

*Department of Accounting & Finance  
College of Business  
Texas A&M University-Commerce*

**FIN 512 (01W) – Derivatives and Risk Management  
Fall Semester, 2021**

Instructor: Dror Parnes, Ph.D.  
Office Hours: By appointment  
Email: [Dror.Parnes@tamuc.edu](mailto:Dror.Parnes@tamuc.edu)  
Class Hours: Any time

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**Course Description and Objectives**


This course introduces students to the fundamental principles, theories, and techniques used in some of the more common financial derivatives and their respective markets. We will cover the risk management methods of hedging, speculation, and arbitrage within the topics of equity options, futures, forwards, swaps, exotic options, the Greeks (derivations of the Black-Scholes model), and foreign currency options. The course aims to introduce students to the topic of risk management by using derivatives and somewhat complex financial instruments and methods.

**Prerequisites**

FIN 504, FIN 510, and a basic knowledge of Calculus, Statistics, and Accounting.

**Textbook**

“Financial Derivatives: Pricing and Risk Management,” by: Robert Kolb and James A. Overdahl (editors), John Wiley & Sons, Inc., Hoboken, New Jersey, 2010 edition.

 We will not strictly follow this textbook. There are topics in the course that somewhat deviate from the book. The textbook can be used as a further reading material, but all you need for the course is my Power Point slides and my practice questions and answers already posted.

**Exams and Grading**


There is no need to submit any of the homework practice questions and answers. There will be 3 relatively short exams during the course. First exam: 12 problems for 75 minutes. Second exam: 8 problems for 60 minutes. Third exam: 5 problems for 45 minutes. These exams will cover the most recent lectures, and they will be non-cumulative. See page 3 of this syllabus.

**Course Content and Communication**

All communications will take place through TAMUC official website (D2L).

## **Grading System**

Your final grade will be based on the accumulated correct answers in the 3 exams during the course (since there are 12, 8, and 5 problems in these 3 exams, respectively, it means that there are 25 problems in total, so each question gets 4 points, with a total of 100 points to all three exams together). Once this final score is computed, I will assign a final grade according to: 'A' (from 90 to 100), 'B' (from 80 to 90), 'C' (from 70 to 80), 'D' (from 60 to 70), 'F' (less than 60). *There will be no more optional bonus points or mercy assignments, so make sure to do your best on these exams!*

 We will use a lot of calculus, mathematical, and statistical methods during the course. I will attempt to clarify these techniques when it is relevant, yet I can only do that concisely. Make sure to refresh your memory with those techniques. The best time to do that is yesterday!

## **Attendance and general behavior**

This is an online course and students must have high self-discipline. It is your responsibility to listen to the online lectures, to download / print the Power Point presentations and the practice questions and answers, and to take as many notes as you can. If you have additional questions, catch my attention right away (likely through email), or come to discuss it over office hours, but please do not wait until the last moment before the exams.

## **Students with Disabilities**

The 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, Gee Library Room 132  
Phone: (932) 886 – 5150 or (932) 886 – 5835  
Email: [Rebecca.Tuerk@tamuc.edu](mailto:Rebecca.Tuerk@tamuc.edu)

## **Scholastic Dishonesty**

Academic integrity is the cornerstone of the university. Any student, who attempts to gain an unfair advantage over other students by cheating, will fail the course and be reported to Texas A&M University-Commerce. “All students enrolled at the University shall follow the tenets of common decency and acceptable behavior conducive to a positive learning environment” Student Handbook.

## **Nondiscrimination Statement**

Texas A&M University-Commerce will comply in the classroom, and in online courses, with all Federal and state laws prohibiting discrimination and related retaliation on the basis of race,

color, religion, sex, national origin, disability, age, genetic information, or veteran status. Further, an environment free from discrimination on the basis of sexual orientation, gender identity, or gender expression will be maintained.

### Campus Concealed Carry


Texas Senate Bill - 11 (Government Code 411.2031, et al.) authorizes the carrying of a concealed handgun in Texas A&M University-Commerce buildings only by persons who have been issued and are in possession of a Texas License to Carry a Handgun. Qualified law enforcement officers or those who are otherwise authorized to carry a concealed handgun in the State of Texas are also permitted to do so. Pursuant to Penal Code (PC) 46.035 and A&M-Commerce Rule 34.06.02.R1, license holders may not carry a concealed handgun in restricted locations. For a list of locations, please refer to (<http://www.tamuc.edu/aboutUs/policiesProceduresStandardsStatements/rulesProcedures/34SafetyOfEmployeesAndStudents/34.06.02.R1.pdf>) and/or consult your event organizer). Pursuant to PC 46.035, the open carrying of handguns is prohibited on all A&M-Commerce campuses. Report violations to the University Police Department at 903-886-5868 or 9-1-1.

### Counseling Center

The Counseling Center at A&M-Commerce, located in the Halladay Building, Room 203, offers counseling services, educational programming, and connection to community resources for students. Students have 24/7 access to the Counseling Center’s crisis assessment services by calling 903-886-5145. For more information regarding Counseling Center events and confidential services, please visit [www.tamuc.edu/counsel](http://www.tamuc.edu/counsel)

### Class Schedule

Class	Topic
1	Introduction & Options Markets and Valuation
2	Options Markets and Valuation
3	Options Markets and Valuation
4	<b>Exam #1</b>
5	Futures and Forwards
6	Futures and Forwards
7	Swaps
8	Swaps
9	Review – Q&A of Practice Problems
10	<b>Exam #2</b>
11	Exotic Options
12	The Greeks
13	Foreign Currency Options
14	Review – Q&A of Practice Problems
15	<b>Exam #3</b>

 The schedule is due to possible changes. Good luck!