

futures; risk management and financial engineering products. In general, this class discusses derivative markets - futures, options, and derivative products - and how they work. The three main uses of futures and options are speculation, hedging, and arbitrage. Speculation is often associated with the individual or account executive, while hedging is associated with the producer or user of the goods (commodity markets) or the pension fund (interest rate and stock index futures) or the corporation or bank (interest rate/currency futures). Arbitrage is practiced by banks, pension funds and dealers. Those dealing with fixed income investments must consider interest rate behavior and the term structure.

Approach to the Material: Institutional aspects of futures and options are discussed so that you will have a working knowledge of the markets. In addition, to understand how the futures, options, and over-the-counter markets work, one must comprehend the appropriate concepts, such as pricing and hedging. Thus, the class discussions and textbook constitutes the major part of the course. Your participation in class and the Trading Game aids in the understanding of the "practical" aspects of the market.

Learning Objectives: In addition to understanding the futures and options markets, this course focuses on the process of thinking, comprehending, and communicating. This process is beneficial both for other subject areas and for a life-long ability to examine and analyze information. At the end of the course you will be able to discuss and understand the institutional aspects, strategies, and pricing of derivative markets. This knowledge will be sufficient to pass the derivatives section of level I of the CFA exam (and most of level II), as well as provide knowledge for specific parts of the certificates for the "Risk Managers" exams.

Abilities: The highest grades are obtained if: you possess good study habits, have a high level of motivation, have good reading/writing/quantitative abilities, **and especially** spend a sufficient amount of time on the material and assignments, **and** have an appropriate academic background (including understanding concepts) from Economics, statistics, and previous Finance courses.

Background: The catalogue states that **Fin 6515 (Security Analysis) or Fin 6246 (Financial Markets) is a prerequisite for this course.** Anyone without at least one of these courses must see me and have your enrollment approved ASAP.

Class Lectures: consist of explaining those topics which are important and difficult. If you read the notes before they are covered in class, then one could expect a higher level of comprehension from the material covered and a better opportunity to ask key questions.

Class Discussion: Students should participate in the class discussions by asking and answering questions and presenting any relevant information concerning the topic area. While lectures are used to present the concepts, questions and discussions are necessary in order to clarify misconceptions and explore concepts.

Attendance: I suggest an almost perfect attendance record in the belief that exposure to the material helps students understand the concepts and raise their grades. Moreover, attending class will facilitate note taking, which helps when studying for the exams.

Workload: The amount of time needed depends on background knowledge, experience in the field, "efficiency," and how quickly one understands conceptual material. It also depends on how much time one spends on the trading game and doing numerical problems and reading the text. Most people need at least 10 hours per week outside of class (a typical 2-1 ratio), some need more.

Using Blackboard in addition to or as a Substitute for the Lectures: The material in this course is also "on-line" (i.e. on Blackboard). Thus, both the slides and the voice discussions of the material are online. This provides an on-line alternative to class lectures when you must be out of town by using Blackboard or when you have trouble understanding a topic. But if you need or want Blackboard as an exclusive method

to cover the material (not attending class) then you need to see me (this method is not recommended). NOTE that the printed slides are the most up-to-date; there may be additions (or deletions) in the printed notes that are not reflected in the on-line material. The printed notes are the current presentation of the course.

Using Blackboard for Questions, Game: Blackboard is a computer interface on the web where the quizzes reside, some of the class material may appear, and where you can post questions about the material, about how to play the trading game, and what to trade so that others can help you out (and vice-versa). The instructor often ventures onto the site (bulletin board). **See page one of the syllabus (above) to get there!** There are various **FAQ pages on Blackboard** to help with the course.

Appendix: Intellectual Honesty

Cheating and plagiarism are inappropriate in graduate school. Cheating includes obtaining exam answers from notes and from other individuals and obtaining the questions or answers of quizzes before you take the quiz. Plagiarism includes taking the work (wording) used by others and not giving the appropriate reference to the source.

Statement of Understanding between Professor and Student:

Code of Academic Integrity

Every student must respect the right of all to have an equitable opportunity to learn and honestly demonstrate the quality of their learning. Therefore, all students must adhere to a standard of academic conduct, demonstrating respect for themselves, their fellow students, and the educational mission of the University. As a student enrolled in the College of Business Administration at FIU, I will not represent someone's else's work as my own.

- I will not cheat, nor will I aid in another's cheating.
- I will be honest in my academic endeavors.
- I understand that if I am found responsible for academic misconduct, I will be subject to the academic misconduct procedures and sanctions as outlined in the FIU Student Handbook.

Academic Honesty Policy

Code of Standards:

A University is a learning community that follows a tradition of more than 1,000 years. Florida International University is such a community, dedicated to generating and transmitting knowledge through excellent teaching and research, the rigorous and respectful exchange of ideas, and community service. As a member of this community:

- I. I will respect the tradition of academic inquiry, the University's rules of conduct, and its mission.
- II. I will respect the opinions and differences of all members of the FIU community.
- III. I will practice civility and avoid behavior that undermines the normal functioning of the University.
- IV. I will respect the rights and property of the University and its members.
- V. I will be diligent and honest in my personal and academic endeavors.

Code of Academic Integrity

This Code of Academic Integrity was adopted by the Student Government Association on November 28, 2001 and reflects the values articulated in the Student Code of Standards. All students are expected to adhere to a standard of academic conduct, which demonstrates respect for themselves, their fellow students, and the educational mission of Florida International University.

Pledge

As a student in the College of Business:

- I will be honest in my academic endeavors.
- I will not represent someone else's work as my own.
- I will not cheat, nor will I aid in another's cheating.

All students are deemed by the University to understand that if they are found responsible for academic misconduct, they will be subject to the Academic Misconduct procedures and sanctions, as outlined in the Student Handbook.

Sexual Harassment:

"Florida International University recognizes the basic right and freedoms of students. The following rights and freedoms are recognized as basic to the educational process: Sexual Harassment: Students are entitled to work and study in an atmosphere free from unsolicited and unwelcome sexual overtures or innuendos."

2002-2003 FIU Student Handbook

Religious Holy Days:

"Faculty are encouraged to make accommodations for students who wish to observe religious holidays. For a listing of religious holidays, you may visit: <http://www.interfaithcalendar.org> Students should make their requests known at the beginning of the semester."

2003-2004 Academic Calendar

Disability Services

"Students with disabilities who are unable to complete regular course requirements should request, in consultation with ODS, the course modifications needed from their professors. *Requests should be made as early as possible. ODS will cooperate with the student and the professor to secure appropriate accommodations.*"

*Office of Disability Services Web-page
<http://www.fiu.edu/~disserv/>*