

# Course Outline

<b>Course Code</b>	RSM 435 H1 F
<b>Course Name</b>	Futures and Options Markets
<b>Term, Year</b>	Summer, 2024
<b>Course Meets</b>	Tuesdays & Thursdays 5:10pm to 7pm in WO
<b>Web page URL</b>	<a href="https://q.utoronto.ca">https://q.utoronto.ca</a>

## Instructor Details

Name	Email	Office Hours
Harry G. G. Burke	<a href="mailto:harry.burke@alumni.utoronto.ca">harry.burke@alumni.utoronto.ca</a>	Tues, Thurs 7-8pm and by appointment

## 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 a 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

## Course Materials

### Required Readings

Hull, John C., Options, Futures, and Other Derivatives, 11<sup>th</sup> 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 knowledge and skills developed by a student within individual courses. Each student will receive a grade on the basis of how well they have command of the course materials, skills and learning objectives of the course.

Work	% of grade	Date(s)
Graded Problem Sets and Assignments	30%	May 17 <sup>th</sup> (7.5%) May 24 <sup>th</sup> (7.5%) June 7 <sup>th</sup> (7.5%) June 17 <sup>th</sup> (7.5%)
Mid-term Examination	30%	May 28 <sup>th</sup> (in class)
Final Examination	40%	TBA by FAS, range is June 19 <sup>st</sup> to June 24 <sup>th</sup>

## 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/Assignment Details**

Four graded problem sets will require submission on the dates above (see page 1) and will be graded out of 7.5. 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 5 bonus points within the problem set portion [still a maximum of 30%]. Graded Problem Sets one through four are due by 11:59pm 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. You are permitted to work individually or in pairs on the graded problem sets. If you submit your work as a pair please ensure both your names and student numbers are indicated clearly.

### **Evaluation and Grades – Midterm Examination Details**

There will be one midterm examination held on Tuesday May 28<sup>th</sup> 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 examination date nears.

### **Evaluation and Grades – Final Examination Details**

There will be a final examination held between June 19<sup>th</sup> and June 24<sup>th</sup> [inclusive] counting for 40% of your final grade. The final exam will cover the entire course with more weight being dedicated to material presented after the midterm. More details will be posted on the course webpage as the final examination 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.

### ***Missed Tests and Assignments***

Students who miss a test or assignment for reasons entirely beyond their control (e.g. illness) may request special consideration **within 2 business days** of the missed midterm/test/assignment due date.

In such cases, students must:

1. Complete the Request for Special Consideration form: <https://uoft.me/RSMConsideration>
2. Provide documentation to support the request, eg. Absence Declaration from [ACORN](#), medical note etc.

**Please note:** As of September 2023, students may use the Absence Declaration on ACORN **\*one time per term\*** to report an absence and request consideration. **Any subsequent absence will require a [Verification of Illness form](#) or other similar relevant documentation.**

Students who do not submit their requests and documentation within 2 days may receive a grade of 0 (zero) on the missed course deliverable.

Students that miss the scheduled midterm will have to write a makeup exam to be scheduled as soon as the student is able. Note that this will likely be after the course drop date deadline.

**Final Exams:** If you miss the final exam in this course for a legitimate reason (illness, etc) you will need to connect with your College Registrar to file a petition for a deferred exam. This deferred exam will be written at a later date as established by the Faculty of Arts & Science. Instructions can be found here:

<https://www.artsci.utoronto.ca/current/faculty-registrar/petitions-appeals/preparing-petition>

### *Late Assignments*

As stated on page two late problem sets and group assignments will not be accepted except for extraordinary circumstances. This is to allow for quick returning of assignments to students who complete the work on time.

Students who know ahead of time that they will be unable to submit an assignment by its deadline due to reasons beyond their control should speak to the instructor about possible extension. Without a pre-approved extension, you must follow the steps above for a missed assignment or you may receive a late penalty or 0 (zero) on a late assignment.

## 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 [email Accessibility Services](#) or visit the [Accessibility Services website](#) for more information as soon as possible. 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 [University's Plagiarism Detection Tool FAQ](#) page from Centre for Teaching Support & Innovation.

## 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 questions 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 the [Information Commons Help Desk](#).

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.

