



Rotman Commerce UNIVERSITY OF TORONTO

Course Outline

RSM 435H1F - Futures and Options Markets

Summer 2017

L0101 Monday and Wednesday 3:00pm - 5:00pm WW 126

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Teaching Assistant: TBA

Course Scope and Mission

This course covers the analysis of derivative instruments such as forwards, futures, swaps and options. By the end of the course, students will have good knowledge of how these contracts work, how they are used and how they are priced.

Course Prerequisites

Prerequisite: ECO204Y1/ECO206Y1, RSM332H1

Exclusion: ACT370H1

Required Readings

Hull, John C., Options, Futures, and Other Derivatives, 9th Edition, Pearson-Prentice Hall, 2015.

Hull, John C., Student Solutions Manual for Options, Futures, and Other Derivatives, 9th Edition, Pearson-Prentice Hall, 2015.

(Note: The 10th Edition can also be used.)

Evaluation and Grades

Grades are a measure of the performance of a student in individual courses. Each student shall be judged on the basis of how well s/he has command of the course materials.

<u>Work</u>		<u>Due Date</u>
Assignment(s) & In-class question	20%	Friday, June 23 rd & Ongoing
RPM Project	10%	Monday, June 5 th and Friday, June 23 rd
Midterm Exam	25%	<i>Tentative Date/Time: Friday, June 2nd (7:00pm-9:00pm)</i>
Final Exam	45%	During Faculty of Arts & Science Final Examination period (TBA - Monday, June 26 th to Friday, June 30 th)

Tutorials

Schedule and Location - TBA

COURSE FORMAT AND EXPECTATIONS

For Written Assignments:

Although the assignments include mathematical problem sets, please note that clear, concise, and correct writing will be considered in the evaluation of assignments. That is, you may lose points for writing that impedes communication: poor organization, weak paragraph development, excessive wordiness, hard-to-follow sentence structure, spelling mistakes and grammatical errors. Students who require additional support and/or tutoring with respect to their writing skills are encouraged to visit the Academic Success Centre (www.asc.utoronto.ca) or one of the College Writing Centres (www.writing.utoronto.ca/writing-centres). These centres are teaching facilities – not editing services, where trained staff can assist students in developing their academic writing skills. There is no charge for the instruction and support.

For the Midterm and Final Exam:

The midterm and final examinations will not be open book. You will be permitted to bring in a calculator and an 8.5"×11" one-sided "aid sheet" with notes and/or formulae to the midterm examination, and a calculator and an 8.5"×11" two-sided "aid sheet" with notes and/or formulae to the final examination.

The BMO Financial Group – Finance Research and Trading Lab:

The Finance Lab is located on the 2nd Floor of the Rotman building, 105 St George St. You may access the Finance Lab during regular business hours, provided it is not booked for a class. Please check the schedule for the Finance Lab to confirm its availability. You will be using the Rotman Portfolio Management (RPM) software during this course. It is critical that you attend a session that will (re)introduce you to the software. This will allow you to get a good start on your RPM term project. There will be a tutorial scheduled in the Finance Lab. The schedule will be communicated in class.

Class Schedule - Section L0101

The following schedule of topics covered is subject to modification as the course progresses.

Session	Topic	Readings
1: Monday, May 15	Introduction, Mechanics of Futures Markets, Hedging Strategies Using Futures	Chapters 1, 2 and 3
2: Wednesday, May 17	Interest Rates	Chapter 4
Monday, May 22nd (Victoria Day)		
3: Wednesday, May 24	Determination of Forward and Futures Prices	Chapter 5
4: Monday, May 29	Interest Rate Futures	Chapter 6
5: Wednesday, May 31	Swaps	Chapter 7
Tentative Date/Time (to be confirmed): Friday, June 2nd (7:00pm-9:00pm) – Midterm Exam		
6: Monday, June 5	Mechanics of Options Markets, Properties of Stock Options	Chapters 10 and 11
7: Wednesday, June 7	Trading Strategies Involving Options	Chapter 12
Monday, June 12th (Course Withdrawal Deadline)		
8: Monday, June 12	Binomial Option Pricing Model	Chapter 13 and Section 18.6
9: Wednesday, June 14	The Black-Scholes-Merton Model Options on Stock Indices and Currencies Futures Options	Read Chapter 14 Chapters 15 (omit 15.6), 17 and 18
10: Monday, June 19	The Greeks	Chapter 19
11: Wed, June 21	Securitization and the Credit Crisis of 2007; OIS Discounting, Credit Issues, and Funding Costs	Chapters 8 and 9
Final Exam (TBA - Exam Period - Monday, June 26th to Friday, June 30th)		

POLICY AND PROCEDURE

Missed Tests and Assignments (including the midterm examination)

Students who miss a test or assignment for reasons entirely beyond their control (e.g. illness) may submit a request for special consideration. Provided that notification and documentation are provided in a timely manner, and that the request is subsequently approved, no academic penalty will be applied. Upon approval for a missed midterm examination, the weight will be shifted to the final examination.

