

<b>MODULE TITLE</b>	International Derivatives and Risk			
<b>MODULE LEVEL</b>	6			
<b>MODULE CREDIT POINTS</b>	20			
<b>SI MODULE CODE (if known)</b>	44-6897-00L			
<b>MODULE JACS CODE</b>	N300			
<b>SUBJECT GROUP</b>	Financial Services and Banking			
<b>MODULE DELIVERY PATTERN (✓ as applicable or give dates for non-standard delivery)</b> NB "Semester 3" ends on 31 July each year				
<b>LONG (2 semesters)</b>		<b>SHORT (1 semester)</b>		<b>NON-STANDARD DELIVERY</b>
Sem 1 & 2	✓	Sem 1		Start Date
Sem 2 & 3		Sem 2		End Date
		Sem 3		
<b>MODULE ASSESSMENT PATTERN (✓ as applicable - also complete Table A, Section 5, below)</b>				
Single Module Mark with Overall Module Pass Mark of 40%				✓
Single Module Mark - Pass/Fail only				
Up to Three Assessment Tasks with Pass Mark of 40% for each Task and Overall Module Pass Mark of 40%				
Up to Three Assessment Tasks - Pass/Fail only				
Other - if choosing "Other" please give further details of assessment pattern in the blank space below. "Other" should be chosen where, for example, a PSRB has specified an overall Module Pass Mark of higher than 40% - if so, give details below and specify higher pass mark. Or, eg, where PSRB has specified an Individual Task Pass Mark of higher than 40% give details in space below and complete final column in Table A, Section 5)				
Overall Module Pass Mark if other than 40% (subject to approval)				%
<b>MODULE INFORMATION (✓ as applicable - also complete Table A, Section 5)</b>				
Is a timetabled examination required for the assessment of this module?				✓
Is a timetabled examination required for the reassessment of this module?				✓
Is the module delivered wholly by Distance Learning (ie. not timetabled at SHU)				
Are any staff who are responsible for teaching on this module non-SHU employees?				
<b>MODULE STATUS (✓ as applicable to status of module in the context of current proposal)</b>				
<b>Unchanged:</b> an existing module, presented as unchanged from previous years				
<b>Modified:</b> an existing module being modified as a result of this validation, eg. changes to delivery or assessment pattern, title, credit weighting etc				
<b>New:</b> new module to be approved through current validation process				✓
If status is 'Modified', please give date when modified version is to be available from			Modified Version Available from September 2013	
<b>Breakdown of notional study hours by type</b> (Typically requires 10 hours of notional study time for 1 CATS credit)	<b>Tutor-Led (Contact Hours)</b>	<b>Tutor-Directed Study</b>	<b>Self-Directed Study</b>	<b>TOTAL STUDY HOURS for this Module</b>
	34	68	98	200
<b>OTHER COURSES FEATURING THIS MODULE (please list below)</b>				

## **1 AIM OF THIS MODULE**

To provide an appreciation of the nature, scope and controversies relating to derivatives markets' operations in the modern financial system. This should enhance students' ability to evaluate and analyse derivative instruments and operations, from which should be derived an ability to formulate strategies for the utilisation of specified derivative instruments in particular business/financial contexts relating to risk management, arbitrage or speculation.

## **2 BY ENGAGING SUCCESSFULLY WITH THIS MODULE YOU WILL BE ABLE TO**

- Become aware of the significance of derivatives transactions for the financial system and for business.
- Evaluate and synthesise relevant literature on the operation and significance of the derivatives markets and instruments.
- Undertake critical analysis, on both a theoretical level and a practical level, of the problems which may occur and the risks which may be incurred as a result of inappropriate utilisation of derivatives in a range of business/financial contexts
- Apply theoretical arbitrage principles to the pricing of specified derivative instruments, bearing in mind the impact of any factors that may have disrupted normal market behaviour.
- Evaluate various strategies which involve the utilisation of specified derivative instruments in particular economic/financial contexts

## **3 THESE ARE EXAMPLES OF THE CONTENT OF THE MODULE**

- nature of derivatives
- size and scope of markets ( latest BIS statistics)
- key definitions
- concept of arbitrage
- the concept of the market of price discovery in the context of the market disruption in 2007/08
- hedgers, speculators, arbitrageurs
- concept of gearing with derivatives
- do derivatives make markets more risky?
- OTC and exchange traded derivatives
- counterparty risk with derivatives
- the distinction between forwards, futures, swaps and options
- the nature of hybrid products
- theoretical principles relevant to analysis of forwards, futures, options and swaps
- credit derivatives, especially their role in the 2008 credit crunch
- strategies for utilisation of forwards, futures, swaps and options in managing risk
- strategies for utilisation of forwards, options futures and swaps as a speculation
- pricing of derivatives
- financial engineering with swaps and other derivatives
- option premium/ intrinsic value and time value & in and out of the money options
- pay off diagrams for options
- option pricing : Black Scholes model
- regulation and internal control of derivative risk

- derivatives as a substitute for equity & debt in capital structure
- non standard derivatives- for example commodity and equity swaps, weather derivatives, credit derivatives

#### **4 THESE ARE THE MAIN WAYS YOU WILL BE SUPPORTED IN YOUR LEARNING TO ACHIEVE THESE OUTCOMES**

Exposure to a wide-ranging literature and substantial reading activities form the building blocks of the programme of study. Overall, the learning will be case study based, applying the information, ideas and principles from prior readings to the analysis of practical case studies. Students will be encouraged to form small self-selected groups to discuss the case studies or controversial issues relating to derivatives, and groups will be asked to present their findings to the body of students.

