

The University of Iowa
College of Liberal Arts and Sciences
Department of Statistics and Actuarial Science
ACTS:4380 Mathematics of Finance II Spring Semester 2021
12:30 PM - 1:20 PM MWF 427 EPB

Instructor: Dr. E.S.W. Shiu Office: 362 SH Phone: 335 2580 E-mail: elias-shiu@uiowa.edu
Office Hours: 1:45–3:15 PM Tuesday and Thursday, or by appointment
Department: Statistics & Actuarial Science, 241 SH Phone: 335 2082
D.E.O.: Dr. Kung-Sik Chan Phone: 335 0712 E-mail: kung-sik-chan@uiowa.edu
Prerequisites: C+ or better in ACTS:3080. Calculus, linear algebra and probability are used extensively in this course.

Required text: R.L. McDonald (2013) *Derivatives Markets*, 3rd edition, Pearson.

Recommended texts: (i) J. Berk and P. DeMarzo (2017) *Corporate Finance*, 4th edition, Pearson.
(ii) A. Lo (2018) *Pricing Derivatives: A Problem-Based Primer*, Chapman & Hall.

This course will cover the mathematical topics on the syllabus of the Society of Actuaries (SOA) examination Investment and Financial Markets (IFM). (The non-mathematical topics in IFM would be covered by FIN:3300.) It is expected that students will write Exam IFM in July, 2021. The official textbooks for Exam IFM are McDonald (2013) and Berk & DeMarzo (2017). There are also two study notes and two sets of sample exam questions that you can download from the IFM website. Among the topics that we shall study are:

- Fundamental Theorem of Asset Pricing
- Put-Call Parity
- Relationship between Forward and Futures Prices
- Binomial Option Pricing
- Black-Scholes Option Pricing
- Method of Esscher Transforms
- Option Greeks and Delta-Hedging
- Exotic Options
- Mean-Variance Portfolio Theory
- Capital Asset Pricing Model (CAPM)
- Actuarial Applications

There will be two Thursday evening midterm exams, March 4 and April 8, 6:30 to 8:30 pm, in 427 EPB. You are to use an official SOA calculator.

Tentatively, the final grade (H.W. 15% + Exams 25% + 25% + 35%) will be assigned as follows: Undergrads F[0, 40); D–[40, 45); D[45, 50); D+[50, 55); C–[55, 60); C[60, 65); C+[65, 70); B–[70, 75); B[75, 80); B+[80, 85); A–[85, 90); A[90, 95); A+[95, 100]
Graduate students F[0, 46); D–[46, 50.5); D[50.5, 55); D+[55, 59.5); C–[59.5, 64); C[64, 68.5); C+[68.5, 73); B–[73, 77.5); B[77.5, 82); B+[82, 86.5); A–[86.5, 91); A[91, 95.5); A+[95.5, 100]

College of Liberal Arts and Sciences Information for Undergraduates Spring 2021

Absences and Attendance

Students are responsible for attending class and for contributing to the learning environment of a course. Students are also responsible for knowing course absence policies, which vary by instructor. All absence policies, however, must uphold the UI policy related to student illness, mandatory religious obligations, including Holy Day obligations, unavoidable circumstances, and University authorized activities (<https://clas.uiowa.edu/students/handbook/attendance-absences>). Students may use the CLAS absence form to aid communication with the instructor who will decide if the absence is excused or unexcused; the form is located on ICON within the top banner under "Student Tools."

Academic Integrity

All undergraduates enrolled in courses offered by CLAS have in essence agreed to the College's [Code of Academic Honesty](#). Academic misconduct affects a student's related grade and is reported to the College which applies an additional sanction including suspension. Outcomes about misconduct are communicated through UI email (<https://clas.uiowa.edu/students/handbook/academic-fraud-honor-code>).

