

FIN 512 - C1
ADVANCED SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT
NEW TITLE: DERIVATIVES AND RISK MANAGEMENT
SPRING 2013

MARCH 18 - APRIL 14

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REQUIRED TEXT

Introduction to Derivatives and Risk Management, 9th Edition, Chance and Brooks,
Publisher: South-Western Cengage Learning, 2012, ISBN: 978-1-133-19019-6

COURSE DESCRIPTION

This course provides a broad introduction to the derivatives markets including options, futures, and swaps. Derivative securities play an integral part in managing risk for multinational corporations, portfolio managers, and institutional investors, as well as provide opportunities for speculators around the world. The main goal of the course is to leave the student with an understanding of various derivatives strategies and implications for portfolio management.

Pre-requisite: FIN 504

TEACHING PROCEDURES

The class will be conducted in a lecture/discussion format. Be prepared to discuss and ask questions about the material assigned for each class period. This will require that you *read the material prior to the class period* during which it will be discussed. Although many of the issues covered in the readings will be discussed in class, all the areas covered in the readings will not be part of class discussion. The nature of this course encourages an interactive forum, and everyone has something valuable to contribute.

EXPECTED LEARNING OUTCOMES

Upon completion of the course, students should be able to:

1. Understand the scope of financial derivatives vis-à-vis the concept of risk transfer; i.e., how corporations, financial institutions, pension funds and hedge funds take advantage of various derivatives strategies
2. Understand the structure of options markets and principles of option pricing as well as uses of options strategies
3. Understand the structure and pricing of forward and futures markets as well as various hedging, spread and target strategies
4. Understand the pricing and uses of swaps by institutional investors within the context of asset/liability management

Criteria (Course Objectives)	1 (Unsatisfactory)	2 (Emerging)	3 (Proficient)	4 (Exemplary)
Understand the scope of financial derivatives vis-à-vis the concept of risk transfer; i.e., how corporations, financial institutions, pension funds and hedge funds take	Student shows limited ability to understand or apply even the more basic concepts and methods of financial derivatives.	Student shows some understanding and some ability to apply only the more basic concepts and methods of financial derivatives.	Student shows the understanding and the ability to apply the basic but not advanced concepts and methods of financial derivatives.	Student shows excellent ability to understand and apply the advanced as well as basic concepts and methods of financial derivatives.

advantage of various derivatives strategies				
Understand the structure of options markets and principles of option pricing as well as uses of options strategies	Student shows very limited ability to understand options markets and analyze options strategies.	Student shows some ability to understand options markets and analyze options strategies.	Student shows the ability to understand options markets and analyze options strategies.	Student shows excellent ability to understand options markets and analyze options strategies.
Understand the structure and pricing of forward and futures markets as well as various hedging, spread and target strategies	Student shows very limited ability to understand forward and futures markets and analyze various related strategies.	Student shows some ability to understand forward and futures markets and analyze various related strategies.	Student shows the ability to understand forward and futures markets and analyze various related strategies.	Student shows excellent ability to understand forward and futures markets and analyze various related strategies.
Understand the pricing and uses of swaps by institutional investors within the context of asset/liability management	Student shows very limited ability to understand swap markets and analyze various ALM strategies using swaps.	Student shows some ability to understand swap markets and analyze various ALM strategies using swaps.	Student shows the ability to understand swap markets and analyze various ALM strategies using swaps.	Student shows excellent ability to understand swap markets and analyze various ALM strategies using swaps.

