



SDI FINAL EVALUATION FORM 1.1

PART 1:

Journal Name:	British Journal of Mathematics & Computer Science
Manuscript Number:	2014_BJMCS_13176
Title of the Manuscript:	On Stochastic Volatility in the Valuation of European Options
Type of the Article	Original Research Article

PART 2:

FINAL EVALUATOR'S comments on revised paper (if any)	Authors' response to final evaluator's comments
The authors addressed most of the comments from last review. However, there are still some concerns and issues in the revised paper. 1. Line 220. The authors didn't respond the rationale of setting the left hand side of (15) to $-L(t, S, Y)$. 2. Line 272. The two characteristic functions f_1 and f_2 were not defined before, so they need more explanation. 3. Line 289. Equation (36), what's Π^*? 4. Line 374. There is still confusion of t and T. t should be trading frequency, not in days. 5. Line 406. Subsection 3.2. It's not exactly an empirical example. The authors pre-set the values of the parameters, while didn't use the Nigerian Stock Exchange example to derive the values of these parameters. It makes this subsection kind of irrelevant to the empirical example sections before.	1. $L(t, S, Y)$ is defined in equation (16), we set RHS of (15) = $-L(t, S, Y)$ since the market determines the price of the volatility risk. Volatility measures the reduction of variance in the price of the underlying asset. 2. f_1 and f_2 are defined as the corresponding characteristic functions for risk neutralized probabilities p_1 and p_2 respectively for $j=1,2$. 3. Π here means 3.142 or $22/7$. I have corrected it. 4. Corrected. t is the trading frequency. 5. Subsection 3.2 discusses the effect of correlation coefficient, volatility and kurtosis. We only determined the market growth rates of the stock share of United Bank for Africa, Nigeria Plc. and Zenith Bank of Nigeria between 1st November 2011 and 1st January 2012 obtained to be 469.04 and 435.54 respectively. Since Nigerian stock exchange is not stable and not well standardized therefore we decided to use European options.