

BOOK REVIEW

K. Sandmann and P.J. Schönbucher, Editors: *Advances in Finance and Stochastics: Essays in Honour of Dieter Sondermann*. Springer. ISBN 3-540-43464-X.

This book marks the 65th birthday of Dieter Sondermann, the founding editor of the journal *Finance and Stochastics*. It contains a number of papers by eminent authors in the field of financial mathematics. These papers (in a much abbreviated form!) are

1. Coherent risk measures – Delbaen
2. Measures of risk – Föllmer and Schied
3. Long head-runs and long match patterns – Embrechts and Novak
4. Factor pricing – Werner
5. Option pricing for co-integrated assets – Duan and Pliska
6. Incomplete diversification and asset pricing – Madan, Milne and Elliott
7. Hedging under transaction costs – Kabanov and Stricker
8. Risk management in illiquid markets – Frey and Patie
9. Liquidity effects – Rogers and Zane
10. Bayesian estimation for interest-rate models – Bhar, Chiarella and Runggaldier
11. Interpolation from market-observable interest rates – Schlögl
12. Equity-linked life and pension insurance – Nielsen and Sandmann
13. Bermudan options – Schweizer
14. Russian options – Shepp, Shiryaev and Sulem
15. Suprema of stochastic processes – Schürger
16. Poisson disorder problem – Peskir and Shiryaev

There is a great variety of papers contained in this book and all at a high level. Certainly there is something for everyone interested in financial mathematics here, ranging from theoretical through to applied works and covering most of the branches within the field. Thus there are leading edge papers on option pricing, risk management, interest-rate modelling and insurance. Additionally a few of the papers concentrate more on topics in applied probability which are developing the theory on the fringes of finance.

This is an excellent collection which I will enjoy making use of in the years to come.

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