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OFFICE OF THE
SENATE COUNCIL**1. General Information**

1a. Submitted by the College of: BUSINESS AND ECONOMICS

Date Submitted: 9/30/2013

1b. Department/Division: Finance

1c. Contact Person

Name: Paul Chiids

Email: pchiids@uky.edu

Phone: 7-2490

Responsible Faculty ID (if different from Contact)

Name:

Email:

Phone:

1d. Requested Effective Date: Semester following approval

1e. Should this course be a UK Core Course? No

2. Designation and Description of Proposed Course

2a. Will this course also be offered through Distance Learning?: No

2b. Prefix and Number: FIN 475

2c. Full Title: Fixed Income Securities

2d. Transcript Title: Fixed Income Securities

2e. Cross-listing:

2f. Meeting Patterns

LECTURE: 3

2g. Grading System: Letter (A, B, C, etc.)

2h. Number of credit hours: 3

2i. Is this course repeatable for additional credit? No

If Yes: Maximum number of credit hours:

If Yes: Will this course allow multiple registrations during the same semester?

2j. Course Description for Bulletin: The course provides students with an introduction to the fundamentals of fixed income securities and markets. Topics covered include bond pricing, convexity, duration, the yield curve, the U.S. Treasury market, corporate bond markets and mortgage-backed securities.

2k. Prerequisites, if any: A C or better in FIN 410

2l. Supplementary Teaching Component:

3.. Will this course taught off campus? No

If YES, enter the off campus address:

4. Frequency of Course Offering: Spring,

Will the course be offered every year?: Yes

If No, explain:

5. Are facilities and personnel necessary for the proposed new course available?: Yes

If No, explain:

6. What enrollment (per section per semester) may reasonably be expected?: 40

7. Anticipated Student Demand

Will this course serve students primarily within the degree program?: Yes

Will it be of interest to a significant number of students outside the degree pgm?: No

If Yes, explain: [var7InterestExplain]

8. Check the category most applicable to this course: Traditional – Offered in Corresponding Departments at Universities Elsewhere,

If No, explain:

9. Course Relationship to Program(s).

a. Is this course part of a proposed new program?: No

If YES, name the proposed new program:

b. Will this course be a new requirement for ANY program?: No

If YES, list affected programs:

10. Information to be Placed on Syllabus.

a. Is the course 400G or 500?: No

b. The syllabus, including course description, student learning outcomes, and grading policies (and 400G-/500-level grading differentiation if applicable, from **10.a** above) are attached: No

Distance Learning Form

Instructor Name:

Instructor Email:

Internet/Web-based: No

Interactive Video: No

Hybrid: No

1. How does this course provide for timely and appropriate interaction between students and faculty and among students? Does the course syllabus conform to University Senate Syllabus Guidelines, specifically the Distance Learning Considerations?

2. How do you ensure that the experience for a DL student is comparable to that of a classroom-based student's experience? Aspects to explore: textbooks, course goals, assessment of student learning outcomes, etc.

3. How is the integrity of student work ensured? Please speak to aspects such as password-protected course portals, proctors for exams at interactive video sites; academic offense policy; etc.

4. Will offering this course via DL result in at least 25% or at least 50% (based on total credit hours required for completion) of a degree program being offered via any form of DL, as defined above?

If yes, which percentage, and which program(s)?

5. How are students taking the course via DL assured of equivalent access to student services, similar to that of a student taking the class in a traditional classroom setting?

6. How do course requirements ensure that students make appropriate use of learning resources?

7. Please explain specifically how access is provided to laboratories, facilities, and equipment appropriate to the course or program.

8. How are students informed of procedures for resolving technical complaints? Does the syllabus list the entities available to offer technical help with the delivery and/or receipt of the course, such as the Information Technology Customer Service Center (<http://www.uky.edu/UKIT/>)?

9. Will the course be delivered via services available through the Distance Learning Program (DLP) and the Academic Technology Group (ATL)? NO

If no, explain how student enrolled in DL courses are able to use the technology employed, as well as how students will be provided with assistance in using said technology.

10. Does the syllabus contain all the required components? NO

11. I, the instructor of record, have read and understood all of the university-level statements regarding DL.

Instructor Name:

SIGNATURE|KTROSKE|Kenneth R Troske|FIN 475 NEW College Review|20130614

SIGNATURE|SKELLEY|Scott W Kelley|FIN 475 NEW College Review|20130725

SIGNATURE|JMETT2|Joanie Ett-Mims|FIN 475 NEW Undergrad Council Review|20131003

This course has been taught at a special topics class. We are making it a permanent course that will be one of the senior level electives that finance majors take.

