

Course Outline

RSM 435 H1 F

Futures and Option Markets

Summer 2022

Course Meets: Mondays and Wednesdays 5:10pm to 7:00pm in WO30

Instructor: Harry G. G. Burke
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Webpage: <https://q.utoronto.ca>
Office Hours: Monday & Wednesday 7 - 8pm and by appointment, more around exams

Course Scope, Mission, and Learning Outcomes

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. Lectures, assignments, and examinations will test your qualitative and quantitative understanding of the course content.

Course Prerequisites

Prerequisite: ECO204Y1/ECO206Y1, RSM332H1

Exclusion: ACT370H1

Required Readings

Hull, John C., Options, Futures, and Other Derivatives, 11th Edition. Pearson-Prentice Hall, 2022
Other required readings will be made available on the course website.

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 they have command of the course materials.

<u>Work</u>		<u>Due Date(s)</u>
Graded Problem Sets	20%	May 18 (6%), May 30 (4%), June 13 (6%), June 20 (4%)
Group Paper & Discussion	20%	June 20 th
Midterm Examination	30%	June 1 st during class time
Final Examination	30%	TBA by FAs, range is June 22 nd to June 29 th

Course Format and Expectations

Lectures will be used to talk about derivatives basics and some issues surrounding them. Issues will be a combination of theoretical technical phenomena as well as concerns that must be addressed by practitioners. The text and assigned readings will be crucial in reviewing material from lecture. Assignments (both graded and ungraded) will aid in your understanding of the material as well as provide ample opportunity for you to prepare for examinations. Guest speakers will also provide you the opportunity to better understand how you can get involved in capital markets and how this course can play a factor in your future. Guest speakers (and class time in general) will also provide an opportunity for professional network growth.

Evaluation and Grades – Graded Problem Sets Details

Four graded problem sets will require submission on the dates above and will be graded out of either four, or six [two points per lecture covered]. Marks will be awarded for attempting to answer the questions [displaying at least a partial understanding] and not simply just for getting the actual answer correct. If you submit all four problem sets and receive a passing grade on each you will receive 1 bonus point within the problem set portion [still a maximum of 20%]. Graded Problem Sets one through four are due by 5:00pm on the due date; late submissions will not be accepted. Except for unusual circumstances, grades on homework assignments are final and re-grading requests will not be accepted. Medical notes for late submissions will also not be accepted. The reason for this is that the solutions are posted soon after the due dates to help prepare you for the midterm and final exams. Though you are permitted to work with your peers on the graded problem sets, you must submit your own work.

Evaluation and Grades – Written Assignments Details

There will be one written assignment with a possible group discussion worth 20% each. Students will work in teams to perform research and discuss their conclusions with Harry. Teams will be formed after the course drop date. The written portion of the assignment should not be longer than two pages excluding any appendices, graphs, charts, and works cited. More details will be posted on the course webpage after the midterm.

Evaluation and Grades – Midterm Examination Details

There will be one midterm examination held on Wednesday June 1st counting for 30% of your final grade. The midterm examination will cover all topics discussed in lectures 01, 02, 03, 04, and 05, as well as the corresponding readings and problem sets. More details will be posted on the course webpage as the midterm date nears.

Evaluation and Grades – Final Examination Details

There will be a final examination held between June 22nd and June 29th [inclusive] counting for 30% of your final grade. The final exam will cover lectures 06, 07, 08, 09, 10, and 11, including all corresponding readings and problem sets. More details will be posted on the course webpage as the midterm date nears.

Evaluation and Grades – Marginal Adjustments

There will be no opportunities for extra credit. However, submission of quality problem sets and strong participation/attendance will have a weighting on borderline cases.

Writing Assignments & Presentations

The group paper is intended to help you develop your communication skills. How well you communicate your ideas, in writing or orally, will be considered in the evaluation of the assignment. In your written assignments, you should aim for clarity, strong organization, concision, professionalism, and correct grammar. Your presentations (if applicable) should reflect strong planning and organization, clarity of speech, and an engaging demeanour. Sources, whether in written or presentation assignments, should always be correctly attributed.

