**Department of Statistical and Actuarial Sciences**

 **FM9593B Course Outline**

**1. Course Information**

**Course Information**

**Course Name:** Monte Carlo Methods and Financial Applications

**Course Number:** FM9593B

**Academic Term:** Winter, 2024

**Lecture Hours:** Monday 1:30 – 2:30 PM Wednesday 1:30-3:30 PM

**Lecture Room**: WSC 248

**List of Prerequisites**

A third-year undergraduate understanding of probability and statistics is required for this course. Students should be comfortable with commonly used univariate and multivariate distributions, expectations (including variance and covariance), transformation of variables, linear regression, estimation, and basic statistical tests. The ability to program in a quantitative programming environment such as R is also required. It would be helpful (although not necessary) to have basic knowledge of ordinary and partial differential equations, stochastic processes, stochastic differential equations, and Ito calculus. As most of the examples are from financial applications, some knowledge of finance and derivatives pricing would also be useful.

Unless you have either the requisites for this course or written special permission from your Dean’s Designate (Department/Program Counsellors and Science Academic Advisors) to enroll in it, you may be removed from this course and it will be deleted from your record. This decision may not be appealed. You will receive no adjustment to your fees in the event that you are dropped from a course for failing to have the necessary prerequisites.

**2. Instructor Information**

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| **Instructors** | **Email** | **Office** | **Phone** | **Office Hours** |
| Dr. Ankush Agarwal(Course Coordinator) | aagarw93@uwo.ca | WSC 227 | 519-661-2111 (x89731) |  |
| TA (TBA)  |  |  |  |  |

Students must use their Western (@uwo.ca) email addresses when contacting their instructors.

Office hours: in-person at the specified time or via Zoom by appointment.

**3. Course Syllabus, Schedule, Delivery Mode**

This course introduces Monte Carlo simulation methods and demonstrates their applications in finance. The following topics are covered:

1. Random number generation for uniform, non-uniform, discrete and continuous distributions.
2. Sample path generation in stochastic financial models.
3. Variance reduction techniques.
4. Discretization methods.
5. Special topics as time allows.

Learning Outcomes

1. Upon successful completion of this course, students will be able to use Python to design and conduct Monte Carlo simulations.
2. Deploy appropriate Monte Carlo methods based on the problem.
3. Conduct thorough analysis of the estimation accuracy of Monte Carlo estimators.

Classes begin: January 6, 2025

Spring Reading Week: February 15 – 23, 2025

Classes end: April 4, 2025

Exam period: April 7 – 30, 2025

**Contingency plan**

Although the intent is for this course to be delivered in person, should any university-declared emergency require some or all of the course to be delivered online, either synchronously or asynchronously, the course will adapt accordingly. The grading scheme will **not** change. Any assessments affected will be conducted online as determined by the course instructor.

**4. Course Materials**

**Reference book**: Monte Carlo methods in financial engineering by Paul Glasserman ($96.85).

<https://bookstore.uwo.ca/textbook-search?campus=UWO&term=12025&courses%5B0%5D=001_UW/FM9593B>

**Required software**: Latest version of Python and Jupyter notebook. Anaconda navigator is recommended but any other package manager can also be used.

All course material will be posted to OWL: https://westernu.brightspace.com/

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](https://brightspacehelp.uwo.ca/) page. Alternatively, they can contact the Western Technology Services Helpdesk. They can be contacted by phone at 519-661-3800 or ext. 83800.

**Technical Requirements**

Relatively modern personal computer (desktop or laptop) is required to conduct Monte Carlo simulations.

**5. Methods of Evaluation**

**Grading Scheme and Assessment Dates**

The overall course grade will be calculated as listed below:

Assignments (5) 30%

Midterm 30%

Oral Presentation 10%

Final Project 30%

5 assignments will be given out roughly one every two weeks. All assignments must be done electronically (all assignments must be prepared as a Jupyter Notebook) and be submitted to OWL before deadline.