Students will be provided with a detailed topic-by-topic reading list, encompassing general background material, specialist texts, journal items and contemporary professional literature, giving ample scope for both the broadening and deepening of prior knowledge. This reading list will be accessible via the blackboard site for the module, and at least one of the main currently recommended texts can be accessed on the “E-books” system on blackboard. Minimum reading requirements prior to contact sessions will be fully documented.

There will also be a “question and answer” folder on blackboard where answers to any student queries regarding the coursework or exam will be posted (the name of the student making the enquiry will not appear).

#### **5 THESE ARE THE WAYS THAT WILL BE USED TO ENABLE YOU TO DEMONSTRATE YOU HAVE MET THE LEARNING OUTCOMES**

Students will complete an individual assignment on a topical issue along with a time constrained examination which will test the full range of learning outcomes, yet focusing on the numerical components of the module.

**TABLE A: ASSESSMENT TASK INFORMATION**

<b>ASSESSMENT TASK</b>	<b>% weighting of overall module mark</b>	<b>Duration of task / word count / length of exam</b>	<b>In-module retrieval available?</b>	<b>Individual task pass mark ONLY IF OVER 40%**</b>
Time constrained examination	60	2 hours	no	
Single piece of individual written coursework	40	2,000 words	no	

#### **6 THIS IS HOW YOU WILL BE GIVEN FEEDBACK ON YOUR PERFORMANCE**

For coursework, each student will receive individual comments and an assessment grid via the SHU gradebook system within the prescribed SHU timescales. There will also be generic feedback on blackboard.

Assessment criterion	Fail	Pass 40 - 49%	Pass 50 - 59%	Pass 60 - 69%	Distinction 70%
Demonstrate an awareness of the significance of derivatives for the financial system and for business.	Little attempt to demonstrate depth of academic analysis.	<b>A reasonable attempt to demonstrate depth of academic analysis.</b>	A satisfactory attempt to demonstrate depth of academic analysis.	A good attempt to demonstrate depth of academic analysis.	Very clear, in depth, academic analysis and very good clarity of understanding
Evaluate and synthesise relevant literature on the issue selected topic	Little breadth of relevant information sources. Little or no evidence of depth of analysis.	<b>A basic attempt at using a range of relevant information sources. Little evidence of depth of analysis.</b>	A reasonable breadth of relevant information sources.	A good attempt at a breadth of relevant information sources and good utilisation of these.	A wide range of relevant information sources utilised to a high standard.

### Examination grid

There will be generic feedback on blackboard for the examination, together with indicative approaches which could have been taken to the examination questions.

Assessment criterion	Fail	Pass 40 - 49%	Pass 50 - 59%	Pass 60 - 69%	Distinction 70%
Written answers to questions covering a range of topics from the syllabus, relating to the specified outcomes	Little evidence of understanding the topics covered	Some evidence of understanding and application to the topics of the principles covered, but limited in range of knowledge evidenced	Reasonable evidence of understanding and application to the topics of the principles covered, some limitations in range of knowledge evidenced	Good evidence of understanding and application to the topics of the principles covered. A good range of knowledge evidenced	Evidence of a wide range of understanding and application to the topics of the principles covered.

## 7 THESE ARE EXAMPLES OF THE KEY LEARNING RESOURCES YOU WILL USE

Because some students may find it difficult to study the text books from scratch, a learning pack will be provided. This will form the introductory part of the pre-session reading and will consist of:

- learning outcomes for each session
- an introductory overview of the key concepts in each session
- a synthesis of the relevant theories for each session
- some practical examples of the application of these theories

This learning pack will be in hard copy, but will also be accessible via blackboard. Students will also be given a detailed pre-session reading list for each session which will enable students to undertake study of the topics at a higher level than that of the learning pack. Finally, a list of post-session readings will be given to build and develop what has been covered in the teaching sessions.

The reading list will be accessible via blackboard, and at least one of the currently recommended key texts is available in e –books.

**FINAL TASK**

<b>According to the Assessment Strategy shown in the Module Descriptor, which task will be the LAST TASK to be taken or handed-in? (Give task number as shown in the Assessment Strategy)</b>	Task No. 2
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**MODULE REFERRAL STRATEGY**

<b>Task for Task (as shown for initial assessment strategy)</b>	Y
<b>Single Referral Package for All Referred Students</b>	N

**REVISIONS**

<b>Date</b>	<b>Reason</b>
July 2012	Assessment Framework review