Support is available through the RC Centre for Professional Skills (CPS) for students who would like help or feedback on their writing or speaking (presentations). CPS offers both individual and group appointments with trained writing instructors and presentation coaches who are familiar with the RC program and common types of business assignments. You also can access your college Writing Centres for help with written assignments.

To book with a writing or presentation coach, visit uoft.me/writingcentres, and for more information about writing centres, student supports, and study resources, see the [Writing and Presentation Coaching academic support page](#).

Team or Group Assignments

The group paper requires students to work in teams. Learning to work together in teams is a crucial transferrable skill you will use not only in your coursework, but also in your future careers. Support is available if you encounter common teamwork challenges such as:

- Team members feeling left out of the team.
- Team members not responding in a timely manner to communication.
- Division or quality of work among team members being unequal or unfair.

Consult the [Centre for Professional Skills Teamwork Resources page](#) for tips, strategies, and best practices. You can also book an appointment with one of RC's teamwork mentors to help you resolve or mitigate conflict, strategize on planning, or improve team communication.

To book an appointment with a teamwork mentor, go to: uoft.me/writingcentres.

If you are a student registered with Accessibility Services, and extensions are one of your academic accommodations, consult with your Accessibility Advisor about the teamwork in this course.

Missed Tests and Assignments (including mid-term and final-term assessments)

Students who miss a test or assignment for reasons entirely beyond their control (e.g. illness) may request special consideration.

In such cases, students must:

1. Notify the instructor AND the Rotman Commerce Program Office **on the date** of the missed course deliverable, e.g. missed test, final assessments, assignment or class (in the case of participation marks).
2. Complete a [Request for Special Consideration Form](#) and submit it along with your Absence Declaration on [ACORN](#) (please read the instructions on how to use the Absence Declaration in ACORN) within **2 business days** of the originally scheduled course deliverable.

Students who do not provide this information will be given a grade of 0 (zero) for the missed course deliverable.

If you miss the midterm examination you will have to arrange a time with the instructor on when to rewrite it. Note, the midterm will not be the same as the one written on the scheduled exam date and you may not be able to get your exam back before the penalty-free drop date.

Late Assignments

Late submissions of the group paper will be subject to a penalty of 33.33% per day. After three days you will receive no credit for submission. This does not apply to graded problem sets which will not be permitted to be submitted late. Students who, for reasons beyond their control, are unable to submit an assignment by its deadline must obtain approval from the instructor for an extension. Supporting documentation will be required as per the policy on missed tests and assignments.

Statement on Equity, Diversity and Inclusion

The University of Toronto is committed to equity, human rights and respect for diversity. All members of the learning environment in this course should strive to create an atmosphere of

mutual respect where all members of our community can express themselves, engage with each other, and respect one another's differences. U of T does not condone discrimination or harassment against any persons or communities.

Commitment to Accessibility

The University is committed to inclusivity and accessibility, and strives to provide support for, and facilitate the accommodation of, individuals with disabilities so that all may share the same level of access to opportunities and activities offered at the University.

If you require accommodations for a temporary or ongoing disability or health concern, or have any accessibility concerns about the course, the classroom or course materials, please contact Accessibility Services as soon as possible at accessibility.services@utoronto.ca or studentlife.utoronto.ca/as. Obtaining your accommodation letter may take up to several weeks, so get in touch with them as soon as possible. If you have general questions or concerns about the accessibility of this course, you are encouraged to reach out to your instructor, course coordinator, or Accessibility Services.

Original

Normally, students will be required to submit their course essays to the University's plagiarism detection tool for a review of textual similarity and detection of possible plagiarism. In doing so, students will allow their essays to be included as source documents in the tool's reference database, where they will be used solely for the purpose of detecting plagiarism. The terms that apply to the University's use of this tool are described on the Centre for Teaching Support & Innovation web site (<https://uoft.me/pdt-faq>).

