

EMBA 5812 – Financial Derivatives

Instructor: Dr. Seza Danişoğlu
Office Number: FEAS – Building B - H112
Office Hours: MW 18:00 – 18:30 between Nov.30 and Dec. 10, 2016
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Course Web Page: <https://odtuclass.metu.edu.tr/course/view.php?id=4135>

Course Objectives:

This course is designed to provide a solid foundation in the principles of financial derivatives and risk management. It attempts to emphasize practical applications rather than focus on theoretical aspects of the subject. The course is concentrated on investment strategies in order to motivate students to start thinking about risk management in financial markets. Parallel to the already increasing attempts to integrate derivative securities and markets into the Turkish financial system, it is believed that this course will fill a gap and students will be exposed to an introductory level coverage of application in the derivatives area.

Suggested Reading:

Strong, Robert A. Derivatives: An Introduction, 2nd Edition, Thomson South-Western, USA, 2005.

Course Requirements:

Students are expected to come to class prepared and ready to take part in class discussions.

Attendance is mandatory in this class. Past experience repeatedly demonstrated that students who regularly attend class and read the chapter assignments perform significantly better than students who have an intermittent attendance and who do not keep current in reading the chapters.

Supplementary Books:

You will need a lot of practice to feel comfortable with solving problems on options, futures and other derivatives. The METU Library carries a variety of books written on derivatives. It is a very good idea to check out some of these books and exercise your brain muscle by solving the end-of-chapter problems that are provided in these books.

Exams: There will be one essay-type, open-book written examination. The exam schedule is as follows:

Written Examination:	Saturday, December 10, 2015, 11:15 – 13:30
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Grades: Your total score in the course will be determined by the following weights:

Written Exam	80 percent
Homework Assignment	20 percent

No "extra" work above the aforementioned will be accepted or credited.

Makeup Examinations: There will be no make-ups for the exams or the assignment. If you have a time conflict, please contact me ahead of time.

Important Note About Re-sit (Bütünleme) Exams: Please note that re-sit exams are no longer given at METU.

Homework Assignment: One problem set will be assigned during the term. This assignment should be prepared as the hand-written version of your original work and it should be prepared individually. However, I do encourage working together among classmates and if you choose to do so, please make a note of the person(s) that you have worked with alongside your own name on the assignment. The solution to the problem set will be made available at the course web page once the assignments are collected from the students. There will be no make-up for missed assignments.

Student Disabilities: Any student, who, because of a disabling condition, may require special arrangements in order to meet course requirements, should contact the instructor as soon as possible. Students should present the appropriate documentation from the university's Disability Support Office (Engelsiz ODTÜ Birimi, ODTÜ Kütüphanesi, Solmaz İzdemir Salonu, Tel: 210.7196; engelsiz@metu.edu.tr) verifying their disability, and outlining the special arrangements required. Please note that no accommodations will be provided to the disabled students prior to the completion of this approved University process.

ACADEMIC DISHONESTY: The Department of Business Administration has no tolerance for acts of academic dishonesty. Such acts damage the reputation of METU, the department and the BA/MBA/MS degree and demean the honest efforts of the majority of the students. The minimum penalty for an act of academic dishonesty will be a zero for that assignment or exam.

CHEATING: All university, faculty/institute, and department principles on academic honesty will be strictly enforced. The usual consequence for academic dishonesty is failure of the course and referral of the case to the Dean of the Faculty/Institute for additional disciplinary action. Examinations are individual and are to be completed without outside assistance of any sort. Persons observed cheating during examinations will receive a failing grade in the course. Homework assignments are individual, unless otherwise specified by the instructor, and are to be completed without outside assistance of any sort, as well. Persons observed cheating in their homework assignments will receive a score of zero for the portion of the semester grade that is allocated to such assignments.

