

FINA 5350: Mathematical Finance
Fall 2018

This syllabus provides a general plan for the course; deviations may be necessary.

Instructor(s): Dr. John D. Diltz

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Office Hours: Monday and Wednesday 3:00 – 5:00 pm

Section Information: FINA 5350-001

Time and Place of Class Meetings: COB 140, Monday and Wednesday 5:30 – 6:50 pm

Description of Course Content: Intensive review of the mathematics necessary for graduate work in finance, with application to selected areas of business finance, investment analysis and financial markets.
Prerequisite: FINA 5311

Student Learning Outcomes:

1. Demonstrate knowledge of deterministic calculus principles.
2. Find the arbitrage-free value for a contingent claim in the binomial model.
3. Solve stochastic differential equations using Ito calculus.
4. Determine whether a stochastic process is a martingale.
5. Derive the Black-Scholes partial differential equation.
6. Derive the Black-Scholes European call option pricing model.

Required Textbooks and Other Course Materials: *Arbitrage Theory in Continuous Time, Third Edition*, Tomas Bjork, Oxford University Press, New York, 2009

Descriptions of major assignments and examinations: Three unit exams and a cumulative final exam.

Attendance: Expected, and highly recommended.

Grading: Each exam represents 25% of the student's grade.

Make-up Exams: Are not given under any circumstance. In the event an excused absence, the remaining exams will be re-weighted.

Drop Policy: Students may drop or swap (adding and dropping a class concurrently) classes through self-service in MyMav from the beginning of the registration period through the late registration period. After the late registration period, students must see their academic advisor to drop a class or withdraw. Undeclared students must see an advisor in the University Advising Center. Drops can continue through a point two-thirds of the way through the term or session. It is the student's responsibility to officially withdraw if they do not plan to attend after registering. **Students will not be automatically dropped for non-attendance.** Repayment of certain types of financial aid administered through the University may be required as the result of dropping classes or withdrawing. For more information, contact the Office of Financial Aid and Scholarships (<http://www.uta.edu/aao/faol/>).

Disability Accommodations: UT Arlington is on record as being committed to both the spirit and letter of all federal equal opportunity legislation, including *The Americans with Disabilities Act (ADA)*, *The Americans with Disabilities Amendments Act (ADAAA)*, and *Section 504 of the Rehabilitation Act*. All instructors at UT Arlington are required by law to provide “reasonable accommodations” to students with disabilities, so as not to discriminate on the basis of disability. Students are responsible for providing the instructor with official notification in the form of a **letter certified** by the Office for Students with Disabilities (OSD). Only those students who have officially documented a need for an accommodation will have their request honored. Students experiencing a range of conditions (Physical, Learning, Chronic Health, Mental Health, and Sensory) that may cause diminished academic performance or other barriers to learning may seek services and/or accommodations by contacting: **The Office for Students with Disabilities, (OSD)** <http://www.uta.edu/disability/> or calling 817-272-3364. Information regarding diagnostic criteria and policies for obtaining disability-based academic accommodations can be found at www.uta.edu/disability/.

Counseling and Psychological Services (CAPS) www.uta.edu/caps/ or calling 817-272-3671 is also available to all students to help increase their understanding of personal issues, address mental and behavioral health problems and make positive changes in their lives.

Non-Discrimination Policy: The University of Texas at Arlington does not discriminate on the basis of race, color, national origin, religion, age, gender, sexual orientation, disabilities, genetic information, and/or veteran status in its educational programs or activities it operates. For more information, visit uta.edu/eos.

Title IX Policy: The University of Texas at Arlington (“University”) is committed to maintaining a learning and working environment that is free from discrimination based on sex in accordance with Title IX of the Higher Education Amendments of 1972 (Title IX), which prohibits discrimination on the basis of sex in educational programs or activities; Title VII of the Civil Rights Act of 1964 (Title VII), which prohibits sex discrimination in employment; and the Campus Sexual Violence Elimination Act (SaVE Act). Sexual misconduct is a form of sex discrimination and will not be tolerated. *For information regarding Title IX, visit www.uta.edu/titleIX or contact Ms. Michelle Willbanks, Title IX Coordinator at (817) 272-4585 or titleix@uta.edu*

Academic Integrity: Students enrolled all UT Arlington courses are expected to adhere to the UT Arlington Honor Code:

I pledge, on my honor, to uphold UT Arlington’s tradition of academic integrity, a tradition that values hard work and honest effort in the pursuit of academic excellence.

I promise that I will submit only work that I personally create or contribute to group collaborations, and I will appropriately reference any work from other sources. I will follow the highest standards of integrity and uphold the spirit of the Honor Code.

