] - imag(fact) * y_img[n] + exp(-r * T) * (mv
            y_img[n] = real(fact) * y_img[n] + imag(fact) * temp;
            y[n] = y[n] > 0 ? sqrt(y[n] / T) * 100.0 : -1;
            k_arr[n] = sqrt(k_arr[n] / T) * 100.0;
        }
    }
    else
    {
        for (n = 0; n < Nlimit - 1; n++)
        {
            fact = exp((shift - I * A) * k_arr[n]) * A / M_PI;
            temp = y[n];
            y[n] = real(fact) * y[n] - imag(fact) * y_img[n];
            y_img[n] = real(fact) * y_img[n] + imag(fact) * temp;
            y[n] = y[n] > 0 ? sqrt(y[n] / T) * 100.0 : -1;
            k_arr[n] = sqrt(k_arr[n] / T) * 100.0;
        }
    }

```

```

    }

    *Price = y[0]; //sqrt(res/T);

    delete [] y;
    delete [] y_img;
    delete [] k_arr;

    return OK;
}

/*-----*/
static complex<double> cphi(double v, double s, double v0, double ka, double t
{
    double ss;
    complex<double> d, edt, divedt, aa, bb, val;

    complex<double> x(s, v);

    ss = sigma * sigma;
    d = sqrt(ka * ka + 2.0 * ss * x);
    edt = exp(-d * T);
    divedt = 1.0 + ka / d + (1.0 - ka / d) * edt;
    aa = 2.0 * theta * ka / ss * ((ka - d) * T / 2.0 + log(2.0) - log(divedt));
    bb = -v0 * x / d * 2.0 * (1.0 - edt) / divedt;

    val = exp(aa + bb);

    return val;
}
/*-----*/

int CALC(AP_HES_REALVAR)(void *Opt, void *Mod, PricingMethod *Met)
{
    TYPEOPT *ptOpt = (TYPEOPT *)Opt;
    TYPEMOD *ptMod = (TYPEMOD *)Mod;
    double r, divid, strike, spot;
    NumFunc_1 *p;
    int ifCall;

```

```

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);

return ap_hes_realvar(ifCall,
                      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,
                      r, divid,
                      ptOpt->Maturity.Val.V_DATE - ptMod->T.Val.V_DATE,
                      strike, spot,
                      Met->Par[0].Val.V_DOUBLE, Met->Par[1].Val.V_RGDOUBLE,
                      &(Met->Res[0].Val.V_DOUBLE)/(*PRICE*/);

}

static int CHK_OPT(AP_HES_REALVAR)(void *Opt, void *Mod)
{
    if ((strcmp(((Option *)Opt)->Name, "CallRealVarEuro") == 0) || strcmp(((Opti
        return OK;

    return WRONG;
}

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

    if (first)
    {
        Met->Par[0].Val.V_DOUBLE = 10.0;
        Met->Par[1].Val.V_RGDOUBLE = 0.5;
        Met->Par[2].Val.V_INT = 12;
    }
}

```

```

        first = 0;
    }

    return OK;
}

PricingMethod MET(AP_HES_REALVAR) =
{
    "AP_HES_REALVAR",
    { {"Shifting parameter for Laplace transform:", DOUBLE, {100}, ALLOW    },
      {"Step of discretization for Laplace transform: ", RGDOUBLE, {100}, ALLOW
      {"The log of Nb of points for Laplace transform", INT, {10}, ALLOW    },
      {" ", PREMIA_NULLTYPE, {0}, FORBID}
    },
    CALC(AP_HES_REALVAR),
    { {"Price, in annual volatility points", DOUBLE, {100}, FORBID},
      {" ", PREMIA_NULLTYPE, {0}, FORBID}
    },
    CHK_OPT(AP_HES_REALVAR),
    CHK_ok ,
    MET(Init)
} ;

/*////////////////////////////////////////*/
}

```