

Table of Contents

Note: in the titles of co-authored papers the lecturer’s name is in bold face)

Preface	5
Table of Contents	7
Participants	11
On-line portfolio strategy with prediction Sergio Albeverio, LanJun Lao and XueLei Zhao	19
Continuous time financial market, transaction cost and transaction intensity Sergio Albeverio, LanJun Lao and XueLei Zhao	29
Demand Heterogeneity and Price Volatility D.R. Alexander and E.E. Haven	40
Optimal default boundary in a discrete time setting Agata Altieri and Tiziano Vargiolu	49
An Infinite Factor Model for the Interest Rate Derivatives Arunabha Bagchi and K. Suresh Kumar	59
Arbitrage and Pricing with Collateral José Fajardo Barbachan	69
On the existence of optimal controls for a singular stochastic control problem in finance Fred E. Benth , Kenneth H. Karlsen, and Kristin Reikvam	79
A Quadratic Approach To Interest Rates Models In Incomplete Markets Francesca Biagini	89
Risk Sensitive Asset Management: Two Empirical Examples T.Bielecki, A.Harris, J.Li, and S.Pliska	99

Bounded Variation Singular Stochastic Control and Associated Dynkin Game Frederik Boetius	111
Option Pricing and Hedging Under Regular Lévy Processes of Exponential Type Svetlana I. Boyarchenko and Sergei Z. Levendorskiĭ	121
Installment Options and Static Hedging Mark H. A. Davis , Walter Schachermayer and Robert G. Tompkins	131
Fractional Brownian Motion and Financial Modelling R.J. Elliott and J. van der Hoek	140
Stochastic Volatility and Epsilon-Martingale Decomposition Jean-Pierre Fouque , George Papanicolaou and Ronnie Sircar	152
Mutual Debts Compensation as Graph Theory Problem Vladimir Gazda	162
First Steps to Stochastic Finance Hans-Joachim Girlich	168
Fractional Calculus and Continuous-Time Finance III: the Diffusion Limit Rudolf Gorenflo , Francesco Mainardi, Enrico Scalas and Marco Raberto	171
Passport Options Outside the Black Scholes World Vicky Henderson	181
New Developments in Backward Stochastic Riccati Equations and Their Applications Michael Kohlmann and Shanjian Tang	194
Quantile hedging for a jump-diffusion financial market model R.N.Krutchenko and A.V.Melnikov	215
Exponential formula and Girsanov theorem for mixed semilinear stochastic differential equations Yuriy Kravych and Yuliya Mishura	230
An introduction to optimal consumption with partial observation D. Lefèvre, B. Øksendal , and Agnès Sulem	239

Continuous Time CAPM, Price for Risk and Utility Maximization Johannes Leitner	250
LQ control and mean–variance portfolio selections: The stochastic parameter case Andrew E.B. Lim and Xun Yu Zhou	261
Liquidity Risk in Energy Markets S.Nagornii and G.Dozeman	271
Riccati Equation and Viscosity Solutions in Mean Variance Hedging Bernhard Peisl	283
A Minimal Financial Market Model Eckhard Platen	293
A note on equivalent martingale measures with bounded density Miklós Rásonyi	302
Local optimality in the multi-dimensional multi-period mean-variance portfolio problem Manfred Schäl	307
Transaction Processes among Autonomous Traders Julia Schmelz	317
The Laplace transform approach to valuing exotic options: the case of the Asian option Michael Schröder	328
Reversible Real Options Mark Shackleton and Rafał Wojakowski	339
A Toolbox for Generalized Relative Entropies, EMM and Contingent Claim Valuation Wolfgang Stummer	345
Incremental Value-at-Risk: traps and misinterpretations Luisa Tibiletti	355
On option expected returns Rafał Wojakowski and Mark Shackleton	365