NAME

FDDividendEngineMerton73< Scheme > − Finite-differences pricing engine for dividend options using escowed dividends model.

SYNOPSIS

```
#include <ql/pricingengines/vanilla/fddividendengine.hpp>
```

Inherits **FDDividendEngineBase< Scheme >**.

Inherited by FDAmericanCondition< FDDividendEngineMerton73< Scheme > >, FDEngineAdapter< FDDividendEngineMerton73< Scheme >, DividendVanillaOption::engine >, FDShoutCondition< FDDividendEngineMerton73< Scheme > >, and FDDividendEngine< Scheme >.

Public Member Functions

FDDividendEngineMerton73 (const boost::shared_ptr< **GeneralizedBlackScholesProcess** > &process, **Size** timeSteps=100, **Size** gridPoints=100, bool timeDependent=false)

Additional Inherited Members

Detailed Description

template<template< class > class Scheme = CrankNicolson>

class QuantLib::FDDividendEngineMerton73< Scheme >" Finite-differences pricing engine for dividend options using escowed dividends model.

The Merton-73 engine is the classic engine described in most derivatives texts. However, Haug, Haug, and Lewis in ’Back to Basics: a new approach to the discrete dividend problem’ argues that this scheme underprices call options. This is set as the default engine, because it is consistent with the analytic version.

Author

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