



Rotman Commerce UNIVERSITY OF TORONTO

Course Outline

RSM 435 H1 F

Futures and Options

Fall 2020

Course Meets: L0101 Wednesday 9-11am; L0201 Wednesday 11am-1pm; L0301 Wednesday 1-3pm; L5101 Wednesday 6-8pm

Instructor: Craig Geoffrey
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Instructor: Chris Witkowski
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Teaching Assistants: We have a team of five teaching assistants.

Course Scope and Mission

RSM435 - Futures and Options - is, as its name suggests - about the analysis of financial derivative securities such as forward, futures, options and swaps. You will become well informed regarding how these contracts work, how they are used and how they are priced.

There will be an emphasis on applied learning in this course. To that end, much of the lecture content is made available to you in the form of short videos that you are expected to watch ahead of class. The video content very closely mirrors the content in the textbook. There are short non-credit 'Knowledge Checks' you can try that follow most of the videos. Shifting much of the lectures to video means that we can devote large portions of classroom time to application. Teams will present solutions to problems, teams will work to solve problems, we will trade derivatives and discuss issues relevant to financial derivatives.

We will be using the newest version Communicado platform developed by The Mind Brain Behaviour Hive at the University of Toronto. We will also be using TeamUp – an award-winning teaching app developed here at UofT. These platforms offer great potential and learning opportunity, but are not quite free of glitches. Patience, perseverance and understanding is required. Thank you in advance for adopting such an approach to this course.

You will develop skills to communicate their knowledge of financial derivatives. This will include contributing to discussion in class, producing video answers to questions and creating clear

written reports. Arguably, the ability to communicate knowledge is as essential as the knowledge itself.

Course Prerequisites

Prerequisite: ECO204Y1/ECO206Y1 and RSM332H1

Exclusion: ACT370H1

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.

Required Technology

For Fall 2020, this course will be conducted entirely online. To participate fully and to complete the course successfully, you must ensure you have a computer with a working webcam, microphone and reliable access to an internet connection. For further details, please visit this link: [Recommended Technology Requirements for Remote/Online Learning](#)

Required Readings

Hull, John C., Options, Futures, and Other Derivatives, 10th Edition, Pearson-Prentice Hall, 2018

Hull, John C., Student Solutions Manual for Options, Futures, and Other Derivatives, 10th Edition, Pearson-Prentice Hall, 2018

Required Software License

Each student in RSM435 is required to have an individual license to the Rotman Portfolio Manager (RPM) software. The cost is \$35.00. This was charged as an ancillary fee when you registered for the course. (In other words, you have already purchased the license.) Please follow the posted instructions to set up your RPM account. It is very important that you choose the "prepaid" option.

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 she, they or he has command of the course materials.

<u>Work</u>		<u>Due Date</u>
Where in the world? Survey	1%	September 15 th , 2020
Weekly Quiz	16%	most classes, "written" or video
TeamUp Questions	10%	most classes
Group composition	1%	September 23 rd , 2020
Group Presentation #1	5%	See Class Schedule
Constructive Criticism	5%	NOTE: this is an individual assignment
Group Presentation #2	5%	See Class Schedule
RPM Project	10%	Nov 16 th , 2020 and Dec 9 th , 2020
Timed Assessment #1	11%	October 14 th , 2020
Timed Assessment #2	11%	November 25 th , 2020
Final Timed Assessment	25%	during the period from December 11 th -22 nd , 2020

Course Format and Expectations

Turnitin.com

Normally students will be required to submit their written course submissions to Turnitin.com 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 Turnitin.com reference database, where they will be used solely for the purpose of detecting plagiarism. The terms that apply to the university's use of the Turnitin.com service are described on the [Turnitin.com](https://turnitin.com) website.

Written Assignments

Please note that clear, concise, and correct writing will be considered in the evaluation of all written deliverables. 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 (<http://www.studentlife.utoronto.ca/asc>) 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.

