



## FIN320 - Risk Management and Derivatives

### **Basic Information:**

|                                 |                         |
|---------------------------------|-------------------------|
| <b>Instructor Name</b>          | TBA                     |
| <b>Home Institution</b>         |                         |
| <b>Instructor Title</b>         |                         |
| <b>E- Mail</b>                  |                         |
| <b>Home Office Phone Number</b> |                         |
| <b>Office</b>                   | TBA                     |
| <b>Office Hours</b>             | TBA, and by appointment |

### **Course Description:**

This course aims to expand on the concepts that you have been introduced to in Financial Markets. You will be introduced to the concepts of financial risk management and how to identify exposures and their associated risks. It will also introduce various hedging and derivative instruments that are used in financial markets. This course is designed to enable you to apply your academic learning to a contemporary workplace situation. The integration of work-based learning and academic learning will allow you to solve authentic business problems or address real issues faced in organization.

On successful completion of this course you will be able to:

1. Recognize and evaluate the uncertainty of business decision-making.
2. Understand the concepts associated with derivatives Pricing Models, to apply in risk management.
3. Understand and apply different methods of quantifying risk in different asset classes.
4. Develop professional communication skills appropriate to the finance industry to work collaboratively and effectively in broad professional contexts.

### **Required Course Materials:**

| <b>Textbook</b>                             | <b>Edition</b> | <b>Author</b> | <b>Publisher</b> | <b>ISBN</b>  |
|---|----------------|---------------|------------------|--|
| Fundamentals of Futures and Options Markets | Global Edition | John C. Hull  | Pearson          | ISBN-10: 1-292-15503-5<br>ISBN-13: 978-1-292-15503-6 |

### **Course Hours:**

The course has 16 class sessions in total. Each class session is 150 minutes in length. The course meets from Monday to Friday. Each course has a total of 40 class hours. A reading day for students is on 25th Jan, 2019. Final exam will be on 26th Jan, 2019.

### **Year Level:**

The 3<sup>rd</sup> year.



**Prerequisite:**

(List if there is any; List "None" if the course has no prerequisite)

None

**Course Schedule:**

| Week   | Session      | Day | Topic   | Chapter | Homework   |
|--------|--------------|-----|---|---------|--|
| Week 1 | 2 Jan, 2019  | W   | Orientation   |         |  |
|        | 3 Jan, 2019  | TH  | Introduction  | 1       | 1.8,1.13,1.14,1.20,1.23  |
|        | 4 Jan, 2019  | F   | Mechanics of Futures Markets                          | 2       | 2.11,2.14,2.15,2.16,2.17   |
|        | 5 Jan, 2019  | SAT | Hedging Strategies Using Futures                      | 3       | 3.8,3.12,3.13,3.16,3.18  |
| Week 2 | 7 Jan, 2019  | M   | Interest Rates  | 4       | 4.8,4.9,4.11,4.12,4.16<br><b>Class Quiz I (Chapters 1,2,3)</b>             |
|        | 8 Jan, 2019  | T   | Determination of Forward and Future Prices            | 5       | 5.9,5.10,5.11,5.12,5.15  |
|        | 9 Jan, 2019  | W   | Interest Rate Futures                                 | 6       | 6.8,6.9,6.11,6.13,6.14   |
|        | 10 Jan, 2019 | TH  | Swaps   | 7       | 7.9,7.10,7.11,7.12,7.18  |
|        | 11 Jan, 2019 | F   | Securitization and the Credit Crisis of 2007          | 8       | 8.8,8.9,8.10,8.11,8.13<br><b>Class Quiz II (Chapters 4,5,6,7)</b>          |
| Week 3 | 14 Jan, 2019 | M   | Mechanics of Options Markets                          | 9       | 9.9,9.10,9.12,9.17,9.22  |
|        | 15 Jan, 2019 | T   | Properties of Stock Options                           | 10      | 10.9,10.10,10.11,10.14,10.16   |
|        | 16 Jan, 2019 | W   | Trading Strategies Involving Options                  | 11      | 11.10,11.12,11.13,11.16,11.17  |
|        | 17 Jan, 2019 | TH  | Introduction to Binomial Trees                        | 12      | 12.9,12.10,12.11,12.12,12.13<br><b>Class Quiz III (Chapters 8,9,10,11)</b> |
| Week4  | 21 Jan, 2019 | M   | Valuing Stock Options: The Black-Scholes-Merton Model | 13      | 13.8,13.9,13.13,13.14  |
|        | 22 Jan, 2019 | T   | Valuing Stock Options: The Black-Scholes-Merton Model | 13      | 13.8,13.9,13.13,13.14  |
|        | 23 Jan, 2019 | W   | Revision  |         | Exam Preparation   |
|        | 24 Jan, 2019 | TH  | Revision  |         | Exam Preparation   |
|        | 25 Jan, 2019 | F   | <b>Reading Day</b>                                    |         | Exam Preparation   |
|        | 26 Jan, 2019 | SAT | <b>FINAL EXAM</b>                                     |         |  |



