COURSE OBJECTIVES:

This course will serve as an introduction to derivative securities. We will discuss how to use, how to price and how to trade different financial derivatives. The first half of the semester will focus of futures and the second half will focus on options.

The material is by nature fairly quantitative. However, we will focus more on the practical use and overall understanding, than getting bogged down in mathematical proofs.

REQUIRED RESOURCES:

- Class Slides available online at http://www.rotman.utoronto.ca/~hull/ifomslides/.
- Other readings may be distributed and assigned by the professor.

CLASS REQUIREMENTS:

Reading all assignments before class, doing all other assigned homework on-time, consulting with the professor immediately when you need help, regular attendance, punctuality, and class participation are strongly recommended actions for the student to excel in this course.

Syllabus updates and other course communication:

All changes and announcements will be made in class at least once. If you anticipate being absent from class, find a classmate who can pick up handouts, as you are responsible for keeping up with this course.

COURSE REQUIREMENTS:

1. **ACADEMIC INTEGRITY**: Students are expected to know, understand and adhere to the policies on academic integrity outlined below. Procedures for violation of these policies outlined in the University Code of Academic Conduct will be followed.

   “Academic integrity requires that all academic work be wholly the product of an identified individual or individuals. Joint efforts are only legitimate when the assistance of others is
explicitly acknowledged… The principles of academic integrity entail simple standards of honesty and truth. Each member of the university has a responsibility to uphold the standards of the community and to take action when others violate them… Students are responsible for knowing what the standards are and for adhering to them. Students should also bring any violations of which they are aware to the attention of their instructors.”

2. **EXAMS:** There will be two exams: a mid-term and a final.

The mid-term exam will be held during class on Mon., Feb. 18th, and will cover the course material from Classes 1 through 5. The final exam will be held on Mon., April 18th and will cover all of the material in the course. However, the final exam will concentrate on material from classes 8 through 15.

**Exam Make-up Policy:** If, for a university approved reason, you cannot take an exam at the scheduled time you must give the professor written notice at least one week in advance so that other arrangements can be made. If the situation does not allow for advance notification (for example, emergency hospitalization), contact the professor as soon as possible after a missed exam. Make-up exams for non-university approved reasons are not guaranteed. The professor reserves the right to request written documentation to support your absence (such as a doctor’s note, an obituary, or military orders).

3. **CLASS PARTICIPATION:** It is expected that you will (1) attend class regularly and arrive on time, (2) listen attentively in class, and most importantly, (3) contribute often to class discussions. Your in-class comments should reflect your careful reading of the assigned course material, as well as an understanding of the current economic conditions and financial markets. I suggest reading the Wall Street Journal.

**GRADING:**

| Component                  | Percentage | Date
|----------------------------|------------|------
| Mid-Term Exam              | 30%        | Mon., Feb. 29th
| Final Exam                 | 40%        | Mon., May 2nd
| Problem Sets               | 10%        |      
| Class participation        | 10%        |      
| Group Project              | 10%        |      

- 90 – 100%................................. A
- 87 – 89%................................. B+
- 80 – 86%................................. B
- 77 – 79%................................. C+
- 70 – 76%................................. C
- 67 – 69%................................. D+
- 60 – 66%................................. D
- Less than 60%....................... F

Course Outline and Assignments

---

1 Rutgers University Code of Academic Conduct, taken from the Student Advising Handbook: http://camden-sbc.rutgers.edu/CurrentStudents/students/advising.pdf
Class 1: Mon., Jan. 25
    Chapter 1 – Introduction

Class 2: Mon., Feb. 1
    Chapter 2 – Futures Markets

Class 3: Mon., Feb. 8
    Chapter 3 - Hedging Strategies Using Futures

Class 4: Mon., Feb. 15
    Chapter 5 – Determining Forward and Future prices

Class 5: Mon., Feb. 22
    Homework Assignment Due Ch. 1-5 and Review for Mid-Term

Class 6: Mon., Feb. 29
    Midterm

Class 7: Mon., Mar. 7
    Chapters 9 – 10 – Options

Class 8: Mon., Mar. 14
    Spring Break

Class 9: Mon., Mar. 21
    Chapter 11 – Option Trading Strategies

Class 10: Mon., Mar. 28
    Chapter 12 – Introduction of Binomial Trees

Class 11: Mon., Apr. 4
    Chapter 15– Options of Stock Indices and Futures, Chapter 17 – The Greek Letters

Class 12: Mon., Apr. 11
    Group Presentation

Class 13: Mon., Apr. 18
    Homework Assignment Due – Ch. 8-15 and Review for Final

Class 14: Mon., Apr. 25
    CFA Level 1 Derivatives

Class 15: Mon. May 2
    Final Exam

Class 16: Mon., May 7
    No Class