

Financial Markets and Investments (FM 2557B)

Course Outline

1. Course Information

Course Information

Course Name: Financial Markets and Investments

Course Number: FM 2557B

Term: Winter 2026

Lecture Times and Location

- Tuesday: 9:30–10:30 a.m.
- Thursday: 9:30–11:30 a.m.
- Location: WSC 240

Tutorial Time and Location

- Thursday: 4:30–5:30 p.m.
- Location: WSC 240

(Tutorials begin from the second week of the term.)

List of Prerequisites

A minimum mark of 60% in Calculus 1501A/B or Applied Mathematics 1413, or Calculus 1301A/B with a minimum mark of 85%.

List of Antirequisites

Business Administration 4413A/B

Unless you have either the prerequisites for this course or written special permission from the Department of Statistical and Actuarial Sciences to enroll in it, you may be removed and withdrawn from this course in accordance with university policy. This may be done after the add/drop deadline of the academic term, and the course will be marked as withdrawn (WDN) on your academic record. This decision may not be appealed.

2. Instructor Information

Instructors	Email	Office	Phone	Office Hours
Dr. Xiaoming Liu (Course Instructor)	xliu293@uwo.ca	WSC215	519-661-2111 (ext: 88233)	Tuesday 10:30-11:30am
Bilal Husain Xiaotian Zhu Jiaye Chen (Course TAs)	bhusain4@uwo.ca xzhu444@uwo.ca jche2823@uwo.ca			Monday 2:30 to 3:30pm Or 3:30 to 4:30pm

Office hour schedule will be finalized after consulting both students and TAs availability in January.

The tutorial scheduled each week will be led by a TA in person at WSC240, starting from the second week. During this time, the TA will review the solutions for the suggested textbook questions.

Students must use their Western (@uwo.ca) email addresses when contacting their instructors and be sure to indicate the course number (FM2557B) in the subject line. If the office hours do not work with your schedule, please reach out via email within the first week of the beginning term so that we can make adjustments accordingly.

3. Course Syllabus, Schedule, Delivery Mode

The textbook coverage from McDonald, R.L., Derivatives Markets (Third Edition, 2013) is as follows:

- Chapters 1–3
- Chapter 4 (4.1–4.4)
- Chapter 5 (5.1–5.4 and Appendix 5.B)
- Chapter 7 (7.1-7.3)
- Chapter 8 (8.1–8.3)
- Chapter 9 (9.1-9.3, selected topics)

Lecture Schedule

Week	Dates	Topic
1	Jan 6 & 8	Case study 1: Concept of derivatives (to discuss in Thursday's class) Chapter 1. Introduction to markets and derivatives Overview of stocks, bonds, and derivatives Buying, selling, and short selling Ex1.1-1.4, 1.7, 1.9, 1.12, 1.13 and PS1
2	Jan 13 & 15	• Chapter 2.1 Introduction to forwards, replicating portfolio, arbitrage Use payoff and profit diagram and cashflow table for risk and outcome analysis Ex2.2, 2.6-2.9 • Chapter 2.2-2.6 Introduction to calls and puts Ex2.4, 2.10-2.15, PS2 Tutorial 1 (Chapter 1)
3	Jan 20 & 22	Chapter 5.1-5.3: Deeper analysis of forwards with continuous dividends Ex5.2-5.10 (even numbered) 5.13-5.15 Tutorial 2 (Chapter 2)
4	Jan 27 & 29	Chapter 5.4 Future contracts: Margin and Marking to Market Ex5.11-5.12 Quiz 1 is scheduled in the tutorial time on Jan 29 (cover chapter 1 &2) No tutorial
5	Feb 3 & 5	Chapter 3 Various option strategies and put-call parity Ex3.2-3.8(even numbered) and Ex3.9-3.19 (odd numbered), PS3 Tutorial 3 (Chapter 5)

