SYLLABUS

Finance 412: OPTIONS AND FUTURES MARKETS

Term: Fall 2014 Class meets: TR 12:30-1:50 WH 240

Instructor: Malay K. Dey Ph.D. (Finance)
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Office hours: TR 9:45 – 10:45 OR by appointment

1. REQUIRED TEXT


2. COURSE OUTLINE

In this course, you will learn:

   a) the fundamentals of financial derivatives, namely, forwards, futures, and options (swaps, time permitting)
   b) the mechanics of futures and options markets
   c) how each type of derivative may be used for risk management and speculation
   d) how to compute the value/price of futures and options based upon the principle of no arbitrage (although the mathematics behind those computations is quite advanced, you will focus on a conceptual understanding of the methodologies involved and on applying these methodologies rather than proofs or derivations)

3. REQUIREMENTS AND GRADES

Your grade will be based on multiple in class activities, 2 midterms, and a final exam.

Grading Weights:

   a) Course related activities 10%
   b) 3 Midterms plus 1 case study 20% each
   c) Final Exam 30%

In class activities:

During the semester you will

   a) Submit in groups of <= 3 students, a written trade report with excel application, one each from futures and options, with real data downloaded from a web access platform
b) Take 3 Individual in-class midterm tests, each worth 20% points, in which you will solve a number of long and multiple choice problems related to the covered section of the material preceding a test. You’ll also submit in a group <= 3 and participate in a case study related to the material. I’ll drop the lowest grade obtained by a student to determine the total points under this category.

c) Take an individual final exam during the finals week.

Grading Scale:

For letter grades, which will be determined only at the end of the semester, I will use the standard grading scale, with +/- as appropriate. I reserve the right to one half letter upgrade e.g., B to B+ or B- to B of a student grade, if in my judgment, a student has indeed set up an exemplary standard for class participation.

4. LECTURE NOTES

At the beginning of each week, lecture notes for each week’s class will be available on COMPASS

5. Academic Integrity:

You are expected to follow the University's Code of Academic Integrity. The relevant section may be found at http://www.uiuc.edu/admin_manual/code/rule_33.html.

6. ACCOMMODATIONS

In case, you have any condition, such as a physical or learning disability and you require special accommodation, please let me know during the first week of the class. Please contact the Disability Resources and Educational Services (DRES) for documentation regarding the specific accommodation(s) available to you.

7. BIF EMERGENCY PROCEDURES

STEP Retreat 2013, Page 44-“Because BIF is not a designated tornado shelter, in the event of a tornado warning please seek shelter in the Wohlers Hall basement or the Armory (the nearest designated University tornado shelters). If a tornado is imminent, the BIF basement stairwell can be used on an emergency basis. In the event of a fire in BIF, exit BIF and proceed to 141 Wohlers Hall. In the event of threat from a shooter on campus, lock down the classroom and move to a place of safety within the classroom. If you encounter a suspicious package, do not touch the package, alert campus security, and refrain from cell phone usage until the situation is resolved. More detailed information and action instructions are available in the BIF Building Emergency Action Plan.”
8. Weekly class schedule:

A TENTATIVE weekly schedule follows. I will notify the class of any changes in content and time/date in the schedule at least 2 weeks prior to the date of occurrence of the intended changes, if any. Students are strongly urged to read the relevant chapters BEFORE the lecture to make the most out of class time.

<table>
<thead>
<tr>
<th>Week</th>
<th>Instructor’s responsibilities</th>
<th>Students’ responsibilities</th>
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<td>1- 8/26</td>
<td>Hull; 1, 2</td>
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<td>2- 9/2</td>
<td>Hull; 3</td>
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<td>3- 9/9</td>
<td>Hull; 4</td>
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<td>4- 9/16</td>
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<td>5- 9/23</td>
<td>Hull; 5</td>
<td>Midterm 1: 2-5</td>
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<td>6- 9/30</td>
<td>Return Midterm 1; Hull: 9</td>
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<td>7- 10/7</td>
<td>Hull; 9, 10</td>
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<td>8- 10/14</td>
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<td>12- 11/11</td>
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<td>13- 11/18</td>
<td>Case study; Hull; 16</td>
<td>Case study</td>
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<td>14- 11/25</td>
<td>Thanksgiving</td>
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<td>15- 12/2</td>
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<td>Midterm 3: 13, 14,</td>
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<td>16- 12/9</td>
<td>Return Midterm3; Review</td>
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<td>12/12-12/19</td>
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<td>Final: TBA</td>
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The Department of Homeland Security and the University of Illinois at Urbana-Champaign Office of Campus Emergency Planning recommend the following three responses to any emergency on campus: RUN > HIDE > FIGHT

ONLY FOLLOW THESE ACTIONS IF SAFE TO DO SO. When in doubt, follow your instincts—you are your own best advocate!

RUN

Action taken to leave an area for personal safety.

- Take the time now to learn the different ways to leave your building **BEFORE** there is an emergency.
- Evacuations are mandatory for fire alarms and when directed by authorities. **No exceptions!**
- Evacuate immediately. Pull manual fire alarm to prompt a response for others to evacuate.
- Take critical personal items only (keys, purse, and outerwear) and close doors behind you.
- Assist those who need help, but carefully consider whether you may put yourself at risk.
- Look for **EXIT** signs indicating potential egress/escape routes.
- If you are not able to evacuate, go to an Area of Rescue Assistance.
- Evacuate to Evacuation Assembly Area and remain until additional instructions are given.
- Alert authorities to those who may need assistance.
- Do not re-enter building until informed by emergency response personnel that it is safe to return.

**ACTIVE THREAT:**

- If it is safe to do so run out of the building. Get as far away as possible. Do not go to the Evacuation Assembly Area.

HIDE

Action taken to seek immediate shelter indoors when emergency conditions do not warrant or allow evacuation, such as for severe weather.

- Take the time now to learn the different ways to seek shelter within your building **BEFORE** there is an emergency.
- If you are outside, proceed to the nearest protective building.
- If sheltering-in-place due to severe weather, proceed to the identified Storm Refuge Area or to the lowest, most interior area of the building away from windows or hazardous equipment or materials.

**ACTIVE THREAT:**

- Lock or barricade your area.
- Get to a place where the threat cannot see you.
- Place cell phones on **silent**.
- Do not make any noise.
- Do not come out until you receive an Illini-Alert advising you it is safe.

FIGHT

Action taken as a last resort to increase your odds for survival.

**ACTIVE THREAT:**

- If you cannot run away safely or cannot hide, **be prepared to fight with anything available to increase your odds for survival.**