## Other Useful Links

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

## URL links for print

- ACORN: <http://www.acorn.utoronto.ca/>
- Email Accessibility Services: [accessibility.services@utoronto.ca](mailto:accessibility.services@utoronto.ca)
- Accessibility Services website: <http://studentlife.utoronto.ca/as>
- University's Plagiarism Detection Tool FAQ: <https://uoft.me/pdt-faq>
- The University of Toronto's Code of Behaviour on Academic Matters: <http://www.governingcouncil.utoronto.ca/policies/behaveac.htm>
- Information Commons Help Desk: <http://help.ic.utoronto.ca/category/3/utmail.html>
- Become a volunteer note taker: <https://studentlife.utoronto.ca/program/volunteer-note-taking/>
- Accessibility Services Note Taking Support: <https://studentlife.utoronto.ca/service/note-taking-support/>
- Credit / No-Credit in RSM courses: <https://rotmancommerce.utoronto.ca/current-students/degree-requirements/credit-no-credit-option/>
- Rotman Commerce Academic Support: <https://rotmancommerce.utoronto.ca/current-students/academic-support/>
- Book an appointment with a writing or presentation coach: <http://uoft.me/writingcentres>
- Writing and Presentation Coaching academic support page: <https://rotmancommerce.utoronto.ca/current-students/academic-support/writing-and-presentation-coaching/>
- Centre for Professional Skills Teamwork Resources page: <https://rotmancommerce.utoronto.ca/teamwork-resources>
- Book an appointment with a Teamwork Mentor: <http://uoft.me/writingcentres>

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 Tuesday May 7 <sup>th</sup>	WO	-Introduction to Course -Futures & Hedging Using Futures	Hull 1, 2, 3 -video: Saint Petersburg Merchant Trade <a href="https://vimeo.com/708841050">https://vimeo.com/708841050</a>		
02	5:10pm to 7:00pm Thursday May 9 <sup>th</sup>	WO	-Topics on Interest Rates -Forwards/Futures Pricing	Hull 4, 5 -A Second Look at Duration -Why is LIBOR Being Abandoned?		
**	Time TBA Monday May 13 <sup>th</sup>	WW	-Guest Speaker <a href="#">Michael Hlinka</a>	You may want to learn about the CFA designation and CSI courses	Attendance optional	
03	5:10pm to 7:00pm Tuesday May 14 <sup>th</sup>	WO	-Interest Rate Futures	Hull 6		
04	5:10pm to 7:00pm Thursday May 16 <sup>th</sup>	WO	-Swaps	Hull 7		
****	Friday May 17 <sup>th</sup>				Graded Problem Set 1	
05	5:10pm to 7:00pm Tuesday May 21 <sup>st</sup>	WO	-Using Options	Hull 10, 11, 12		
06	5:10pm to 7:00pm Thursday May 23 <sup>rd</sup>	WO	-Pricing Options	Hull 13, 15 optional: Hull 14, 17, 18		
****	Friday May 24 <sup>th</sup>				Graded Problem Set 2	
*****	5:00pm to 7:00pm Tuesday May 28 <sup>th</sup>	WO	-Lectures 01 through 05 inclusive	All relevant readings, lectures, and problem sets	Midterm Examination	
07	5:10pm to 7:00pm Thursday May 30 <sup>th</sup>	WO	-Greeks	Hull 19		
***	Monday June 3 <sup>rd</sup>	<b>Last day do drop course without academic penalty</b>				
08	5:10pm to 7:00pm Tuesday June 4 <sup>th</sup>	WO	-Special Options -volatility Smiles & Skewness	Hull 16, 20		
09	5:10pm to 7:00pm Thursday June 6 <sup>th</sup>	WO	-recent news items/trends in derivatives	Hull 19		
**	7:00pm to 8:00pm Thursday June 6 <sup>th</sup>	WO	-Guest Speaker <a href="#">Derek Bastien</a>		Attendance optional	
****	Friday June 7 <sup>th</sup>				Graded Problem Set 3	
10	5:10pm to 7:00pm Tuesday June 11 <sup>th</sup>	WO	-derivatives and the 2007/2008 Credit Crisis -Valuation Adjustments	Hull 8, 9		
**	Time TBA Wednesday June 12 <sup>th</sup>	WW	-Guest Speaker <a href="#">Nick G. Pasquino</a>		Attendance optional	
11	5:10pm to 7:00pm Thursday June 13 <sup>th</sup>	WO	-Popular exotic contracts -Learning from mishaps/course conclusion	Hull 25*, 26*, 34*, 37 *only select topics within these chapters. See course website		
****	Monday June 17 <sup>th</sup>				Graded Problem Set 4	
*****	TBA by FAS: June 21 <sup>st</sup> to 26 <sup>th</sup> inclusive	TBA	Entire course with more weight given to materials presented after the midterm examination	All relevant readings (including assignment readings), lectures, and problem sets	Final Examination	