SIMON FRASER UNIVERSITY
Department of Economics

Course:	Economics 410	**Semester:**	Summer 2007
Title:	Monetary Economics: Markets for Risk	**Instructor:**	R. Jones
Prerequisites:	Econ. 210, 301, 305; 60 credit hours		

Course description:

The past twenty years has witnessed extraordinary innovation in financial markets. A major development is the splitting out and trading separately the various 'risks' associated with holding particular assets.

This course examines the institutions and markets through which risks are bought and sold. These include organized exchange and over-the-counter markets for interest rate, foreign exchange, commodity, weather, credit and other derivatives securities. It also includes the markets for asset swaps, asset backed securities, structured credit obligations, alternative risk transfer arrangements, market crash risk insurance, catastrophe bonds and reinsurance.

Our objective is to gain an understanding of the market, regulatory and accounting forces driving these innovations and their contractual forms. Some of the quantitative tools used to quantify, price and manage the risks associated with transacting in these markets will be introduced. Thus basic knowledge of probability and statistics will be helpful. There may be some use of calculus in the course.

Grade will be based on a midterm and a final exam, a term paper and a class presentation required. Tentatively, the midterm will count for 25% of the grade, the final 35%, the term paper 25% and the class presentation 15%.

Textbook:

The course does not follow any single textbook. However several chapters of John Hull, *Options, Futures and Other Derivatives*, 6th ed (2006) will be required reading and its purchase is recommended. Assigned readings will be drawn from this and other books, journal articles, working papers and industry materials.