



FIL 347 - Financial Futures, Options, & Swaps
Spring 2026

Professor: Dr. Gunratan (Gene) Lonare

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

Location: State Farm Hall of Business 353

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%	>=90% = A
Exam 2	20%	80-89% = B
Exam 3	17%	70-79% = C
Homework	20%	60-69% = D
Project 1	5%	< 60% = F
Project 2	10%	
Attendance	5%	
Professionalism	3%	
Total	100%	

Please note that no additional homework or assignments will be offered to increase grades, so please don't ask for it.

Exams (57%):

- There are **three exams**, and **scores of all three exams will be considered** for your final grade.
- They are **in-person computer-based exams (closed-book) conducted in a computer lab**.
- The exams may be administered on **LockDown Browser** or **ProctorTrack**.
- You are allowed to bring 1 page (max 8.5"x11" or print paper size) of a **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 are responsible for ensuring their ISU login credentials are functional**. If an exam is administered in a computer lab, **students must use the lab computers** and may not use personal laptops.
- 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 (20%):

- 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 (15%):

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. **Projects that rely entirely on AI-generated work, without meaningful student input, will receive a zero score.**

Attendance (5%):

- Attendance is taken at the end of every class.
- 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/>

Professionalism and Ethical Conduct (3%):

All students are expected to be familiar with and adhere to the College of Business Standards of Professional Behavior and Ethical Conduct, available at:

<https://business.illinoisstate.edu/downloads/about/Standards%20of%20Professional%20Behavior.pdf>

Please note that only bottled water may be consumed in the classroom. Professionalism accounts for 3% of the final course grade and reflects students' conduct throughout the semester. Professional behavior includes being respectful, attentive, and prepared. Professionalism points may be **reduced** for behaviors that are unprofessional, including but not limited to:

- Repeatedly arriving late, leaving early, or exiting during class activities
- **Use of mobile phones, laptops**, or other electronic devices unless it is permitted.
- Mobile phone ringing during class
- Side conversations or disruptive behavior
- Eating or drinking in the classroom (except water)

Professional communication is a frequent concern raised by employers. Students are expected to demonstrate professionalism in all course-related communications. When sending emails, students should:

- Clearly indicate the course name and/or number
- Address the instructor appropriately (e.g., **Dr.** or **Professor**)
- Sign their full name (students are encouraged to create an automatic email signature)
- Avoid informal language, slang, or improper grammar in emails
- Include Email signatures information such as: major and expected graduation year, relevant student organization leadership roles, certifications earned.

The Professionalism points will be updated at the end of the semester.

Class Participation (extra points)

I offer extra credit to students who regularly participate in class discussions. Class participation includes, but is not limited to, asking or answering substantive questions in class and engaging in discussions related to course concepts, both inside and outside the classroom. Participation credit is awarded based on the *quality and relevance* of contributions; administrative or logistical questions (e.g., whether material will be on an exam) do not count toward participation. Participation points are awarded on a relative basis and reflect sustained engagement over the entire semester. Students will see their accumulated participation points at the end of the semester and may receive a higher course grade based on these points and the number of points required to earn a higher grade.

Course outline	
Topic	Chapter # from Hull textbook
Introduction	1
Futures Markets and Central Counterparties	2
Hedging Strategies Using Futures	3
Exam 1 (Feb 19, class time)	Location: Basement Lab 16C
Determination of Forward and Futures Prices	5
Mechanics of Options Markets	9
Trading Strategies Involving Options	11
Exam 2 (April 2, class time)	Location: Basement Lab 16C
Valuing Stock Options: The BSM model	13
Properties of Stock Options	10
Introduction to Binomial Trees	12
AI in Finance	
Exam 3: Based on ISU schedule	

** 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.