FIN 475 – Fixed Income Securities
University of Kentucky
Spring 2013

Instructor Chris Meng, CFA
Senior Investment Manager, Community Trust and Investment Company
Phone: (513) 503-8102
Email: (chrismeng6@gmail.com)
Office Hours: 4:00-5:00 MW

Required Textbook Fabozzi, Frank J., *Bond Markets, Analysis, and Strategies*, 8th Ed., Pearson Education, 2013 (ISBN: 9780132743549).

Required Calculator Texas Instruments BA II Plus or similar
Students are not permitted to share calculators during tests

Prerequisites
A letter grade of C or better in FIN 410

Course Description

The course provides students with an introduction to the fundamentals of fixed income securities and markets. Topics covered include bond pricing, convexity, duration, the yield curve, the U.S. Treasury market, corporate bond markets and mortgage-backed securities.

The following material will be covered in four sections:

- I. **Bond Basics**: Understanding basic time value of money calculations, price-yield curve of a bond and interest rate risk concepts of duration and convexity.
- II. **US Treasuries & Yield Curve**: An introduction to the term structure of interest rates (the yield curve) and the factors that determine interest rates; the money markets; and the U.S. Treasury market and its securities.
- III. **Credit Markets**: An introduction and study of major credit markets including sovereign debt, corporate bonds and credit analysis.
- IV. **Mortgage-Backed Securities ("MBS")**: An introduction and study of home ownership, the creation and development of MBS and investing in MBS.

Student Learning Outcomes

- 1) Calculate bond prices.
- 2) Calculate duration and convexity and describe what these measures tell you about bond prices.
- 3) Illustrate the relationship between yields and maturity with the term structure.
- 4) Describe options commonly embedded in corporate bonds.
- 5) Explain common characteristics and structures of mortgage-backed securities.

Course Assignments

Section I:	3 Quizzes	6 points
	Test	15 points
Section II:	2 Quizzes	3 points
	Homework	3 points
	Test	20 points
Section III:	Class Participation	3 points
	Bond Game	3 points
	Group Presentation	15 points
Section IV:	2 Quizzes	3 points
	Bond Game	4 points
Comprehensive final		<u>25 points</u>
Total points		100 points

Grading Scale: A = 90 points or more; B = 80–89 points; C= 70-79; D = 60-69; F = below 60 points

Mid-term grades will be posted in myUK by the deadline established in the Academic Calendar (<http://www.uky.edu/Registrar/AcademicCalendar.htm>).

Final Exam Information

The final exam will be given at 1:00 pm on May 1 in our classroom.

Makeup Policy

Late work will only be accepted if there is a documented excused absence. If an excused absence can be anticipated before the due date, you must inform me prior to the due date.

Excused Absences

Students need to notify the professor of absences prior to class when possible. S.R. 5.2.4.2 defines the following as acceptable reasons for excused absences: (a) serious illness, (b) illness or death of family member, (c) University-related trips, (d) major religious holidays, and (e) other circumstances found to fit “reasonable cause for nonattendance” by the professor.

Students anticipating an absence for a major religious holiday are responsible for notifying the instructor in writing of anticipated absences due to their observance of such holidays no later than the last day in the semester to add a class. Information regarding dates of major religious holidays may be obtained through the religious liaison, Mr. Jake Karnes (859-257-2754).

Students are expected to withdraw from the class if more than 20% of the classes scheduled for the semester are missed (excused or unexcused) per university policy.

Verification of Absences

Students may be asked to verify their absences in order for them to be considered excused. Senate Rule 5.2.4.2 states that faculty have the right to request “appropriate verification” when students claim an excused absence because of illness or death in the family. Appropriate notification of absences due to university-related trips is required prior to the absence.

Academic Integrity

Per university policy, students shall not plagiarize, cheat, or falsify or misuse academic records. Students are expected to adhere to University policy on cheating and plagiarism in all courses. The minimum

penalty for a first offense is a zero on the assignment on which the offense occurred. If the offense is considered severe or the student has other academic offenses on their record, more serious penalties, up to suspension from the university may be imposed.

Plagiarism and cheating are serious breaches of academic conduct. Each student is advised to become familiar with the various forms of academic dishonesty as explained in the Code of Student Rights and Responsibilities. Complete information can be found at the following website: <http://www.uky.edu/Ombud>. A plea of ignorance is not acceptable as a defense against the charge of academic dishonesty. It is important that you review this information as all ideas borrowed from others need to be properly credited.

Part II of Student Rights and Responsibilities (available online <http://www.uky.edu/StudentAffairs/Code/part2.html>) states that all academic work, written or otherwise, submitted by students to their instructors or other academic supervisors, is expected to be the result of their own thought, research, or self-expression. In cases where students feel unsure about the question of plagiarism involving their own work, they are obliged to consult their instructors on the matter before submission.

