



Rotman Commerce UNIVERSITY OF TORONTO

Course Outline

RSM 435H1F L5101

Futures and Options Markets
Summer 2019

Course Meets: Mon, Wed 5pm - 7pm in HS106 [some exceptions, see page 5]

Instructor: Harry G. G. Burke
E-Mail: harry.burke@alumni.utoronto.ca
Course website: <https://q.utoronto.ca/>
Office Hours: Monday and Wednesday 7pm - 8pm and by appointment, more around exams

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

Registration Requirements

Prerequisites: ECO204Y1/ECO206Y1, RSM332H1
Exclusion: ACT370H1

Readings

The required textbook will be referred to as "Hull":

-Hull, John, Options, Futures, & Other Derivatives, 10th Edition

-Hull, John, Solutions Manual for Options, Futures, & Other Derivatives, 10th Edition

Other readings, both required and optional, will be made available on the course website.

Evaluation and Grades

<u>Work</u>		<u>Due Date[s]</u>
Graded Problem Sets	06%	(1) May 13 th , (2) May 22 nd , (3) May 27 th
Midterm Examination	30%	Wednesday May 29 th 5:00pm - 7:00pm in room TBA
Group Presentation	14%	In class Monday June 10 th
Final Examination	50%	TBA by FAS, range is June 19 th to June 26 th inclusive

Evaluation and Grades - Problem Set Details

There will be three problem sets distributed throughout the semester to help foster and test your understanding of the curriculum. Three graded problem sets will require submission on the dates above and will be graded out of two. Graded Problem Sets one through three are due by 5:10pm at the start of class; 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. Though you are permitted to work with your peers on the graded problem sets, you must submit your own work. There will also be several

Evaluation and Grades - Midterm Examination Details

There will be one midterm examination held on Wednesday May 29th 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. You are permitted to bring in a calculator and an 8.5 × 11 inch single-sided 'crib' sheet on which may contain written information of your choice. If the sheet is typed or contains photocopied materials, the font size has to be 10 point or larger. The calculator cannot be capable of storing text and cannot have graphing functions.

Evaluation and Grades - Group Presentation

After the midterm examination groups will be formed and given a task to use course material learnt in a capital markets sales scenario. The presentations will be short [likely less than 10 minutes] but will require significant research, analysis and preparation. More details will be discussed during the term.

Evaluation and Grades - Final Examination Details

There will be a final examination held between June 19th and June 26th [inclusive] counting for 50% of your final grade. The final exam will cover the entire course, including all lectures, corresponding readings, and problem sets. You are permitted to bring a calculator and an 8.5 × 11 inch single-sided 'crib' sheet which may contain written information of your choice. If the sheet is typed or contains photocopied materials, the font size has to be 10 point or larger. The calculator cannot be capable of storing text and cannot have graphing functions.

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 Midterm

Students who miss a test or assignment for reasons entirely beyond their control (e.g. illness) may submit a request for special consideration. The Request for Special Consideration Form and supporting documentation must be submitted in a timely manner in order for the request to be reviewed.

In such cases, students must notify the Rotman Commerce Program Office on the date of the course deliverable such as a missed test, or assignment missed class (in the case of participation marks), or due date. They must then complete a [Request for Special Consideration Form](#) and submit it along with supporting documentation (e.g. [Verification of Student Illness or Injury form](#)) to the Rotman Commerce Office within **2 business days** of the originally scheduled course deliverable. Students who do not provide appropriate or sufficient supporting documentation will be given a grade of 0 (zero) for the missed course deliverable.

Documentation submitted in support of petitions for missing tests and assignments must be original; no faxed or scanned copies will be accepted.

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 later report of illness made by the student to a physician.

Students who miss the midterm due to illness and have provided the necessary documentation [outlined above] will have the weight shifted to the final examination.

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 not is 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.

A note on group work:

The presentation project that students will work on after the midterm and deliver before final exams requires working in a group. Learning to work together in teams is an important aspect of your education and preparation for your future careers. That said, project-based teamwork is often new to students; to work well in teams, it helps to follow a set of core expectations to best succeed at your team projects.

1. Read the document entitled, "Working in Teams: Guidelines for Rotman Commerce Students" which is available on the RC portal under the Academic Services tab.

2. When working in a team, Rotman Commerce students are expected to:

- Treat other members with courtesy and respect;
- Honour the ground rules established by the team;
- Contribute substantially and proportionally to the final project;
- Ensure enough familiarity with the entire contents of the group project/assignment so as to be able to sign off on it as original work;
- Meet the project timeline as established by the team.

3. Resolving conflicts:

Conflicts are part of the team's process of learning how to work together. When handled well, it can generate creativity and bring-multiple perspectives to the solution.

Student teams are expected to work through their misunderstandings as soon as they arise (and prior to submission of the final project). When teams are unable to arrive at a solution that works for all members, the team must meet with the Rotman Commerce Team Coach** as soon as possible. The Coach will listen to the team and help develop options for improving the team process. All members of the project team must commit to, and, utilize their action plans.

**For an appointment with a Rotman Commerce Team Coach, please contact Nouman Ashraf at nouman.ashraf@rotman.utoronto.ca Nouman is highly skilled at facilitating team dynamics and collaboration. Note that the Team Coach's role is to provide guidance, support and advice on team matters - not to formally evaluate or assess teamwork for academic purposes.

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.

Quercus and the Course Page

The online course page for this course is accessed through Quercus. To access the course page, go to q.utoronto.ca and log in using your UTORid and password. Once you have logged in, you will be at the Quercus Dashboard. On this page you will see all of the courses you are presently enrolled in. If you don't see the course listed here but you are properly registered for the course in ROSI, wait 48 hours.

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.

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

Lecture	Date	Location	Topic[s]	Readings, etc.	Deliverable [if any]
01	Monday May 6 th	HS106	-Introduction to Course -Futures -Hedging Using Futures	Hull 1, 2, 3	
02	Wednesday May 8 th	HS106	-Topics on Interest Rates -Forwards/Futures Pricing	Hull 4, 5	
03	Monday May 13 th	HS106	-Interest Rate Futures -after class guest speaker Michael Hlinka	Hull 6	Graded Problem Set 1
04	Wednesday May 15 th	HS106	-Swaps	Hull 7	
05	Wednesday May 22 rd	HS106	-Options Markets -Stock Options	Hull 10, 11	Graded Problem Set 2
06	Monday May 27 th	HS106	-Options Trading Strategies	Hull 12	Graded Problem Set 3
***	Wednesday May 29 th 5pm to 7pm	TBA	-Lectures 01 through 05	All relevant readings, lectures, and problem sets	Midterm Examination
07	Thursday May 30 th	TBA	-Binomial Option Pricing	Hull 13, 18.9	
08	Monday June 3 rd	HS106	-BSM Model -Options on Stock Indices -Options on Currencies -Futures Options	Hull 14, 15, 17, 18	
09	Wednesday June 5 th	HS106	-Greeks	Hull 19	
10	Monday June 10 th	HS106	-multiple -after class guest speakers Derek Bastien & Brooke Biscoe	All covered thus far	Group presentations
11	Wednesday June 12 th	HS106	-topics on 2007 Credit Crisis -Valuation Adjustments	Hull 8, 9	
***	TBA by FAS: June 19 th to 26 th	TBA	-Lectures 01 through 11	All required readings	Final Examination