There will be a 2-hour closed book and in-person midterm, tentatively setting on February 28, 6:00 pm to 8:00pm. It will be booked and confirmed through the Exam Central. Exam room info will be posted once it is available.

There will be a course project with oral presentation involved. The maximum number of students in each group will be 2 and it might change later depending on the number of students enrolled in this course. The oral presentation will contribute 10% toward the final grade. 30% will be graded based on your written project. Be aware that each member in a group must contribute equally to your project in terms of preparation, codling, debugging, running, writing slide/project (so that you will be given the same grade). Otherwise, different grade is given based on the amount of work you contribute to.

Presentation Slides Due: March 25, 11:55 pm. To be submitted through OWL (pdf or PowerPoint).

Last three or four lectures are reserved for your oral presentations. Each group will have about 15 minutes to present including Q & A.

Written Project Due: April 28 11:55 pm. To be submitted through OWL with dataset if applicable.

**Final grades** on this course, irrespective of the number of decimal places used in marking individual assignments and tests, will be calculated to one decimal place and rounded to the nearest integer, e.g., 74.4 becomes 74, and 74.5 becomes 75. Marks WILL NOT be bumped to the next grade or GPA, e.g. a 79 will NOT be bumped up to an 80, an 84 WILL NOT be bumped up to an 85, etc. The mark attained is the mark you achieved, and the mark assigned; requests for mark “bumping” will be denied.

**6. Student Absences**

**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://www.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](http://academicsupport.uwo.ca/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:

* Group Project

Upon successful Academic Consideration request with appropriate supporting documentation, an extension of 72 hours will be provided for the oral presentation and report submission of the group project deadlines.

Late Submissions for Assignments

* Assignments that are submitted late will be subject to a 20% penalty per day or portion thereof, including weekends and holidays.
* Assignments that are submitted 5 or more days late will not be graded.

No makeup midterm is given. The weight may be redistributed to other categories by the instructor.

**7. Additional Statements**

**Religious Accommodation**

When conflicts with a religious holiday that requires an absence from the University or prohibits certain activities, students should request an accommodation for their absence in writing to the course instructor and/or the Academic Advising office of their Faculty of Registration. This notice should be made as early as possible but not later than two weeks prior to the writing or the examination (or one week prior to the writing of the test).

Please visit the Diversity Calendars posted on our university’s EDID website for the recognized religious holidays:

[https://www.edi.uwo.ca](https://www.edi.uwo.ca/).

**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](https://www.uwo.ca/univsec/pdf/academic_policies/appeals/Academic%20Accommodation_disabilities.pdf).

**Academic Policies**

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

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 e-mail address. It is the responsibility of the account holder to ensure that e-mail received from the University at their official university address is attended to in a timely manner.

No electronic devices will be permitted on the midterm exam.

**Scholastic offences** are taken seriously and students are directed to read the appropriate policy, specifically, the definition of what constitutes a Scholastic Offence, at the following Web site:

<https://www.uwo.ca/univsec/pdf/academic_policies/appeals/scholastic_discipline_undergrad.pdf>.

**Support Services**

Please visit the Science & Basic Medical Sciences Academic Advising webpage for information on adding/dropping courses, academic considerations for absences, appeals, 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 and providing compassionate support to anyone who has gone through these traumatic events. If you have experienced sexual or gender-based violence (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. You may also wish to contact Accessible Education at

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

if you have any questions regarding accommodations.

Learning-skills counsellors at Learning Development and Success ([https://learning.uwo.ca](https://learning.uwo.ca/)) are ready to help you improve your learning skills. They offer presentations on strategies for improving time management, multiple-choice exam preparation/writing, textbook reading, and more. Individual support is offered throughout the Fall/Winter terms in the drop-in Learning Help Centre, and year-round through individual counselling.

Additional student-run support services are offered by the USC,  <https://westernusc.ca/services/>.