6	Feb 10 & 12	Chapter 4: Introduction to using options to manage risk, including asset allocation and cross hedging, financial engineering PS4 Tutorial 4 (Chapter 3)
7	Feb 16 - 20	Reading Week
8	Feb 24 & 26	Deeper analysis of option strategies Tutorial 5 (Chapter 4 & 9)
9	Mar 3 & 5	Review for Midterm test covering Chapters 1-5 and 9 Midterm Test is scheduled in the class time on March 5 No Tutorial this week
10	Mar 10 & 12	Chapter 7.1: Interest rate determinants Chapter 7.2 Interest rate forwards, Eurodollar futures No Tutorial this week
11	Mar 17 & 19	Chapter 7.3 Duration and convexity Asset-Liability matching Tutorial 6 (Chapter 7)
12	Mar 24 & 26	Chapter 8 Introduction and analysis of swaps Tutorial 7 (Chapter 7)
13	March 31 & Apr 2	Chapter 8: Tutorial 8 (Chapter 8)
14	April 7 & 9	Cover any outstanding material. Review for final exam.

Key Sessional Dates

Classes begin: January 5, 2026

Spring Reading Week: February 14 – 22, 2026

Classes end: April 9, 2026

Exam period: April 12 – 30, 2026

University Accreditation Program – Canadian Institute of Actuaries (CIA)

Honours Specialization Program in Actuarial Science

If you graduate from with an HSP in Actuarial Science, this course will be one of the courses that you will take in your program that will allow you to be exempt from the preliminary exams of the Society of Actuaries (SOA). This is under the new **CIA program accreditation program**. If your plan is to become a fully qualified actuary working in Canada, then all you would need to do is graduate from your HSP in actuarial science. You would then be eligible for the CIA Capstone Exam. Taking and passing this exam, along with an online module and a practice education course, would make you eligible to become an ACIA (associate of the Canadian Institute of Actuaries).

Please see the following link for full details:

<http://www.cia-ica.ca/membership/university-accreditation-program---home>

In addition to the university's internal policies on conduct, including academic misconduct, candidates pursuing credits for writing professional examinations shall also be subject to the **Code of Conduct and Ethics for Candidates in the CIA Education System** and the associated **Policy on Conduct and Ethics for Candidates in the CIA Education System**. (<https://www.cia-ica.ca/docs/default-source/2020/220065e.pdf>)

4. Course Materials

Textbook

Robert L. McDonald (2013). Derivatives Markets 3rd Ed, Pearson Education, ISBN 0-321-254308-4. **(Students need to purchase this edition. Second-hand or older editions will not be sufficient.)**

- Hardcover print, \$246.
- E-textbook (with 6-month access), \$67.99.

All other course material (including lecture notes and solutions to the select questions) will be posted to OWL: <https://westernu.brightspace.com/>

In addition, “iclicker” is adopted to run polls and quizzes during class, students need to download the iClicker student web app and create an iClicker account. Once you have done the enroll-in step in iClicker, I will add you to my iClicker course from Brightspace or use the invitation link: <https://join.iclicker.com/PDHF>.

Students are responsible for checking the course OWL site (<https://westernu.brightspace.com/>) regularly for news and updates. This is the primary method by which information will be disseminated to all students in the class.

If students need assistance with the course OWL site, they can seek support on the [OWL Brightspace Help](#) page. If students need assistance with iClicker, here are the online support resources: <https://wts.uwo.ca/iclicker/index.html>. Alternatively, they can contact the Western Technology Services Helpdesk. They can be contacted by phone at 519-661-3800 or ext. 83800.

5. Methods of Evaluation

Grading Scheme and Assessment Dates

The overall course grade will be calculated as listed below:

One quiz	15% (50 minutes, scheduled for January 29 in the tutorial time)
Midterm Test	30% (90 minutes, scheduled for March 5 in the class time)
Class participations	5% (Ongoing iClicker points)
Final Exam	50% (To be scheduled by Registrar's Office)

Total 100%

Calculators: Any non-programmable calculator may be used in this course.