Rotman Commerce Centre for Professional Skills Teamwork Support

The two group presentations require students to work in teams of no more than 6 people. Working as a team is challenging; this is true both in the real world and in your academic classes. However, learning to work together in teams is an important aspect of your education and preparation for your future careers. You are encouraged to review the teamwork resources available to all Rotman Commerce students at <https://rotmancommerce.utoronto.ca/teamwork-resources> while navigating these challenges, but keep in mind that supports are also available for when you think you may need extra help.

New in the 2020-2021 academic year, the Rotman Commerce Centre for Professional Skills (RC-CPS) will offer appointments with Teamwork Mentors for any teams encountering challenges in their teamwork. Some possible reasons you might book an appointment with a Teamwork Mentor include:

- Team members have identified constraints on their time, work or accommodations they require that conflict with necessary timelines for the team.
- Teams are unsure how to divide their workload for a team project.
- Teams are concerned about how to integrate the individual contributions of each member and how to ensure team members are contributing equally.
- Teams are concerned about how to ensure all group members are aware of academic integrity guidelines (e.g. properly attributing sources) and follow them.
- Teams would like to be able to communicate more effectively with each other, particularly when navigating a remote work academic environment.

To book a meeting with a Teamwork Mentor, send an email to rotmancommerce.teamworkhelp@utoronto.ca with the course code (e.g. RSM435H) and team number (if available) in the subject line of the email. Any member of the team may reach out individually to book an appointment, but we also encourage teams to book their appointments as a team. You will normally receive a response within 24-36 hours, but note that during busy times of the semester the waiting period may be longer. Be proactive in booking your meeting, and do so **as soon as** challenges arise!

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

For considerations pertaining to teamwork and accessibility, please see information in the section on Accessibility Needs below under the Policies and Procedures heading.

Credit/No-Credit Option in Rotman Commerce

You may request to Credit/No-Credit (CR/NCR) an RSM course in the following cases only:

- The course will not be used for any specialist or focus, including the 8.0 RSM FCE requirement.
- The course does not have a group work component.

If you wish to request CR/NCR for an RSM course, you must contact a Rotman Commerce academic advisor by the drop deadline for the current term. **The deadline for this term is November 9, 2020.**

Final approval is on a case-by-case basis with the permission of the Director, Rotman Commerce.

Weekly Quiz:

Each week except the week of the a timed assessment or Reading Week, beginning with the **first class** on September 16th, 2020, there will be a short quiz. This may be “written” (i.e. online multiple choice or typed answer), or may be a video quiz using the Comunicado platform. “Written” quizzes will usually take place at the beginning of class. Video quizzes will be due on the day of class. Each quiz question will be based on material to be prepared for that class and/or on material discussed in the preceding class. There are ten such classes. The top eight scores on the weekly questions will each count toward 2% your final grade. They will be graded based on the correctness of your response, and based on the clarity and appropriateness of your response. These are individual assignments. Please note what aids are allowed for each quiz – “written” or video.

Video quizzes will be created and submitted via the **Comunicado** platform. The Mind-Brain Hive within the Desautels Centre for Integrative Thinking created the Comunicado platform. This platform allows students to submit recorded videos to posed questions. The platform produces a written transcript of the video recording, and allows the grader to provide time-stamped comments on the submission. The student will receive the comments, the transcript and his/her grade. The student will be able to download the video s/he submitted for later review.

TeamUp

Each class that does not have a timed assessment and is not Reading Week, beginning September 16th, 2020, in-class question answered as a group. Your instructor will form the groups. One member of the group will be designated as the team leader. Only the team leader may submit answers, and will be submitting on behalf of the entire group.

If the group answers the question correctly on its first attempt, this is worth 1% of the final grade for ALL members of the group. If the group answers the question correctly on its second attempt, this is worth 0.5% of the final grade for ALL members of the group. If the group answers the question correctly on its third attempt, this is worth 0.25% of the final grade for ALL members of the group. Thus, you (and each member of your group) will earn between 0% and 1% toward the final grade in each of these classes. There are 10 such classes. If you miss the relevant class for valid and documented reasons, please contact your instructor and arrange a mutually convenient time to answer an oral question.

Group Presentations:

Students will form their own groups for the group presentations. No group may have more than 6 members. When forming your group for the presentation, please note that all group members must be registered in the same section of the course. On time submission is worth 1% of your final grade.

