1. **Title of the module**

BUSN8016 (CB8016) Derivatives

1. **School or partner institution which will be responsible for management of the module**

Kent Business School

1. **The level of the module (Level 4, Level 5, Level 6 or Level 7)**

Level 7

1. **The number of credits and the ECTS value which the module represents**

15 credits (7.5 ECTS)

1. **Which term(s) the module is to be taught in (or other teaching pattern)**

Autumn or Spring

1. **Prerequisite and co-requisite modules**

None

1. **The programmes of study to which the module contributes**

MSc Finance (International Banking and Finance); MSc Finance (Financial Markets); MSc Finance (Finance, Investment and Risk)

1. **The intended subject specific learning outcomes.  
   On successfully completing the module students will be able to:**

8.1 Identify and clearly explain the fundamental concepts of derivatives.

8.2 Apply mathematical skills in pricing derivatives to problems of risk management.

8.3 Develop trading strategies for exploiting arbitrage opportunities.

8.4 Demonstrate knowledge and understanding of the theory of options and futures pricing.

8.5 Analyse various financial instruments in the context of developing portfolios for the purpose of hedging, speculation and arbitrage.

8.6 Assess risk management strategies in terms of relevance for specific corporate applications.

8.7 Demonstrate understanding of and ability to apply models for valuing derivative securities.

1. **The intended generic learning outcomes.  
   On successfully completing the module students will be able to:**

9.1 Analyse, compare, discuss, critically evaluate evidence and hypothesis. To structure, develop and defend complex arguments orally and in writing.

9.2 Plan work, use relevant sources and study independently.

9.3 Work in groups, synthesise debate, respond to different points of view and negotiate outcomes; ability to receive and use criticism and advice.

9.4 Ensure appropriate formats are selected for presentation of work, which includes the acknowledgement and reference of sources.

9.5 Analyse structured and unstructured problems.

9.6 Apply advanced mathematical skills.

1. **A synopsis of the curriculum**

Global derivative markets have exhibited spectacular growth in terms of volume of trading and use by both financial and non-financial institutions. Some of the world’s large institutions-Orange County, Baring, Metallgesellschaft, Negara, AIG, and Lehman Brothers have lost billions of dollars in the financial markets. Whilst national and international authorities have agonised over the regulation of derivative markets, it generated tremendous interest on the nature, operation, working mechanism and true significance of derivative products and markets in the financial system and the economy.

Indicative topics:

* Forwards: No arbitrage principle
* Futures: Marking-to-market, margins call and liquidity
* Swaps: Interest rate risk and measures for risk management
* Options: Arbitrage versus speculation, options trading strategies
* Credit Default Swaps: Selling protection or printing money
* Path Dependent Products
* Exotic Options
* Real-Estate and Subprime Loans: The bubbles that always burst
* Securitization Process and Asset-Backed Securities: Derivatives as weapons from mass destruction?

The module focuses on the principles and characteristics of the main derivative markets, products and instruments, such as Futures, Forward, Options, Swaps, Credit Default Products and Structured Products. It examines the role, significance and working mechanism of various derivatives products, their valuation method and the models underpinning the pricing and hedging of derivative instruments. The module will draw from the rapidly expanding body of academic and professional literature relating to derivatives and their applications in Financial Markets.

1. **Reading list (Indicative list, current at time of publication. Reading lists will be published annually)**

Hull, J.C., (2011), Options, Futures and Other Derivatives, 8th edn., London: Prentice Hall

Robert McDonald (2006), Derivatives Markets, 2nd edn., Boston: Addison Wesley

1. **Learning and teaching methods**

Total contact hours: 37

Private study hours: 113

Total study hours: 150

1. **Assessment methods**
   1. Main assessment methods

Group Technical Report (2500 words) (30%)

Examination, 2 hour (70%).

13.2 Reassessment methods

100% examination

1. **Map of module learning outcomes (sections 8 & 9) to learning and teaching methods (section12) and methods of assessment (section 13)**

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Module learning outcome** | *8.1* | *8.2* | *8.3* | *8.4* | *8.5* | *8.6* | *8.7* | *9.1* | *9.2* | *9.3* | *9.4* | *9.5* | *9.6* |
| **Learning/ teaching method** |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Private Study | **X** | **X** | **X** | **X** | **X** | **X** | **X** | **X** | **X** |  | **X** | **X** | **X** |
| Lectures | **X** | **X** | **X** | **X** | **X** | **X** | **X** | **X** | **X** |  | **X** | **X** | **X** |
| Seminars | **X** | **X** | **X** | **X** | **X** | **X** | **X** | **X** | **X** | **X** | **X** | **X** | **X** |
| Revision session | **X** | **X** | **X** | **X** | **X** | **X** | **X** | **X** | **X** |  | **X** | **X** | **X** |
| **Assessment method** |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Group Report | **X** | **X** | **X** | **X** | **X** |  | **X** | **X** | **X** | **X** | **X** | **X** | **X** |
| Exam | **X** | **X** | **X** | **X** | **X** | **X** | **X** | **X** | **X** |  | **X** | **X** | **X** |

1. **Inclusive module design**

The School recognises and has embedded the expectations of current equality legislation, by ensuring that the module is as accessible as possible by design. Additional alternative arrangements for students with Inclusive Learning Plans (ILPs)/declared disabilities will be made on an individual basis, in consultation with the relevant policies and support services.

The inclusive practices in the guidance (see Annex B Appendix A) have been considered in order to support all students in the following areas:

a) Accessible resources and curriculum

b) Learning, teaching and assessment methods

1. **Campus(es) or centre(s) where module will be delivered**

Canterbury

1. **Internationalisation**

Finance is an international language and associated quantitative techniques will reflect this. The intended learning outcomes are applicable worldwide as part of the universal principles of Finance. With regard to subject content, the material within the syllabus has been developed for use within an international educational setting for students who will apply financial theories in a wide range of international contexts. The reading list also has references to international research. Our international teaching team is also diverse and international. Our support for students in KBS is also internationally attuned, given our international student body.

**FACULTIES SUPPORT OFFICE USE ONLY**

**Revision record – all revisions must be recorded in the grid and full details of the change retained in the appropriate committee records.**

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| --- | --- | --- | --- | --- |
| Date approved | Major/minor revision | Start date of the delivery of revised version | Section revised | Impacts PLOs (Q6&7 cover sheet) |
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Revised FSO Jan 2018