UNIVERSITY OF CALGARY
FACULTY OF SCIENCE

Department of Mathematics & Statistics
MS 476
403 220-5210
mathinfo@ucalgary.ca

COURSE OUTLINE

1. **Course:** ACSC 515, Models for Financial Economics - Winter 2019

   Lecture 01: MWF 10:00 - 10:50 in MS 431

Instructor	Email	Phone	Office	Hours
Yingqi Wang	yingqi.wang@ucalgary.ca	220-3943	MS 431	TBA

Course Site:

D2L: ACSC 515 L01-(Winter 2019)-Models for Financial Economics

Note: Students must use their U of C account for all course correspondence.

2. **Requisites:**

See section 3.5.C in the Faculty of Science section of the online Calendar.

Prerequisite(s):
Actuarial Science 325 and Statistics 321.

Antirequisite(s):
Credit for Actuarial Science 515 and 539.04 will not be allowed.

3. **Grading:**

The University policy on grading and related matters is described in F.1 and F.2 of the online University Calendar. In determining the overall grade in the course the following weights will be used:

Component(s)	Weighting %	Date
Assignments (4)	20	TBA
Midterm tests (2, in class)	40	15th February, 22nd March
Final Examination	40	To be scheduled by the Registrar

Each piece of work (reports, assignments, quizzes, midterm exam(s) or final examination) submitted by the student will be assigned a grade. The student's grade for each component listed above will be combined with the indicated weights to produce an overall percentage for the course, which will be used to determine the course letter grade.

The conversion between a percentage grade and letter grade is as follows.

	A+	A	A-	B+	B	B-	C+	C	C-	D+	D
Minimum % Required	95 %	90 %	85 %	80%	75%	70 %	65 %	60%	55%	50 %	45 %

This course has a registrar scheduled final exam.

A passing grade in the Final Examination is essential for an overall grade of C- or better.

This course is accredited by the Canadian Institute of Actuaries. Students who obtain a B+ or higher in the course will be able to obtain exemption from the Society of Actuaries MFE examination.

4. **Missed Components Of Term Work:**

   In the event that a student misses the midterm or any course work due to illness, supporting documentation, such as a medical note or a statutory declaration will be required (see Section N.1; for more information regarding the use of statuary declaration/medical notes, see FAQ). Absences must be reported within 48 hrs.

   The regulations of the Faculty of Science pertaining to this matter are found in the Faculty of Science area of the Calendar in Section 3.6. It is the student's responsibility to familiarize themselves with these regulations. See also Section E.3 of the University Calendar.

5. **Scheduled Out-of-Class Activities:**

   There are no scheduled out of class activities for this course.

6. **Course Materials:**

   Recommended Textbook(s):

   McDonald, *Derivative Markets*: Pearson (3rd Edition).

7. **Examination Policy:**

   Basic non-programmable scientific calculators may be used in examinations, but no smartphones or other computing devices may be used. The midterm and final examinations will be closed-book exams; formula sheets will be provided. Students should also read the Calendar, Section G, on Examinations.

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8. **Approved Mandatory And Optional Course Supplemental Fees:**

   There are no mandatory or optional course supplemental fees for this course.

9. **Writing Across The Curriculum Statement:**

   For all components of the course, in any written work, the quality of the student's writing (language, spelling, grammar, presentation etc.) can be a factor in the evaluation of the work. See also Section E.2 of the University Calendar.

10. **Human Studies Statement:**

    Students will not participate as subjects or researchers in human studies.

    See also Section E.5 of the University Calendar.

11. **Reappraisal Of Grades:**

    A student wishing a reappraisal, should first attempt to review the graded work with the Course coordinator/instructor or department offering the course. Students with sufficient academic grounds may request a reappraisal. Non-academic grounds are not relevant for grade reappraisals. Students should be aware that the grade being reappraised may be raised, lowered or remain the same. See Section I.3 of the University Calendar.

    a. **Term Work:** The student should present their rationale as effectively and as fully as possible to the Course coordinator/instructor within **15 days** of either being notified about the mark, or of the item's return to the class. If the student is not satisfied with the outcome, the student shall immediately submit the Reappraisal of Graded Term work form to the department in which the course is offered. The department will arrange for a re-assessment of the work if, and only if, the student has sufficient academic grounds. See sections I.1 and I.2 of the University Calendar

    b. **Final Exam:**The student shall submit the request to Enrolment Services. See Section I.3 of the University Calendar.