Each group will present twice during the course. The due date will be based on the presentation topic assigned to your group. For each presentation, the group will prepare a presentation that is no longer than 5 minutes on its topic. Following the presentation, the group will answer questions from the audience. Please review the grading rubric to learn the basis on which grades for the group presentation will be awarded.

You are encouraged to review your group presentation, as well as all feedback received in your preparation for the second presentation.

Constructive Critical Feedback on Group Presentations:

For each group presentation, up to six students will be assigned to provide constructive critical feedback to the group that presented. This will be graded based on relevance, usefulness and clarity. Please note that this is an individual assignment. The due date will depend on which group presentation you are assigned to critique.

Rotman Portfolio Manager (RPM) Project:

We will be using the RPM software for this course. For both parts of the RPM project, you will build, monitor and revise a portfolio of derivatives based on your investment strategy using the fictitious capital allocated to you at the beginning of the term. Please refer to detailed instructions and guidelines on the RPM project that will be posted on Quercus, and also to the RPM guides. You will submit two reports on your RPM portfolio. In total, the two reports will be worth 10% of your overall grade for the course.

Timed Assessments (i.e. Term Tests, including the Final Term Test in December)

Each timed assessment will cover all course content up to and including the end of the previous class (unless otherwise announced). This includes any content from RPM and from group presentations. These are open-book assessments, and you may use a calculator or Excel. You may not "call a friend".

Timed Assessments #1 and #2 will happen during the class time of the section in which you are registered. Thus, there will be no conflicts. For the Final Timed Assessment, to be held sometime during the period between December 11th and 22nd, it is possible you may have a conflict. If you do, please send an email to the designated TA with valid evidence documenting your conflict. A conflict time for writing an alternative timed assessment will be established and communicated to all students with a documented conflict.

If you miss a time assessment for valid reasons, an alternative arrangement will be made. This may be shifting the weight of the assessment to a subsequent assessment, or an online oral examination. Please refer to **Policies and Procedures, Missed Tests and Assignments**, for details.

Re-Grade Requests

ALL re-grade requests must be submitted in writing via email, outlining the rationale for the request, to Instructor / Lead TA / Course Coordinator within one week of the grade release.

Preparation for Class Each Week:

Ahead of each class, preparation is required. Please read the readings identified on the course schedule below and to watch the video content that supports the same material. Be an attentive video watcher. You can replay the video. You can answer questions that help assess whether you have understood the video content. Class time will be used to work with the concepts from the readings and video. To apply the concepts, you need to have thought about them in advance of class.

Weekly Schedule

Week	Class	Date	Topic	Videos	Reading
1	1	Sep 16	Introduction Mechanics of Futures Markets Hedging Strategies Using Futures	Yes	Chapters 1, 2 & 3
2	2	Sep 23	Interest Rates Determination of Forward & Futures Prices	Yes	Chapters 4 & 5
3	3	Sep 30	Interest Rate Futures Presentation #1: Groups 1, 2, 3	Yes	Chapter 6
4	4	Oct 7	Interest Rate Futures Presentation #1: Groups 4, 5, 6	Yes	Chapter 6 (continued)
5	5	Oct 14	Timed Assessment #1		
6	6	Oct 21	Swaps Presentation #1: Groups 7, 8, 9	Yes	Chapter 7
7	7	Oct 28	Mechanics of Options Markets Properties of Stock Options Trading Strategies Presentation #2: Groups 1, 2, 3	Yes	Chapters 10, 11 & 12
8	8	Nov 4	Binomial Option Pricing Model Presentation #2: Groups 7, 8, 9	Yes	Chapter 13
9		Nov 11	READING WEEK		
		Nov 16	DUE: RPM Part 1		
10	9	Nov 18	Binomial Option Pricing Model (con't) Black-Scholes-Merton Model Presentation #2: Groups 4, 5, 6	Yes	Chapter 13, Section 18.6, Chapter 15 (excluding section 15.6)
11	10	Nov 25	Timed Assessment #2		
12	11	Dec 2	Black-Scholes-Merton Model The Greeks	Yes	Chapters 15 (excluding section 15.6) and 19
13	12	Dec 9	Options on Stock Indices, Currencies & Futures Review & Wrap Up	Yes	Chapters 17 & 18
		Dec 9	DUE: RPM Part 2		

Policies and Procedures

Missed Deliverables – Quizzes, Assignments and other Timed 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 supporting documentation this may include either your Self-Declaration of Absence on ACORN, or [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.