## **Evaluation:**

**Class Attendance : 10%**

**Class Quiz: 30%**

Quiz 1: Covering Chapters 1,2,3 (10%)

Quiz 2 - Covering Chapters 4,5,6,7 (10%)

Quiz 3 - Covering Chapters 8,9,10,11 (10%)

**Homework: 20%**

**Final Examination (2 hours) : 40%**

The Final Exam will be of Two Hours' duration and will consist of short answer/calculation questions, covering all topics.

The exam contributes 50% to your final assessment.

## **Grading Policies:**

| <b>Part</b>         | <b>Percentage</b> | <b>Points</b>     |
|---------------------|-------------------|-------------------|
| Attendance          | 10%               | 10                |
| Class Quizzes*3     | 30%               | 30                |
| Homework            | 20%               | 20                |
| Exams               | 40%               | 40                |
| <b>Course Total</b> | <b>100%</b>       | <b>100 Points</b> |

## **Grade Distribution:**

| <b>Letter Grade</b> | <b>Grade Points</b> |
|---------------------|---------------------|
| High Distinction    | 85-100              |
| Distinction         | 75-84               |
| Credit              | 65-74               |
| Pass                | 50-64               |
| Fail                | 0-49                |

## **Academic Integrity**

SISU expects honesty from students in presenting all of their academic work. Students are responsible for knowing and observing accepted principles of scholarly research and writing in all academic work.

Academic dishonesty or cheating includes acts of plagiarism, forgery, fabrication or misrepresentation, such as the following:

- claiming the work or thoughts of others as your own
- copying the writing of others into your written work without appropriate attribution
- writing papers for other students or allowing them to submit your work as their own
- buying papers and turning them in as your own
- having someone else write or create all or part of the content of your assignments
- submitting the same paper for more than one study or class without explicit permission from the faculty members



### **General Principles**

SISU is committed to principles of trust, accountability, clear expectations and consequences. It is also committed to redemptive efforts, which are meaningful only in light of these principles. Students will be granted due process and the opportunity for an appeal.

Academic dishonesty offenses generally are subject to incremental disciplinary actions. Some first offenses, however, receive severe penalties, including dismissal from the program.

### **General Disciplinary**

The following is a non-comprehensive list of possible actions apart from dismissal from the program: warning from a professor, program director; a lower or failing grade on an assignment, test or course; suspension or dismissal from the course; suspension or dismissal from the program.

### **Disciplinary Actions for Specific Offenses**

Some academic dishonesty offenses call for specific disciplinary actions. The following have been identified:

#### **Falsification of documents:**

Students who falsify or present falsified documents may be dismissed. Prospective students who are discovered to have presented falsified admission documents prior to admission shall be denied admission to the program. Should it be discovered after admission that a student had presented falsified documents for admission, such admission may be annulled and the record of academic achievement removed from the academic record, with appropriate notations. Such annulments or denials may be reviewed after one year.

#### **Dishonesty in course requirements:**

Course work (a quiz, assignment, report, mid-term examination, research paper, etc.) in which a student has been dishonest generally will receive zero points towards the grade in fulfillment of a course requirement, and/or the student may receive a failing grade for the course. The professor of the course determines the appropriate consequence.

#### **Final assignment:**

When a student cheats in a major or final assignment such as a comprehensive examination or presents plagiarized material in a major or final assignment, that student shall receive an F in that particular subject. Student cheats on more than two exams shall be dismissed from SISU.