

[Required]



MIAMI
BUSINESS SCHOOL

SYLLABUS
FIN 415 – TRADING AND MARKETS
SUMMER INTERSESSION 2019

Instructor	Lorenzo Naranjo, PhD
Office	Jenkins 514N
Office Hours	Before or after class, or by appointment
Email	lnaranjo@miami.edu
Phone	(305) 284-9491
Course website	via Blackboard (www.courses.miami.edu)

Course Description: This course provides an introduction to the functioning of financial markets and the fast changing field of market microstructure. On the equity trading side, the course covers major exchanges such as NYSE Euronext and Nasdaq OMX, and new players such as BATS and Direct Edge. Students also learn about dark pools, options and futures exchanges, electronic bond trading platforms, and currency trading systems. In addition, the course provides a summary of different market structures, the role of market participants, different order types, trading strategies, and trading externalities. The course draws on theories and tools from economics and behavioral finance, current institutional practices and market regulation.

Learning Objectives:

1. Possess a firm understanding of trading in modern financial markets
2. Demonstrate the ability to integrate concepts across the business curriculum
3. Solve business problems by employing appropriate analytical models and tools
4. Develop the ability to think critically

Textbook:

- *Trading and Exchanges: Market Microstructure for Practitioners*, Larry Harris, 1st Edition, Oxford University Press, ISBN 978-0195144703 [Required]

Books

- *Flash Boys: A Wall Street Revolt* by Michael Lewis, W. W. Norton & Company, 1st Edition, ISBN-13: 978-0393351590 [Required]
- *Dark Pools: The Rise of the Machine Traders and the Rigging of the U.S. Stock Market*, Scott Patterson, Crown Business, ISBN 978-0307887184 [Recommended]

Course Materials:

1. UM Blackboard: Lecture notes, handouts, announcements, problem sets and their solutions etc. will be posted on the Blackboard page for this course. Please check it regularly and contact me directly if you are having trouble accessing the course website. Hard copies of the lecture notes will be provided in class.
2. Calculator: You might need a calculator for your examinations. A simple calculator is enough, although you're allowed to use a financial calculator if you prefer (we won't discount anything in this course).

Assessment: Course learning objectives will be assessed as follows.

	<u>Points</u>
Group Presentation	15
Homework	15
Participation	10
Exam I	30
Exam II	30
	<u>100</u>

1. Group Presentation: There will be a group project to be worked in groups of 3 to 4 students. The deliverable will be a 20 minutes in-class presentation on a subject related to the class, and a short report based on the presentation. Each group should be ready to answer questions from the audience. The grade of this assignment will be determined based on the quality of the report and presentation, cohesiveness of the group, insightfulness of the topic chosen, answers to audience questions, and class participation. Failure to attend other presentation sessions will significantly reduce the grade on your presentation. More information will be given in class.
2. Homework: There will be one homework assignment that will test your reading comprehension of a book that you will have to read beforehand (Flash Boys by Michael Lewis). More information will be posted on Blackboard.
3. Exams: There will be two non-cumulative exams taking place in class on the dates indicated in the teaching schedule. If you miss an exam for a valid reason, you can make up for the missed exam shortly after. If you must miss an exam you need to have my authorization first. I reserve the right to deny this permission. All examinations are closed notes and closed book. You might need a calculator so make sure that you have one. However, no other electronic devices (phones, smart-watches, iPads, laptops, etc.) are allowed during the exam.
4. Class participation: Students who make a significant positive contribution to the learning environment of the classroom through participating in discussions and asking meaningful questions will be awarded points. Therefore, it is in your best interest to come to class prepared and participate. However, having private conversations with other students during class, checking your cellphone or being absorbed in your computer is strongly discouraged and will affect negatively your participation grade. Poor attendance will also affect negatively

your participation grade. Finally, spending time with me in office hours does not count towards your participation grade.

5. **Attendance:** You are expected to attend all lectures. Please seek permission from me before the class if you have to miss a lecture, or if you have to leave early. The finance department requires you to attend at least 80% of the classes to receive a passing grade, and poor attendance will negatively affect your participation grade.
6. **Honor Code:** All students must comply with University policies for conduct and academic honesty at all times during this course. Details of your responsibilities are described in School of Business Administration's policy statement on scholastic dishonesty. Any violations of these policies will result in referral to the appropriate administrative body.

Classroom Civility: Your behavior should respect your classmates desire to learn. Try not to come late to class. Please do not engage in side conversations or texting during the lecture. The use of cellphones is prohibited and ask my permission to use your laptop.

Students with Disabilities: The University of Miami provides upon request appropriate academic accommodations for qualified students with disabilities. For more information, please contact the Office of Student Disabilities, 305-284-2800 (<http://umarc.miami.edu/arc/ODS.html>).

Religious Holy Days: By University of Miami policy, you must notify me of your pending absence at least fourteen days prior to the date of observance of a religious holy day. If you must miss a class, an examination, a work assignment, or a project in order to observe a religious holy day, you will be given an opportunity to complete the missed work within a reasonable time after the absence.

Detailed Class Schedule:

Date	Time	Topics	Readings
5/10	4PM – 8PM	Class overview and introduction Bargaining Auctions (1)	
5/13	4PM – 8PM	Auctions (2) The trading industry Orders and order properties (1)	Harris Ch. 3, 8 Harris Ch. 4
5/14	4PM – 8PM	Orders and order properties (2) Market structures	Harris Ch. 5
5/15	4PM – 8PM	Order-driven markets	Harris Ch. 6
5/16	4PM – 8PM	Dealer markets Review for Exam #1	Harris Ch. 13
5/17	6PM – 8PM	Exam #1	
5/20	4PM – 8PM	The bid-ask spread Hybrid markets Dark liquidity	Harris Ch. 13 Harris Ch. 14 Harris Ch. 25
5/21	4PM – 8PM	Fees, rebates and soft dollars Market regulation Homework [Flash Boys]	Harris Ch. 7
5/22	4PM – 8PM	Trading costs Informed traders	Harris Ch. 21 Harris Ch. 10
5/23	4PM – 8PM	Review for Exam #2 Group presentations	
5/24	6PM – 8PM	Exam #2	