# AMENDMENTS TO THE SUBJECT ST6 CORE READING FOR THE 2009 EXAMINATIONS:

# ONLY APPLICABLE TO STUDENTS WITH THE SEVENTH EDITION OF HULL

## 1 Background

The Subject ST6 Core Reading for 2009 Examinations is based on the sixth edition of "Options, futures and other derivatives" by J.C.Hull, as this is the version that was available as at the Core Reading publication date (31 May 2008).

However, subsequent to that date the seventh edition of Hull has been published. It is acknowledged that some students may therefore have purchased the seventh rather than the sixth edition. It is perfectly acceptable for students to use the seventh edition as their study textbook for the 2009 Examinations. This note sets out the changes to Core Reading references that are necessary for those students.

## 2 Changes to Core Reading references if using Hull 7th Edition

**Accreditation:**

The final line in the paragraph starting "Details of direct references…." should be amended to: "reference to chapters 4, 6, 7, 24 and 28 of this textbook."

**Unit 3:**

The short section "Tailing the Hedge" in Section 3.4 of Chapter 3 is new to the seventh edition and can therefore be omitted.

**Unit 4:**

The reference to the exclusion of "sections 8.6 Trading to 8.11 Taxation, inclusive" should be amended to the exclusion of "sections 8.5 Trading to 8.10 Taxation, inclusive".

**Unit 10:**

The short section "The VIX Index" in Section 13.11 of Chapter 13 is new to the seventh edition and can therefore be omitted.

**Unit 11:**

The reference to Chapter 17 should be replaced by Chapter 19 – Basic numerical procedures.

The reference to Chapter 24, section 24.7 should be replaced by Chapter 26, section 26.8 – Monte Carlo simulation and American options.

**Unit 12:**

The reference to Chapter 15 should be replaced by Chapter 17 – The Greek letters.

**Unit 14:**

In Section 1, the reference to Chapter 28, “sections 28.1 Background to 28.3 No-arbitrage models, inclusive” should be amended to Chapter 30, “sections 30.1 Background to 30.3 No-arbitrage models, inclusive”.

In Section 2, the reference to Chapter 28, “sections 28.6 Interest rate trees and 28.7 A general tree-building procedure” should be amended to Chapter 30, “sections 30.6 Interest rate trees and 30.7 A general tree-building procedure”.

In Section 3, the reference to Chapter 25, “sections 25.1 The market price of risk to 25.4 Alternative choices for the numeraire, inclusive” should be amended to Chapter 27, “sections 27.1 The market price of risk to 27.4 Alternative choices for the numeraire, inclusive”.

In Section 5, the reference to Chapter 29, “sections 29.1 The Heath, Jarrow and Morton model and 29.2 The LIBOR market model” should be amended to Chapter 31, “sections 31.1 The Heath, Jarrow and Morton model and 31.2 The LIBOR market model”.

**Unit 16:**

In Section 4, the reference to Chapter 20, “sections 20.2 Historical default probabilities to 20.6 Using equity prices to estimate default probabilities, inclusive and section 20.10 Credit VaR” should be amended to Chapter 22, “sections 22.2 Historical default probabilities to 22.6 Using equity prices to estimate default probabilities, inclusive and section 22.10 Credit VaR”.

In Section 5.1, the reference to Chapter 21, “sections 21.1 Credit default swaps and 21.3 Valuation of credit default swaps” should be amended to Chapter 23, “sections 23.1 Credit default swaps and 23.2 Valuation of credit default swaps”.

In Section 5.3, the reference to Chapter 21, section 21.7 should be replaced by Chapter 23, section 23.8 - Collateralised debt obligations.

In Section 6, the reference to Chapter 20, section 20.9 should be replaced by Chapter 22, section 22.9 - Default correlation.

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