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### ABSTRACT

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Target Accumulation Redemption Notes (TARN) are financial derivatives which give their holders the right to receive periodic coupons until the accumulated sum of those ones reaches an agreed target. In this work, we solve a partial differential equations model for TARNs by a finite difference alternating directions method. We combine the numerical resolution with a stochastic local volatility technique and show the numerical results for a particular problem.

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### **KEYWORDS:**

Option pricing TARN stochastic local volatility partial differential equations model alternating directions scheme

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## Acknowledgements

The authors are very grateful to both reviewers for their valuable comments and suggestions, which contributed to improve the manuscript. They also want to thank their colleague Carlos Vázquez for useful advise.

### Disclosure statement

No potential conflict of interest was reported by the authors.

# Additional information

## Funding

First author is financially supported by Spanish Ministerio de Economía y Competitividad (grant MTM2016-76497-R) and Xunta de Galicia (grant ED431C2018/033, including FEDER funds).

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International Journal of Computer Mathematics

Published online: 15 Nov 2018

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