

**THE INDUCTIVE GENERATION OF THE
VOLATILITY SMILE MODELS**

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Volatility of the European-type options depends on their strike and maturity. The authors suppose the volatility smile models based not only the expert knowledge, but also on the measured data. The model generation algorithm was proposed. It generates volatility models of the optimal structure inductively using implied volatility data and expert considerations. The models satisfy expert assessments. The Brent Crude Oil option was considered as an example. The project was supported by RFBR, 07-07-00181.