

VALUATION OF FLOATING RANGE NOTES IN A LIBOR MARKET MODEL UNDER THE MERTON JUMP DIFFUSION PROCESSES

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This paper derives an approximate pricing formula of floating range notes within the multifactor LIBOR market model framework. The LIBOR market model features the ease for calibration procedure, and the resulting pricing formula is more tractable. In addition, since the underlying rate of floating range notes is usually the LIBOR rate, the pricing of the floating range notes under the LIBOR market model is more direct and full of intuition.