Note that documentation must clearly establish that you were ill or had other circumstances that prevented you from attending on the date in question. After-the-fact reports are not sufficient.

Weekly Quiz:

There will be ten Weekly Quizzes. The best eight of these will count. Therefore, if you miss one of them (subject to approved special consideration as per Policies and Procedures), the remaining best eight of nine will count. If you miss two, the remaining eight will count. If you miss three or more, the weight of the missed Weekly Quiz(es) will be added to the weight for the next Timed Assessment/Term Test.

TeamUp:

If you miss a TeamUp classroom group assignment (subject to approved special consideration as per Policies and Procedures), please contact your instructor to arrange a time for an oral question to be administered in place of the missed TeamUp deliverable.

Group Presentations:

If you miss one or both of your Group's assigned presentations (subject to approved special consideration as per Policies and Procedures), please contact your instructor to arrange a time for an oral question based on the content of the group presentation to be administered in place of the missed presentation.

RPM Reports:

If you are unable to meet the deadline for the submission of the RPM Part 1 report (subject to approved special consideration as per Policies and Procedures), the weight will be added to the weight for the RPM Part 2 report. If you are unable to meet the deadline for the submission of the RPM Part 2 report (subject to approved special consideration as per Policies and Procedures), the weight will be added to the Final Timed Assessment.

Late Assignments

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 Policies and Procedures for missed tests and assignments. Please note that the extension will be granted (or not) at the discretion of the instructor on a case-by-case basis, taking into account the rationale for the request and any pedagogical issues that would arise if the extension were granted. It is not always feasible to grant an extension.

Accessibility Needs

The University of Toronto is committed to accessibility. 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, or by calling 416.978.8060. It is important that you get in touch with them as soon as possible because the process for obtaining your accommodation letter may take up to several weeks. 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.

If you're interested in helping make this course more accessible, consider volunteering to be a note taker. Accessibility Services needs dependable volunteer note takers to assist students living with a disability to achieve academic success. All you have to do is attend classes regularly and submit your notes consistently. Follow these steps:

1. Register online as a **Volunteer Note Taker** at <https://clockwork.studentlife.utoronto.ca/custom/misc/home.aspx>
2. Follow the link that says "Volunteer Notetakers"
3. Select your course and upload a sample of your notes
4. Once you have been selected as a note taker, you'll get an email notifying you to upload your notes.

If you have questions or require assistance, please email as.notetaking@utoronto.ca or call 416.978.6186. Volunteers may receive co-curricular credit or a certificate of appreciation.

For courses with deliverables that require you to work in teams, please note the following. If you are a student registered with Accessibility Services, and extensions are one of your academic accommodations, requests for extensions impact everyone in the group. As a result, requests for late submissions of any component of teamwork will require compelling reasons, advance notice, and must work for everyone in the team. You are encouraged to discuss with your course instructor, Accessibility Advisor, and other team members what you need in order to successfully complete your coursework. Additionally, the Rotman Commerce Centre for Professional Skills offers Teamwork Mentors (see section above) who can help you and your team discuss how to support you effectively and how to develop a work plan that meets the needs and constraints of all team members.

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 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 U of T 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.

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 do not 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, Quercus 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 any way. 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.

Pre-Recorded Video Content

This course will make use of substantial pre-recorded video content. You are not permitted to download this video content or to share it or post it. Its only allowed use is within the confines of this course this term.

Notice of video recording and sharing (Download and re-use prohibited)

This course, including your participation, will be recorded on video and will be available to students in the course for viewing remotely and after each session.

Course videos and materials belong to your instructor, the University, and/or other sources depending on the specific facts of each situation, and are protected by copyright. Do not download, copy, or share any course or student materials or videos without the explicit permission of the instructor.

For questions about recording and use of videos in which you appear please contact your instructor.