When students submit work purporting to be their own, but which in any way borrows ideas, organization, wording or anything else from another source without appropriate acknowledgement of the fact, the students are guilty of plagiarism. Plagiarism includes reproducing someone else's work, whether it be a published article, chapter of a book, a paper from a friend or some file, or something similar to this. Plagiarism also includes the practice of employing or allowing another person to alter or revise the work which a student submits as his/her own, whoever that other person may be.

Students may discuss assignments among themselves or with an instructor or tutor, but when the actual work is done, it must be done by the student, and the student alone. When a student's assignment involves research in outside sources of information, the student must carefully acknowledge exactly what, where and how he/she employed them. If the words of someone else are used, the student must put quotation marks around the passage in question and add an appropriate indication of its origin. Making simple changes while leaving the organization, content and phraseology intact is plagiaristic. However, nothing in these Rules shall apply to those ideas which are so generally and freely circulated as to be a part of the public domain (Section 6.3.1).

Please note: Any assignment you turn in may be submitted to an electronic database to check for plagiarism.

Accommodations Due to Disability

If you have a documented disability that requires academic accommodations, please see me as soon as possible during scheduled office hours. In order to receive accommodations in this course, you must provide me with a Letter of Accommodation from the Disability Resource Center (Room 2, Alumni Gym, 257-2754, email address: jkarnes@email.uky.edu) for coordination of campus disability services available to students with disabilities.

Class Policies

Arrive on time. Turn off cell phones. Be considerate of other students – Don't talk during lectures. If you must miss a class, it is your responsibility to *find* out what you missed. Be honest in doing assignments and taking tests. All outside resources or information should be clearly acknowledged.

Tentative Schedule

SECTION I: Bond Basics		
	Class Agenda	Student Responsibility
1-10	Introduction to Class (pp. 1-20) Time Value of Money Review Quiz	Readings: Chapters 1, 2, 3 and 4 Other Material to Review: Time Value of Money Handout, Price-Yield Calculation Handout, and Duration-Convexity Handout. Practice Problems: Ch. 2, 3 & 4 (questions 1-5 for each chapter) and questions are included in these Handouts. Weekly Quiz: 6 points (Best 2 out of 3) Test: 15 points
1-17	Price-Yield Curve (pp. 20-58) Quiz	
1-24	Duration & Convexity (pp. 59-83) Quiz	
1-31	BOND BASICS TEST Review of Test (after Test)	
SECTION II: US Treasuries & Yield Curve		
	Class Agenda	Student Responsibility
2-7	U.S. Treasuries (pp. 126-136) Money Market Instruments Quiz	Readings: Chapters 5, 6, 22, and Money Market Article Practice Problems: Yield Curve and US Treasuries Practice Sets and questions 1-5 from Ch. 5 & 6 Weekly Quiz: 3 points (Best 1 of 2) Homework Assignment: 3 points (Assignment due 2-21) Midterm Exam: 20 points
2-14	Term Structure (pp. 99-122) Quiz	
2-21	<i>Bond Game Part I (pp. 463-490)</i> Current U.S. Yield Curve Discussion & interest Rate Forecasting <i>Homework Due</i>	
2-28	MID-TERM TEST Review of Test (after Test)	
SECTION III: Credit Markets		
	Class Agenda	Student Responsibility
3-7	Sovereign Debt & Currency Trading (pp. 188-210) <i>Bond Game, Part II</i>	Readings: Chapters 7, 9 and 20 Practice Problems: Corporate Bond Practice Set and questions 1-5 from Ch. 7 & 20 Corporate BTG/Class Participation: 3 points Bond Game Participation: 3 points Group Presentations: 15 points
3-21	<i>Bond Game, Part III</i> Corporate Bonds & Credit Analysis (pp. 142-171 & 436-447)	
3-28	Corporate Bond Trading Game <i>Bond Game Part IV</i>	
4-4	GROUP PRESENTATIONS <i>Bond Game Part V</i>	
SECTION IV: Mortgage-Backed Securities (MBS)		
	Class Agenda	Student Responsibility
4-11	Mortgage (pp. 136-140 & 213-226) Quiz <i>Bond Game Part VI</i>	Readings: Chapters 10, 11 and 12 Practice Problems: Mortgage Practice Set and questions 1-5 from Ch. 10, 11 & 12 Weekly Quiz: 3 points (Best 1 out of 2) Bond Game Wrap-Up: 4 points with Bonus to Winning Teams Comprehensive Final Exam: 25 points
4-18	MBS (pp. 227-298) Quiz <i>Bond Game Part VII</i>	
4-25	<i>Bond Game Part VIII (Ends 4-22)</i> <i>Bond Game Write-Up Due</i>	
5-2	COMPREHENSIVE FINAL Review of Test (after Test)	

The Quizzes will be on the material covered in class THAT day and are limited to 15 minutes in duration and will consist of 3 questions.