PLAGIARISM: The instructor assumes that students will do their own work. By placing their names on assignments (individual or team), students are affirming that the contents are their original work. Any previous work available from files or past students, as well as materials available on the internet may be used only as a suggestive model. Violation of this provision will be considered as unethical behavior, subject to disciplinary action. If you have any doubt about the use of a specific material, see the instructor ahead of time. Any material used from outside sources should be referenced appropriately.

METU HONOR CODE

Every member of METU community adopts the following honor code as one of the core principles of academic life and strives to develop an academic environment where continuous adherence to this code is promoted.

"The members of the METU community are reliable, responsible and honorable people who embrace only the success and recognition they deserve, and act with integrity in their use, evaluation and presentation of facts, data and documents."

CIVILITY IN THE CLASSROOM: Students are expected to assist in maintaining a classroom environment which is conducive to learning. In order to assure that all students have an opportunity to gain from time spent in class, unless otherwise approved by the instructor, students are prohibited from using laptop computers and cellular phones, making offensive remarks, reading newspapers, sleeping, or engaging in any other form of distraction. Inappropriate behavior in classroom shall result, minimally, in a request to leave class.

Past observations showed that the METU classroom experience is improved when the following are true:

Students arrive on time. Timely arrival ensures that classes are able to start and finish at the scheduled times. Timely arrival shows respect for both fellow students and faculty and it helps to create a better learning environment by reducing avoidable distractions.

Students are fully prepared for each class. Much of the learning in this course takes place during classroom discussions. When students are not prepared, they cannot contribute to the learning process. This affects not only the individual but also the classmates who count on them.

Students respect the views and opinions of their colleagues. Disagreement and debate are encouraged; however, intolerance for the views of others is unacceptable.

Laptops, phones and wireless devices are turned off.

STUDENT EXCUSES: Unless you inform me in advance, I will not excuse you from any of the grade requirements. At the same time, this does not mean that I will allow you to miss a test or an assignment with any excuse that you present to me. Please note that the excuse is acceptable for only the most extreme circumstances and only after stringent verification and approval by the Department.

KNOW YOUR RIGHTS AND RESPONSIBILITIES! <http://oidb.metu.edu.tr/en/academic-rules-and-regulations>

NOTE THE IMPORTANT DATES ON THE ACADEMIC CALENDAR! <http://oidb.metu.edu.tr/en/academic-calendar>

The instructor assumes that students who attend the next class have understood and accepted to agree with all the requirements and rules of this course.

Notes:

- Usage of cell phones is strictly prohibited during class. Please be courteous to your classmates and me and make sure that your phones are on silent mode before the class begins.
- Please arrive on time and do not enter the classroom if I already have closed the classroom doors. If you have to leave early, please inform me in advance. If, due to uncontrollable circumstances, you end up being late for class, please wait outside until the first in-class break during which I will open the classroom door and let you in.
- Please turn in the homework assignments at the beginning of the class period they are due on and note that no late assignments (no matter how late) will be accepted once the class starts.
- You are encouraged to drop by my office during office hours for questions, concerns, or suggestions. Outside the office hours, please make an appointment with me in advance, before or after the class, via phone or e-mail. For quick questions that you may have, note that e-mailing is a very effective means of communicating with me.

Good luck to all of you!! S.D.

Don't be Trashy. Recycle.

Do not throw items away in the trash that should go into the recycling bin. Show a little class.

RECYCLING
WORKS

Tentative Course Schedule

Date	Topic	Homework Assignment
Wed., Nov. 30 18:30 – 21:15	Introduction to Financial Derivatives	
	Forwards and Futures Hedging with Futures	
Sat., Dec. 3 09:30 – 13:30	Forward Rate Agreements	
	Swaps	Start working on the homework assignment
	The Options Market	
Wed., Dec. 7 18:30 – 21:15	The Options Market (Cont'd)	
Fri., Dec. 9	HOMEWORK DUE BY 12:00 NOON (VIA E-MAIL)	
Sat., Dec. 10 09:30 – 13:30	Risk Management with Option Contracts	
	WRITTEN EXAMINATION (11:15 – 13:30)	