In such cases, students must notify Rotman Commerce on the date of the missed test (or due date in the case of course work) and submit supporting documentation (e.g. [Verification of Student Illness or Injury form](#)) to the Rotman Commerce Program Office within **48 hours** of the originally scheduled test or due date. Students who do not provide Rotman Commerce or the instructor with appropriate or sufficient supporting documentation will be given a grade of 0 (zero) for the missed test or course deliverable.

Note that the physician's report must establish that the patient was examined and diagnosed at the time of illness, not after the fact. Rotman Commerce will not accept a statement that merely confirms a report of illness made by the student and documented by the physician.

Late Assignments

Late submissions will not be accepted. Students who, for reasons beyond their control, are unable to submit by the posted deadline must obtain approval from the instructor for an extension. Supporting documentation will be required as per the policy on missed tests and assignments/deliverables.

Accessibility Needs

The University of Toronto is committed to accessibility. If you require accommodations for a disability, or have any accessibility concerns about the course, the classroom or course materials, please contact Accessibility Services as soon as possible: accessibility.services@utoronto.ca or <http://www.accessibility.utoronto.ca/>.

Academic Integrity

Academic Integrity is a fundamental value essential to the pursuit of learning and scholarships at the University of Toronto. Participating honestly, respectfully, responsibly, and fairly in this academic community ensures that the UofT degree that you earn will continue to be valued and respected as a true signifier of a student's individual work and academic achievement. As a result, the University treats cases of academic misconduct very seriously.

The University of Toronto's Code of Behaviour on Academic Matters

<http://www.governingcouncil.utoronto.ca/policies/behaveac.htm> outlines the behaviours that constitute academic misconduct, the process for addressing academic offences, and the penalties that may be imposed. You are expected to be familiar with the contents of this document. Potential offences include, but are not limited to:

In papers and assignments:

- Using someone else's ideas or words without appropriate acknowledgement.
- Submitting your own work in more than one course without the permission of the instructor.
- Making up sources or facts.
- Obtaining or providing unauthorized assistance on any assignment (this includes collaborating with others on assignments that are supposed to be completed individually).

On test and exams:

- Using or possessing any unauthorized aid, including a cell phone.
- Looking at someone else's answers.
- Misrepresenting your identity.
- Submitting an altered test for re-grading.

Misrepresentation:

- Falsifying institutional documents or grades.
- Falsifying or altering any documentation required by the University, including (but not limited to), medical notes.

All suspected cases of academic dishonesty will be investigated by the following procedures outlined in the *Code of Behaviour on Academic Matters*. If you have any question about what is or is not permitted in the course, please do not hesitate to contact the course instructor. If you have any questions about appropriate research and citation methods, you are expected to seek out additional information from the instructor or other UofT resources such as College Writing Centres or the Academic Success Centre.

Email

At times, the course instructor may decide to communicate important course information by email. As such, all UofT students are required to have a valid UTmail+ email address. You are responsible for ensuring that your UTmail+ email address is set up AND properly entered on the ROSI system. For more information please visit <http://help.ic.utoronto.ca/category/3/utmail.html>

Forwarding your utoronto.ca email to a Hotmail, Gmail, Yahoo or other type of email account is not advisable. In some cases, messages from utoronto.ca addresses sent to Hotmail, Gmail or Yahoo accounts are filtered as junk mail, which means that important messages from your course instructor may end up in your spam or junk mail folder.

Blackboard and the Course Page

The online course page for this course is accessed through Blackboard. To access the course page, go to the UofT Portal login at <https://portal.utoronto.ca/> and log in using your UTORid and password. Once you have logged in, look for the My Courses module where you'll find the link to all your course websites. If you don't see the course listed here but you are properly registered for the course in ROSI, wait 48 hours. If the course does not appear, go to the Information Commons Help Desk in Robarts Library, 1st floor, for help, or explore the Portal Information and Help at <http://www.portalinfo.utoronto.ca/content/information-students> and review the Frequently Asked Questions.

Recording Lectures

Lectures and course materials prepared by the instructor are considered by the University to be an instructor's intellectual property covered by the Canadian Copyright Act. Students wishing to record a lecture or other course material in any way are required to ask the instructor's explicit permission, and may not do so unless permission is granted (note: students who have been previously granted permission to record lectures as an accommodation for a disability are, of course, excepted). This includes tape recording, filming, photographing PowerPoint slides, Blackboard materials, etc.

If permission is granted by the instructor (or via Accessibility Services), it is intended for the individual student's own study purposes and does not include permission to "publish" them in anyway. It is absolutely forbidden for a student to publish an instructor's notes to a website or sell them in any other form without formal permission.