

MF921 Topics in Dynamic Asset Pricing

Stochastic Calculus for Quantitative Finance

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Intermediary (Hedge Fund Firm, Law Firm, Consulting Firm...). Agent (Fund Manager, Lawyer, Consultant...). Client (Looking for services).

- The agent is hired by the intermediary and provides services indirectly. The intermediary charges the clients and pays wages to the agent.
- The agent contracts directly with clients. The clients pay the agent.

Note: Everyone learns from historical outcomes. The intermediary knows more about the agent than clients. Clients don't observe pay, only retention.