12. **Other Important Information For Students:**

    a. **Mental Health** The University of Calgary recognizes the pivotal role that student mental health plays in physical health, social connectedness and academic success, and aspires to create a caring and supportive campus community where individuals can freely talk about mental health and receive supports when needed. We encourage you to explore the mental health resources available throughout the university community, such as counselling, self-help resources, peer support or skills-building available through the SU Wellness Centre (Room 370, MacEwan Student Centre, Mental Health Services Website) and the Campus Mental Health Strategy website (Mental Health).

b. **SU Wellness Center:** The Students Union Wellness Centre provides health and wellness support for students including information and counselling on physical health, mental health and nutrition. For more information, see www.ucalgary.ca/wellnesscentre or call 403-210-9355.

c. **Sexual Violence:** The University of Calgary is committed to fostering a safe, productive learning environment. The Sexual Violence Policy (https://www.ucalgary.ca/policies/files/policies/sexual-violence-policy.pdf) is a fundamental element in creating and sustaining a safer campus environment for all community members. We understand that sexual violence can undermine students' academic success and we encourage students who have experienced some form of sexual misconduct to talk to someone about their experience, so they can get the support they need. The Sexual Violence Support Advocate, Carla Bertsch, can provide confidential support and information regarding sexual violence to all members of the university community. Carla can be reached by email (svsa@ucalgary.ca) or phone at 403-220-2208 .

d. **Misconduct:** Academic misconduct (cheating, plagiarism, or any other form) is a very serious offence that will be dealt with rigorously in all cases. A single offence may lead to disciplinary probation or suspension or expulsion. The Faculty of Science follows a zero tolerance policy regarding dishonesty. Please read the sections of the University Calendar under Section K. Student Misconduct to inform yourself of definitions, processes and penalties. Examples of academic misconduct may include: submitting or presenting work as if it were the student's own work when it is not; submitting or presenting work in one course which has also been submitted in another course without the instructor's permission; collaborating in whole or in part without prior agreement of the instructor; borrowing experimental values from others without the instructor's approval; falsification/ fabrication of experimental values in a report. **These are only examples**.

e. **Assembly Points:** In case of emergency during class time, be sure to FAMILIARIZE YOURSELF with the information on assembly points.

f. **Academic Accommodation Policy:** Students needing an accommodation because of a disability or medical condition should contact Student Accessibility Services in accordance with the procedure for accommodations for students with disabilities available at procedure-for-accommodations-for-students-with-disabilities.pdf.

   Students needing an accommodation in relation to their coursework or to fulfill requirements for a graduate degree, based on a protected ground other than disability, should communicate this need, preferably in writing, to the Associate Head of the Department of Mathematics & Statistics, Jim Stallard by email jbstall@ucalgary.ca or phone 403-220-3953. Religious accommodation requests relating to class, test or exam scheduling or absences must be submitted no later than **14 days** prior to the date in question. See Section E.4 of the University Calendar.

g. **Safewalk:** Campus Security will escort individuals day or night (See the Campus Safewalk website). Call 403-220-5333 for assistance. Use any campus phone, emergency phone or the yellow phones located at most parking lot pay booths.

h. **Freedom of Information and Privacy:** This course is conducted in accordance with the Freedom of Information and Protection of Privacy Act (FOIPP). Students should identify themselves on all written work by placing their name on the front page and their ID number on each subsequent page. For more information, see Legal Services website.

i. **Student Union Information:** VP Academic, Phone: 403-220-3911 Email: suvpaca@ucalgary.ca. SU Faculty Rep., Phone: 403-220-3913 Email: sciencerep@su.ucalgary.ca. Student Ombudsman, Email: suvpaca@ucalgary.ca.

j. **Internet and Electronic Device Information:** Unless instructed otherwise, cell phones should be turned off during class. All communication with other individuals via laptop, tablet, smart phone or other device is prohibited during class unless specifically permitted by the instructor. Students that violate this policy may be asked to leave the classroom. Repeated violations may result in a charge of misconduct.

k. **Surveys:** At the University of Calgary, feedback through the Universal Student Ratings of Instruction (USRI) survey and the Faculty of Science Teaching Feedback form provides valuable information to help with evaluating instruction, enhancing learning and teaching, and selecting courses. Your responses make a difference - please participate in these surveys.

l. **Copyright of Course Materials:** All course materials (including those posted on the course D2L site, a course website, or used in any teaching activity such as (but not limited to) examinations, quizzes, assignments, laboratory manuals, lecture slides or lecture materials and other course notes) are protected by law. These materials are for the sole use of students registered in this course and must not be redistributed. Sharing these materials with anyone else would be a breach of the terms and conditions governing student access to D2L, as well as a violation of the copyright in these materials, and may be pursued as a case of student academic or non-academic misconduct, in addition to any other remedies available at law.

Course Outcomes:

- Describe what is meant by a long (or short) position in an asset.
- Give the definitions of various derivative securities such as options (American and European), forwards, futures and swaps, and more complex option positions such as bull/bear spreads, butterflies, condors, naked/covered calls and puts, and describe how they are used in hedging and investment strategies.
- Use put-call parity to determine the relationship between prices of European put and call options.
- Identify arbitrage opportunities when derivatives are mispriced and describe how to exploit them
- Write down the Black-Scholes option pricing formula, and describe the meaning of the various terms that arise in the formula and the modelling assumptions that lie behind the formula
- Calculate values of option positions using numerical methods such as Monte Carlo simulation and binomial trees, and describe sources of error in such computations and how errors can be controlled
- Explain the characteristics of exotic options such as Asian, barrier and compound options, etc.
- Describe and interpret option Greeks and their use in risk management contexts.
- Describe the properties of the diffusion process (i.e. simple Brownian motion), and use Itô's Lemma to transform and solve some stochastic differential equations.

Department Approval:	Electronically Approved	Date: 2018-12-19 15:55