



FIL 347 - Financial Futures, Options, & Swaps

Fall 2025

Professor: Dr. Gunratan (Gene) Lonare

Day and time: Tuesday and Thursday (11:00 AM – 12:15 PM)

Location: State Farm Hall of Business 149

Email: gglonar@ilstu.edu (always mention “FIL 347” in your email subject)

Office Hours: Tuesday and Thursday (1.00pm – 2.00pm) or by appointment on any other days

Office: SFHB 340

Course Description

Financial derivatives tools have become a prevalent investment and have been heavily used by corporations, institutions, and individuals over the past decade. These tools are mainly known to reduce the lower tail of the risk. However, they are also used for speculative purposes.

This course provides a basic understanding of financial derivatives, such as forwards, futures, and options. It discusses how these tools are used to achieve various hedging and speculating objectives. It also introduces a framework for derivatives pricing and demonstrates some hedging and trading strategies.

Required material

***Textbook:* Fundamentals of Futures and Options Markets by John Hull, 9th edition**

This is the latest edition of the textbook. My class slides are based on this updated edition. But you can also use the previous editions (recommended 7-8) of this book; it won't affect the course content. It's your choice whether to buy it or not.

Instructional Methods and Course material

This course will be conducted in person with classroom lectures. Online homework will be assigned after the completion of each chapter. Class participation and discussion are highly recommended. Course material will be posted periodically on the Canvas course page as we progress through the course. All the grades on homework and exams will be available on your Canvas account.

Exam and homework policies

Students are required to regularly check their Canvas account for announcements on Exam dates and homework due dates. The excuse of not checking the announcements for missing due dates will not be considered. A student failing to take any Exam without valid proof (based on ISU policies) will be given a zero score for the exam. Additionally, missing homework deadlines will result in a zero score for the homework assignment.

Grading Policy

	Weightage	Final grades based on Total %
Exam 1	20%	$\geq 90\% = A$
Exam 2	20%	80-89% = B
Exam 3	20%	70-79% = C
Homework	20%	60-69% = D
Project 1	5%	$< 60\% = F$
Project 2	10%	
Attendance	5%	
Total	100%	

Exams:

- There are a total of **three exams**. Scores of all three exams will be considered for your final grade.
- All exams are **closed-book**. They are **in-person computer-based exams and will be conducted in a computer lab**.
- You are allowed to bring 1 page (max 8.5"x11" or print paper size) of **handwritten note** (could be on both sides).
- You are also **allowed to use Excel** and any calculator during tests.
- The exams are **NOT cumulative**.
- Exams will cover homework and lecture notes consistent with the tentative class schedule. The format of the exams will be multiple-choice (a mix of numerical and conceptual) questions.
- Students who are unable to attend a scheduled examination must present valid documentation approved by ISU's policies before the test date (at least one week before in case of non-health reasons). The student will receive a zero score in case of missed exams without valid documentation.
- Students must send me the documents/proofs for their missing classes or exams. These documents/proofs should first be validated by the Dean of Students Office (DeanOfStudents@IllinoisState.edu)

Homework:

- Homework will be assigned (individually) on each chapter on Canvas.
- Homework will have due dates. No late homework is allowed.
- **The lowest HW score will be dropped.**

Projects:

There are two projects for this course. You will be working individually on these projects. I will provide more details about these projects in the class.

Attendance and Participation

- Please check out the university's information on excused absences.
<https://news.illinoisstate.edu/2022/02/faq-university-excused-absences/>
<https://deanofstudents.illinoisstate.edu/contact/absence/>
- **I offer extra credit to those who regularly participate in the class discussion.** Class participation includes, but is not limited to, answering my questions in class, asking me questions in class or over email, and discussing anything related to the course outside the class. The class participation points are on a relative basis and depend on the level of participation during the entire semester. Students will see their accumulated points at the end of the semester.

Course outline	
Topic	Chapter # from Hull textbook
Introduction	1
Futures Markets and Central Counterparties	2
Hedging Strategies Using Futures	3
Exam 1 (Sept 18, class time)	Location: Basement Lab 22G
Determination of Forward and Futures Prices	5
Mechanics of Options Markets	9
Trading Strategies Involving Options	11
Exam 2 (Oct 23, class time)	Location: Basement Lab 22G
Valuing Stock Options: The BSM model	13
Properties of Stock Options	10
Introduction to Binomial Trees	12
Use of AI for Option Trading	
Exam 3: Monday, December 8, from 2:20 PM to 3:50 PM in Lab 22G	

** There could be minor changes to this schedule. Any changes will be announced in class.

College of Business Mission

Through our shared commitment to excellence in teaching, research, and service, we prepare students to be skilled and ethical business professionals who will make significant positive contributions to organizations, to communities, and to our larger society.

Academic Integrity

Students enrolled in College of Business classes are expected to maintain high standards of ethical conduct when completing assignments, projects, and/or exams. Cheating and other forms of academic dishonesty, such as plagiarism, will not be tolerated.