Format of Exams (except for the class participations listed above): In-person, closed-book, a mix of calculations and short answer questions. Any smart devices and AI tools are prohibited during the exams.

Note: After receiving grades, students will have seven days to submit any regrade requests. After this seven-day period, regrade requests will NOT be accepted.

iClicker points are collected throughout the term. The **use of generative AI tools for iClicker questions is permitted**. However, students are encouraged to respond based on their own understanding, as the instructor primarily uses iClicker to (1) collect feedback on content that has been discussed and (2) engage students' interest and preparation for upcoming topics. As a result, fewer than 20% of iClicker questions award points based on the correctness of responses. Regular class attendance and participation are sufficient to earn full iClicker credit.

75% of the total iclicker points=5%

70% of the total iclicker points=4%

60% of the total iclicker points=3%

50% of the total iclicker points=2%

40% of the total iclicker points=1%

General information about missed coursework

Students must familiarize themselves with the *University Policy on Academic Consideration – Undergraduate Students in First Entry Programs*, posted on the Academic Calendar:

https://uwo.ca/univsec/pdf/academic_policies/appeals/academic_consideration_Sep24.pdf,

This policy does not apply to requests for Academic Consideration submitted for **attempted or completed work**, whether online or in person.

The policy also does not apply to students experiencing longer-term impacts on their academic responsibilities. These students should consult [Accessible Education](#).

For procedures on how to submit Academic Consideration requests, please see the information posted on the Office of the Registrar's webpage:

https://registrar.uwo.ca/academics/academic_considerations/

All requests for Academic Consideration must be made within 48 hours after the assessment date or submission deadline.

All Academic Consideration requests must include supporting documentation; however, recognizing that formal documentation may not be available in some extenuating circumstances, the policy allows students to make one Academic Consideration request **without supporting documentation** in this course. However, the following assessments are excluded from this and, therefore, always require formal supporting documentation:

- Examinations scheduled during official examination periods (Defined by policy)
- **Midterm Test**

Absences from the scheduled quiz

When a student misses the scheduled quiz due to illness or other serious circumstances, you will be given an opportunity to write a make-up quiz.

Absences from the scheduled Mid-term Test

When a student misses the midterm test due to illness or other serious circumstances, you must provide valid medical or supporting documentation to the Academic Counselling Office of your Faculty of Registration as soon as possible.

If you are given approval from academic counselling, you will write a make-up mid-term.

Absences from Final Examinations

If you miss the Final Exam, please contact the Academic Counselling office of your Faculty of Registration as soon as you are able to do so. They will assess your eligibility to write the Special Examination (the name given by the University to a makeup Final Exam).

When a student misses the Final Exam and their Academic Consideration has been granted, they will be allowed to write the Special Examination (the name given by the University to a makeup Final Exam). See the Academic Calendar for details (under [Special Examinations](#)), especially for those who miss multiple final exams within one examination period.

6. Additional Statements

6.1 Religious Accommodation

When a recognized religious holiday or observance conflicts with an examination, test, or other scheduled academic obligation, students must request accommodation via the University's Student Absence Portal (SAP). This request should identify the conflict and specify which course component(s) (e.g. test, midterm, exam) are affected.

Students are encouraged to submit the SAP request as early as possible, but no later than two weeks before any examination, or one week before any mid-term test or quiz, to allow sufficient time for adjustment.

The SAP request serves as official notification to both the course instructor and the Academic Advising Office, in accordance with University policy:

https://www.uwo.ca/univsec/pdf/academic_policies/appeals/accommodation_religious.pdf

The Faculty of Science considers religious accommodations as scheduling conflicts. Instructors should provide either a make-up exam or an earlier sitting of the same exam to accommodate the student.