Accommodations for Disabilities

UI is committed to an educational experience that is accessible to all students. A student may request academic accommodations for a disability (such as a mental health, attention, learning, vision, and a physical or health-related condition) by registering with Student Disability Services (SDS). The student is then responsible for discussing specific accommodations with the instructor. More information is at <https://sds.studentlife.uiowa.edu/>.

Administrative Home of the Course

The College of Liberal Arts and Sciences (CLAS) is the administrative home of this course and governs its add/drop deadlines, the second-grade-only option, and related policies. Other UI colleges may have different policies for courses offered by that college. CLAS policies may be found here: <https://clas.uiowa.edu/students/handbook>.

Classroom Expectations

Students are expected to comply with University policies regarding appropriate classroom behavior as outlined in the Code of Student Life (<https://dos.uiowa.edu/policies/code-of-student-life/>). This includes related UI policies and procedures that all students have agreed to regarding the COVID-19 pandemic. Particularly, **each student must wear a face mask when in a UI building, including a classroom**. The density of seats in classrooms has been reduced, and in some instances, this will allow 6 feet or more of distance while other cases, it may be less. Regardless, wearing a face mask and maintaining as much distance as is possible are vital to slowing the spread of COVID-19. In the event that a student disrupts the classroom environment through the failure to comply with a reasonable directive of an instructor or of the University, the instructor has the authority to ask that the student to leave the space immediately for the remainder of the class period. Additionally, the instructor is asked to report the incident to the UI Office of Student Accountability, with the possibility of additional follow-up with the student.

Students who need temporary alternative learning arrangements (TALA) for a future semester related to COVID-19 should visit this website for more information: <https://coronavirus.uiowa.edu/temporary-alternative-learning-arrangements-tala>.

Class Recordings: Privacy and Sharing

Some sessions of a course could be recorded or live-streamed. Such a recording or streaming will only be available to students registered for the course. These recordings are the intellectual property of the faculty, and they may not be shared or reproduced without the explicit written consent of the faculty member. Students may not share these sessions with those who are not enrolled in the course; likewise, students may not upload recordings to any other online environment. Doing so is a breach of the Code of Student Conduct and in some cases is a violation of the Federal Education Rights and Privacy Act (FERPA).

Communication and the Required Use of UI Email

Students are responsible for official correspondences sent to the UI email address (uiowa.edu) and must use this address for all communication within or with UI ([Operations Manual, III.15.2](#)).

Complaints

Students with a complaint about an academic issue should first visit with the instructor or course supervisor and then with the Chair of the department or program offering the course; students may next bring the issue to the College of Liberal Arts and Sciences. See this page for more information: <https://clas.uiowa.edu/students/handbook/student-rights-responsibilities>.

Final Examination Policies

The final exam schedule is announced around the fifth week of classes; students are responsible for knowing the date, time, and place of a final exam. Students should not make travel plans until knowing this information. No exams of any kind are allowed the week before finals with a few exceptions made for particular types of courses such as labs or off-cycle courses: <https://registrar.uiowa.edu/final-examination-scheduling-policies>.

Nondiscrimination in the Classroom

The University of Iowa is committed to making the classroom a respectful and inclusive space for people of all gender, sexual, racial, religious, and other identities. Toward this goal, students are invited in MyUI to optionally share the names and pronouns they would like their instructors and advisors to use to address them. The University of Iowa prohibits discrimination and harassment against individuals on the basis of race, class, gender, sexual orientation, national origin, and other identity categories set forth in the University's Human Rights policy. For more information, contact the Office of Equal Opportunity and Diversity (<https://diversity.uiowa.edu/eod>; +1 319 335-0705 or (diversity.uiowa.edu))

Sexual Harassment

Sexual harassment subverts the mission of the University and threatens the well-being of students, faculty, and staff. All members of the UI community must uphold the UI mission and contribute to a safe environment that enhances learning. Incidents of sexual harassment must be reported immediately. For assistance, please see <https://osmrc.uiowa.edu/>.