COURSE OUTLINE

WEEK 1	CHAPTER
	Chapter 1: Introduction
	Chapter 2: Structure of Options Markets
	Chapter 3: Principles of Options Pricing
WEEK 2	
	Chapter 6: Basic Option Strategies
	Chapter 7: Advanced Option Strategies
WEEK 3	
	Chapter 8: The Structure of Forward and Futures Markets
	Chapter 9: Principles of Pricing Forwards, Futures, and Options
WEEK 4	
	Chapter 11: Forward and Futures Hedging, Spread, and Target Strategies (Parts of it)
	Chapter 12: Swaps
	Chapter 15: Financial Risk Management: Techniques and Applications (Parts of it)

NOTE: THE COURSE OUTLINE IS A GENERAL PLAN FOR THE COURSE. DEVIATIONS MAY BE NECESSARY DURING SEMESTER AND WILL BE ANNOUNCED TO CLASS IN A TIMELY FASHION.

EXAMS

Since I will be spending the first week of this course with you in Rabat, you will take the exams online any time you wish during the semester. I will post the exams after the first week, so you will have three full weeks to complete them. There will be three exams, the details of which we will discuss while I am there.

TECHNICAL PROBLEMS AND QUESTIONS

Personal computer problems **do not** excuse the requirement to complete all course work in a timely and satisfactory manner. Each student needs to have a backup method to deal with these inevitable problems. These methods might include the availability of a backup PC at home or work, the temporary use of a computer at a friend's home, the local library, Office Services such as Kinko's, an Internet cafe, or a bookstore such as Barnes & Noble, etc.

Technical assistance is available 24 hours a day/ 7 days a week. If you have questions related to eCollege, A&M-Commerce's online course management system, click on "TECHNICAL SUPPORT" on the left side of your course screen. An email box will appear. Fill out this technical support form, click submit, and your questions will be forwarded to the technical support staff. A resolution will be sent to you from the technical support staff via email. If at any time you experience technical problems (e.g., you can't log in to the course, you can't see certain material, etc.) please contact the eCollege HelpDesk, available 24 hours a day, seven days a week. The HelpDesk can be reached by sending an email to helpdesk@online.tamuc.org or by calling 866-656-5511. Additionally, you can click on the "Help" button located at the top of each page for more information. If you use an Internet Service Provider other than the university, please contact a company representative if you are having difficulty accessing the Internet. Other support questions may be addressed to Computing, Telecommunications, and Information Systems (CTIS). The CTIS help desk is staffed Monday-Friday from 8am - 5pm and can be reached at 903-468-6000. The after-hours and weekend emergency phone number is 877-808-1607. When the after-hours support number is dialed, the answering service representative will ask for your name and phone

number. The representative will then contact the on-call CTIS technician who should return your call within about 15 minutes.

CLASS ETHICS

You are expected to maintain high standards of integrity and honesty while pursuing your academic goal(s). The university's statement on academic honesty is found in the Texas A&M University-Commerce Procedures, A13.12, Academic Honesty. Academic dishonesty is defined in the following manner: "Academic dishonesty includes, but is not limited to, plagiarism (the appropriation or stealing of the ideas or words of another and passing them off as one's own), cheating on exams or other course assignments, collusion (the unauthorized collaboration with others in preparing course assignments), and abuse (destruction, defacing, or removal) of resource material." Moreover, while taking any of the quizzes or exams in this course, your **only** outside source of information should be the textbook, your own personal notes, and a financial calculator or a spreadsheet program (i.e. EXCEL) by which to solve financial calculations. You are not allowed to consult with any other reference material or person while taking an exam. **Students found to have committed academic dishonesty will automatically receive a failing grade for the course and face possible expulsion from the university.**

STUDENTS WITH DISABILITIES

Americans with Disabilities Act (ADA) is a federal anti-discrimination statute that provides comprehensive civil rights protection for persons with disabilities. Among other things, this legislation requires that all students with disabilities be guaranteed a learning environment that provides for reasonable accommodation of their disabilities. If you have a disability requiring an accommodation, please contact:

Office of Student Disability Resources and Services

Texas A&M University - Commerce

Halladay Student Services Building

Room 303 A/D

Phone (903) 886-5150 or (903) 886-5835

Fax (903) 468-8148

StudentDisabilityServices@tamuc.edu