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Pricing vulnerable options with stochastic volatility

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*Highlights (for review)

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- This paper incorporates stochastic volatility in the dynamics of both the underlying asset and the assets of the counterparty.
- This paper derives a pricing formula of vulnerable option with stochastic volatility.
- This paper examines how mean reverting level, mean reverting speed and volatility of stochastic volatilities of both the underlying asset and the assets of the counterparty impact vulnerable option prices.

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