UT Arlington faculty members may employ the Honor Code in their courses by having students acknowledge the honor code as part of an examination or requiring students to incorporate the honor code into any work submitted. Per UT System *Regents’ Rule* 50101, §2.2, suspected violations of university’s standards for academic integrity (including the Honor Code) will be referred to the Office of Student Conduct. Violators will be disciplined in accordance with University policy, which may result in the student’s suspension or expulsion from the University. Additional information is available at <https://www.uta.edu/conduct/>. Faculty are encouraged to discuss plagiarism and share the following library tutorials <http://libguides.uta.edu/copyright/plagiarism> and <http://library.uta.edu/plagiarism/>

Electronic Communication: UT Arlington has adopted MavMail as its official means to communicate with students about important deadlines and events, as well as to transact university-related business regarding financial aid, tuition, grades, graduation, etc. All students are assigned a MavMail account and

are responsible for checking the inbox regularly. There is no additional charge to students for using this account, which remains active even after graduation. Information about activating and using MavMail is available at <http://www.uta.edu/oit/cs/email/mavmail.php>.

Campus Carry: Effective August 1, 2016, the Campus Carry law (Senate Bill 11) allows those licensed individuals to carry a concealed handgun in buildings on public university campuses, except in locations the University establishes as prohibited. Under the new law, openly carrying handguns is not allowed on college campuses. For more information, visit <http://www.uta.edu/news/info/campus-carry/>

Student Feedback Survey: At the end of each term, students enrolled in face-to-face and online classes categorized as “lecture,” “seminar,” or “laboratory” are directed to complete an online Student Feedback Survey (SFS). Instructions on how to access the SFS for this course will be sent directly to each student through MavMail approximately 10 days before the end of the term. Each student’s feedback via the SFS database is aggregated with that of other students enrolled in the course. Students’ anonymity will be protected to the extent that the law allows. UT Arlington’s effort to solicit, gather, tabulate, and publish student feedback is required by state law and aggregate results are posted online. Data from SFS is also used for faculty and program evaluations. For more information, visit <http://www.uta.edu/sfs>.

Final Review Week: for semester-long courses, a period of five class days prior to the first day of final examinations in the long sessions shall be designated as Final Review Week. The purpose of this week is to allow students sufficient time to prepare for final examinations. During this week, there shall be no scheduled activities such as required field trips or performances; and no instructor shall assign any themes, research problems or exercises of similar scope that have a completion date during or following this week *unless specified in the class syllabus*. During Final Review Week, an instructor shall not give any examinations constituting 10% or more of the final grade, except makeup tests and laboratory examinations. In addition, no instructor shall give any portion of the final examination during Final Review Week. During this week, classes are held as scheduled. In addition, instructors are not required to limit content to topics that have been previously covered; they may introduce new concepts as appropriate.

Emergency Exit Procedures: Should we experience an emergency event that requires us to vacate the building, students should exit the room and move toward the nearest exit. When exiting the building during an emergency, one should never take an elevator but should use the stairwells. Faculty members and instructional staff will assist students in selecting the safest route for evacuation and will make arrangements to assist individuals with disabilities.

Course Schedule on next page.

Course Schedule
(Subject to Change at Instructor's Discretion)

Date	Topic	Text Chapter
August 22	Course Introduction / Calculus I	PowerPoint
27	Calculus II	PowerPoint
28	Calculus III	PowerPoint
Sept. 3	LABOR DAY – NO CLASS	
5	Calculus IV	PowerPoint
10	Calculus V	PowerPoint
12	Binomial Arbitrage-Free Pricing Model I	1, 2
17	Binomial Arbitrage-Free Pricing Model II	3
19	Exam I	PowerPoint, 1 – 3
24	Mathematics Background I	Appendices
26	Mathematics Background II	Appendices
Oct. 1	Mathematics Background III	Appendices
3	Stochastic Integrals I	4
8	Stochastic Integrals II	4
10	Stochastic Integrals III	4
15	Stochastic Differential Equations I	5
17	Stochastic Differential Equations II	5
22	Stochastic Differential Equations III	5
24	Exam II	Appendices, 4, 5
29	Portfolio Dynamics I	6
31	Portfolio Dynamics II	6
Nov. 5	Portfolio Dynamics III	6
7	Black-Scholes Model I	7
12	Black-Scholes Model II	7
14	Black-Scholes Model III	7, 10.4
19	Exam III	6, 7, 10.4
21	THANKSGIVING VACATION – NO CLASS	
26	The Greeks	9
28	Girsanov and Martingale Representation Theorems	10, 11
Dec. 3	American Options	21
10	FINAL EXAM Monday December 10, 5:30 pm	Cumulative