For more information on recognized religious holidays, please visit the Diversity Calendar posted on the Equity, Diversity & Inclusion website - <https://www.edi.uwo.ca>

6.2 Academic Accommodation Policies

Students with disabilities are encouraged to contact Accessible Education, which provides recommendations for accommodation based on medical documentation or psychological and

cognitive testing. The policy on Academic Accommodation for Students with Disabilities can be found at:

https://www.uwo.ca/univsec/pdf/academic_policies/appeals/Academic_Accommodation_disabilities.pdf.

6.3 General Academic Policies

The website for Registrar Services is <https://www.registrar.uwo.ca/>.

Use of @uwo.ca email: In accordance with policy, https://www.uwo.ca/univsec/pdf/policies_procedures/section1/mapp113.pdf, the centrally administered e-mail account provided to students will be considered the individual's official university email address. It is the responsibility of the account holder to ensure that emails received from the University at their official university address are attended to in a timely manner.

Requests for Relief (formally known as “appeals”)

Policy on Request for Relief from Academic Decision:

https://uwo.ca/univsec/pdf/academic_policies/appeals/requests_for_relief_from_academic_decisions.pdf

Procedures on Request for Relief from Academic Decision (Undergraduate):

https://uwo.ca/univsec/pdf/academic_policies/appeals/undergrad_requests_for_relief_procedure.pdf

6.4 Scholastic Offences

Policy on Scholastic Offences:

https://uwo.ca/univsec/pdf/academic_policies/appeals/scholastic_offences.pdf

Procedures on Scholastic Offences (Undergraduate):

https://uwo.ca/univsec/pdf/academic_policies/appeals/undergrad_scholastic_offence_procedure.pdf

Use of Electronic Devices During Assessments

In courses offered by the Faculty of Science, the possession of unauthorized electronic devices during any in-person assessment (such as tests, midterms, and final examinations) is strictly prohibited. This includes, but is not limited to: mobile phones, smart watches, smart glasses, and wireless earbuds or headphones.

Unless explicitly stated otherwise in advance by the instructor, the presence of any such device at your desk, on your person, or within reach during an assessment will be treated as a *scholastic offence*, even if the device is not in use.

Only devices expressly permitted by the instructor (e.g., non-programmable calculators) may be brought into the assessment room. It is your responsibility to review and comply with these expectations.

Use of Generative AI Tools

Unless otherwise stated, the use of generative AI tools (e.g., ChatGPT, Microsoft Copilot, Google Gemini, or similar platforms) is **not permitted** in the completion of any course assessments, including but not limited to: assignments, lab reports, presentations, tests, and final examinations.

Using such tools for content generation, code writing, problem solving, translation, or summarization—when not explicitly allowed—will be treated as a **scholastic offence**.

If the use of generative AI is permitted for a particular assessment, the conditions of use will be specified by the instructor in advance. If no such permission is granted, students must assume that use is prohibited. It is your responsibility to seek clarification before using any AI tools in academic work.

6.5 Support Services

Please visit the Science & Basic Medical Sciences Academic Advising webpage for information on adding/dropping courses, academic considerations for absences, requests for relief, exam conflicts, and many other academic-related matters: <https://www.uwo.ca/sci/counselling/>.

Students who are in emotional/mental distress should refer to Mental Health@Western (<https://uwo.ca/health/>) for a complete list of options about how to obtain help.

Western is committed to reducing incidents of gender-based and sexual violence (GBSV) and providing compassionate support to anyone who has gone through these traumatic events. If you have experienced GBSV (either recently or in the past), you will find information about support services for survivors, including emergency contacts, at:

https://www.uwo.ca/health/student_support/survivor_support/get-help.html.

To connect with a case manager or set up an appointment, please contact support@uwo.ca.

Please contact the course instructor if you require lecture or printed material in an alternate format or if any other arrangements can make this course more accessible to you. If you have any questions regarding accommodations, you may also wish to contact Accessible Education at

http://academicsupport.uwo.ca/accessible_education/index.html