Academic Integrity

Academic Integrity is a fundamental value essential to the pursuit of learning and scholarship at the University of Toronto. Participating honestly, respectfully responsibly and fairly in this academic community ensures that the U of T 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*](#) 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 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 U of T or RC resources such as the RC Centre for Professional Skills, the 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 U of T 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 ACORN. For more information visit <http://help.ic.utoronto.ca/category/3/utmail.html>

Forwarding your utoronto.ca email to a Gmail or other type of email account is not advisable. In some cases, messages from utoronto.ca addresses sent to Gmail 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.

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. Students who have been previously granted permission to record lectures as an accommodation for a disability are excepted. This includes tape recording, filming, photographing PowerPoint slides, Quercus materials, etc.

If permission for recording 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 any way. It is forbidden for a student to publish an instructor's notes to a website or sell them in any other form without formal permission.

Please note that the last day you can drop this course without academic penalty is Monday June 6th 2022.

Other Useful Links

Become a volunteer note taker - [Volunteer Notetaking](#)
Accessibility Services – [Note Taking Support](#)
[Credit / No-Credit in RSM courses](#)
Rotman Commerce – [Academic Support](#)

The approximate lecture schedule and important dates for the course are as follows:

Lecture	Date	Location	Topic[s]	Readings, etc.	Deliverable [if any]
01	5:10pm to 7:00pm Monday May 9 th	WO30	-Introduction to Course -Futures -Hedging Using Futures	Hull 1, 2, 3	
02	5:10pm to 7:00pm Wednesday May 11 th	WO30	-Topics on Interest Rates -Forwards/Futures Pricing	Hull 4, 5 -A Second Look at Duration -Why is LIBOR Being Abandoned?	
03	5:10pm to 7:00pm Monday May 16 th	WO30	-Interest Rate Futures	Hull 6	
***	7:00pm to 8:00pm Monday May 16 th	WO30	Guest Speaker Michael Hlinka https://michaelhlinka.com/	You may want to learn about the CFA designation and CSI courses	Attendance optional
04	5:10pm to 7:00pm Wednesday May 18 th	WO30	-Swaps	Hull 7	Graded Problem Set 1
05	5:10pm to 7:00pm Wednesday May 25 th	WO30	-Options Markets -Stock Options	Hull 10, 11	
06	5:10pm to 7:00pm Monday May 30 th	WO30	-Options Trading Strategies	Hull 12	Graded Problem Set 2
***	5:00pm to 7:00pm Wednesday June 1 st	BA2175	-Lectures 01 through 05 inclusive	All relevant readings, lectures, and problem sets	Midterm Examination
07	5:10pm to 7:00pm Monday June 6 th	WO30	-Binomial Option Pricing	Hull 13, 18.6	
***	Monday June 6 th	Last day do drop course without academic penalty			
08	5:10pm to 7:00pm Wednesday June 8 th	WO30	-BSM Model -Options on Stock Indices -Options on Currencies -Futures Options	Hull 15 Optional: Hull 14 (heavy maths), 17, 18	
09	5:10pm to 7:00pm Monday June 13 th	WO30	-Greeks	Hull 19	Graded Problem Set 3
***	7:00pm to 8:00pm Monday June 13 th	WO30	Guest speakers Brooke Biscoe Jr. Derek Bastien	No readings	Attendance optional
10	5:10pm to 7:00pm Wednesday June 15 th	WO30	-topics on 2007 Credit Crisis -Valuation Adjustments	Hull 8, 9	
11	5:10pm to 7:00pm Monday June 20 th	WO30	-Negative oil prices, game stop, and 'funny' derivative accounting	Hull 37 See online announcements	Graded Problem Set 4 and group assignment
***	TBA by FAS: June 22 nd to 27 th inclusive	TBA	-Lectures 06 through 11 inclusive	All relevant readings (including assignment readings), lectures, and problem sets	Final Examination