OPTIONS AND DERIVATIVES
FINC 412
Spring 2012
The American University in Cairo
School of Business
Department of Management

"It is better to have a well-structured mind than a brain full of knowledge!"
Michel de Montaigne, 16th century French philosopher

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Catalogue Description

This course introduces students to the most basic derivative securities namely forwards, futures, options and swaps. The focus is on the valuation of these securities and the use of derivatives for hedging risks.

Vision of the School of Business

The School of Business sees itself becoming globally recognized as the leading business school connecting the region and the world.

Mission of the School of Business

The School of Business strives to create an environment that fosters the development of principled and innovative business leaders and entrepreneurs who can make a difference.

Mission of the Department of Management

Our mission is to develop business leaders who are dedicated to the betterment of society by providing a high quality business education to top caliber students from all segments of Egyptian society as well as from other countries while focusing on continuous improvement and a commitment to excellence in learning, intellectual contributions and service.

In support of this mission the department:

- Provides a high quality contemporary-style business education that blends a global perspective with national cultures and is relevant to the business needs of Egypt and the region.
• Provides programs that encourage the development of an entrepreneurial spirit that emphasizes creativity, innovation, individual initiative and teamwork
• Provides a learning environment that fosters faculty/student communication and promotes lifelong learning and career development
• Encourages faculty development activities that improve teaching, maintain competence and that keep faculty current with ideas and concepts in their field.
• Seeks to develop a portfolio of intellectual contributions to learning and pedagogy, to practice, and to the theory and knowledge base of the disciplines.

Course Description and Guidelines

The course will consist of lectures emphasizing theory with numerical illustrations; while the assignments will focus on real world examples. The course assumes that the student has a certain basic knowledge of finance, economics and statistics. Some familiarity with Excel is essential for tackling many of the assignments and cases. The course has a substantial theoretical content, and it is in your best interest to attend each class and be regular with all assignments. This will ensure that you do not suddenly find yourself lagging too far behind the class.

1. Some Things You Must Do

• Participate in class discussions (intelligently!)
• Familiarize yourself with Excel.
• Hand in your assignments and project report on time.
• Check Blackboard regularly for updates. Notes, assignments and solutions will also be posted on blackboard.
• Keep track of all deadlines by always checking your calendar, as all events are pre-scheduled.
• Check your emails for notifications.
• Keep in touch with the financial news and events through journals and newspapers such as The Wall Street Journal, The Financial Times, and The Economist, just to name a few.

2. Some Things You Must NOT do

• Violate the university policy on academic honesty--for example, attempting to plagiarize material from the internet or other resources. You may use financial data from the internet, but make sure the data is free for public use and acknowledge every source you use with detailed citations.

Textbook and additional references:

• Options, Futures and Other Derivatives, by John C. Hull, Jr. 7th ed. or 8th ed., Prentice Hall.
  This is a well-written book that is bound to prove useful, not just for this course but for others as well.

**Grading:**

Your performance will be evaluated on the basis of:

1. **ATTENDENCE & CLASS PARTICIPATION (10%)**

2. **EXAMS (60%)**
   - The exams will test your understanding of the concepts rather than your memory. They will be numerical and objective, no essays.
   - MIDTERM exam (30%)
   - FINAL exam (30%)

3. **GROUP ASSIGNMENTS (group of 5 students maximum) AND QUIZZES (10%)**
   - NO LATE SUBMISSIONS.

4. **PROJECT (20%)**

**Attendance**

- You are REQUIRED to ATTEND EVERY SINGLE CLASS
- You are REQUIRED to participate in class discussions (*intelligently*)!
- Unexcused Absents will be penalized heavily. You are allowed 3 unexcused absences; each extra absence will result in a one-letter grade deduction. Students may not normally receive credit for a course if more than three weeks of classes are missed.

**The University Academic Honesty Policy**

*Preamble:* Valuing the concepts of academic integrity and independent effort, the American University in Cairo expects from its students the highest standards of scholarly conduct. The University community asserts that the reputation of the institution depends on the integrity of both faculty and students in their academic pursuits and that it is their joint responsibility to promote an atmosphere conducive to such standards.
### Topics to be covered (subject to adjustment):

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<td>Interest Rates</td>
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<td>Determination of Forwards and Futures Prices</td>
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<td>Options Pricing: Black &amp; Scholes model</td>
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<td>The Greek letters</td>
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<td>Options on Stock Indices and Currencies</td>
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Course: FIN412

Fall 2012

Student Background Information

1. Name: ____________________________________________

3. ID Number: ___________________________

4. E-mail: ________________________________

5. Major: ________________________________

6. Minor: ________________________________

7. Do you work? Yes □ No □

8. If yes, company name ____________________________

9. Please list any work experience:

10. Please rate your mathematical background:

   [ ] Low  [ ] Medium  [ ] High

11. Please rate your computer background:

    [ ] Low  [ ] Medium  [ ] High

12. Do you have any special problem that you would like to tell the instructor?

Your signature below testifies that you have read the course syllabus and understand it. Furthermore, you plan to meet the professor’s expectations with regard to attendance, punctuality, course assignments, grading policy, and general goals and objectives.

Signature: __________________________