

FIN 512
Derivatives and Risk Management
Summer II 2015

Professor: Dr. Kurtay Ogunc, PhD, MBA, MApStat

Email: kurtay.ogunc@tamuc.edu

REQUIRED TEXTS AND MATERIALS

Introduction to Derivatives and Risk Management, 8th Edition, Chance and Brooks,
Publisher: South-Western, 2010, ISBN: 978-0-324-60121-3

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. Prerequisite: FIN 510

EXPECTED LEARNING OUTCOMES

Upon the successful completion of FIN 512, you should have a firm understanding of the following concepts. Students should:

- Understand the meaning of a derivative security
- Explain the difference between hedging and speculation
- Distinguish between an option to buy (call) and an option to sell (put)
- Learn the use of various options strategies for portfolio management
- Learn the basic principles of futures and forward contracts

- Understand the differences between futures and forwards
- Be able to design arbitrage strategies using futures in various markets
- Describe the role of derivative instruments for risk management

EXAMS & GRADING

Please note the exam schedule carefully. You should pick the best time to take it as you cannot close and come back to it. So, once you open the exam you have to finish it within the allowable time given below for each exam. You have three days to pick the best time to take the exam, there will be no extensions or early taking. Schedule your work and family plans accordingly. **There is no extra credit but possibility of a curve at the end of the session.**

Exam 1	100 points	July 19-21 (Sunday through Tuesday)
		45 questions - 2 hours
Exam 2	100 points	July 30-August 1 (Thursday through Saturday)
		60 questions - 2 1/2 hours
Exam 3	100 points	August 8-10 (Saturday through Monday)
		70 questions - 3 hours

Final Grades will be determined by the following scale:

- A: 270 - 300 points
- B: 240 - 269 points
- C: 210 - 239 points
- D: 180 - 209 points
- F: less than 180 points

Grades of "I" (incomplete) will not be given to students who merely do not come to class, have failed to satisfactorily complete the course, or who beg, bother, or otherwise pester

this instructor. Refer to the University's policy regarding incompletes for further information.

COURSE OUTLINE

Chapter 1: Introduction

Chapter 2: Structure of Options Markets

Chapter 3: Principles of Options Pricing

EXAM 1: Chapters 1, 2, 3 July 19-21 (Sunday through Tuesday)

Chapter 6: Basic Option Strategies

Chapter 8: The Structure of Forward and Futures Markets

Chapter 9: Principles of Pricing Forwards, Futures, and Options on Futures

EXAM 2: Chapters 6, 8, 9 July 30-August 1 (Thursday through Saturday)

Chapter 11: Forward and Futures Hedging, Spread, and Target Strategies

Chapter 12: Swaps

Chapter 16: Managing Risk in an Organization

EXAM 3: Chapters 11, 12, 16 August 8-10 (Saturday through Monday)

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.

LECTURES

You will have access to a recorded review session for each chapter in DocSharing. It has been my experience that students who read the chapter thoroughly (not skimming through!) and start doing some end-of-chapter question, excel the most as they get the most when they listen to the recordings. Please take notes as you are listening to the lectures, and continue studying afterwards before taking each exam. Always feel free to email me any questions you might have, but please be specific and make references to the text or solutions manual so that I can provide you with the best advice. Study hard, be positive, and never give up!

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