

# The Financial Engineering Team Report February 2005

[www.business.kent.edu/msfe](http://www.business.kent.edu/msfe)

## *Current Program Issues*

### *Welcome Paul Dawson*



Beginning August 2005 Dr, Paul Dawson from the Cass Business School in London will join the Finance and Financial Engineering faculty here at Kent State. He moves to Ohio from Brighton, on the south coast of England and will be bringing with him his Golden Retriever named Ludwig, his astronomical telescope and his clavichord. He is not going to miss the commuting from Brighton to London, but is certainly going to miss watching cricket in the summer.

Paul Dawson worked in various London advertising agencies for 13 years and investment banks for eight years before becoming an academic at Cass Business School in London in 1996. His specialties are financial derivatives and market microstructure. Nick Leeson's rogue trading at Barings Bank in 1995 indirectly led to Paul also training practitioners around the world in the more appropriate usage of derivatives for the past ten years.

### *Information from Cass Business School*

**Background:** After graduating with a BA in Business Studies, Paul Dawson spent several years in advertising working on accounts such as "That's the Wonder of Woolworth", "Come and talk to the Listening Bank" and "Milk's Gotta Lotta Bottle". A chance comment over the card table led to an interest in traded options and that, combined with management of takeover advertising campaigns during the 1980s, motivated him to learn more about finance through a City University Business School MBA in 1988. After a short spell as a stockbroker with Swiss Bank Corporation, Paul combined the role of Marketing Manager of Granville, a private investment banking group, with research for his PhD thesis at the Business School on traded options. In 1996, he left the commercial world to join Cass where he lectures on financial derivatives and market microstructure. Outside Cass, Paul is a keen amateur astronomer with an Open University degree in the subject. For 19 years, he was a guest lecturer at the Old Royal Observatory, Greenwich and was elected a Fellow of the Royal Astronomical Society in 1980.

**Expertise:** Exotic Options, Financial Derivatives, Financial Derivatives Pricing, Financial Derivatives and Risk Management, Financial markets, Foreign Exchange Risk Management, Futures, Market Microstructure, Marketing of Financial & Professional Services, Options

**Consultancy:** Paul is active in training practitioners from around the world in the valuation and application of financial derivatives.

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### ***New Financial Engineering Web site Fully Functional***

The new MSFE web site is up and running thank to Mike Hovhann from the College of Business Administration Web Team. His efforts on behalf of the program are very much appreciated. The new look has been running for a few months. A new HTML standard has been developed called XHTML. Our new site is full compliant with the new standard.

The following changes have occurred over the past few weeks:

- ✎ The Main page now has current items listed and will change often and the menu bar has been substantially revised
- ✎ A list of our Guest Speakers and Trainers
- ✎ A listing of the Class trip visits
- ✎ Class profiles for all classes plus one with all the data combined
- ✎ The current resume book will be posted next month
- ✎ The Monthly Team Report
- ✎ Pictures from various MSFE aspects
- ✎ A site map

There are still a few additions in planning that include comprehensive Faculty Web Pages for the MSFE teaching Faculty and a history of the program section beginning with the concept and building of the Trading Floor.

If you have any additional suggestions, please feel free to contact Rebecca at [evansr@kent.edu](mailto:evansr@kent.edu).

### ***Dr. Salih Neftci to Teach the Financial Engineering Course Summer 2005***

Dr. Neftci has agreed to teach the capstone MSFE class; Financial Engineering.



### **Biography**

Professor Neftci completed his Ph.D. at the University of Minnesota and subsequently taught at George Washington University. Presently, he teaches at the Graduate School, City University of New York and at the New School University. Professor Neftci is a Research Associate at FAME and has a visiting appointment at the ISMA Centre, Reading University, U.K.



Professor Neftci is well known for his book "An Introduction to the Mathematics of Pricing Financial Derivatives", one of the standard texts in most university derivatives courses. He has several well-quoted academic papers. His current research and teaching is in the areas of financial engineering, risk management of extreme events, in emerging market asset trading strategies and in contingent capital and credit lines.

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***Congratulations Paul Chismark***

Paul has become our seventh Kent State Financial Engineering graduate to secure employment at Key Bank in Cleveland. We wish him luck as a new Associate Treasury Analyst.

*Dr. Holder and Rebecca,*

*I am writing to let you know that I finally found a job. I started this week at Key Bank as the new Associate Treasury Analyst in the Corporate Treasury department. The position is very fruitful with its tasks, and I know that I am going to benefit a lot from what I learned during my time at Kent.*

***Congratulations Eric Yang***

Eric left for his home in China a couple of weeks after graduation for a little rest and to find employment in his country. Eric has been very busy and seldom has the chance to check his Yahoo email account, but does like to read the Team Reports and keep informed about the program. The faculty and staff from the MSFE program wish Eric the best on his new position.

*Rebecca (received Dec 21, 2004),*

*Since December 1, I began to work at the research institute of United Securities at Shenzhen, China. I'm now in their financial engineering team and working on the asset securitization. Though asset securitization is still not allowed in China, it becomes such a hot topic that lots of financial institutions are doing research on it. I was crazily busy for the past three weeks, even for the weekends. Last Saturday and Sunday, we just finished a training program on equity valuation provided by Financial Training Company headquartered in London, UK.*

***Marketing & Recruiting***

**FEN Partner:** The MSFE program has signed a partnership agreement with *Financial Engineering News*. Watch for the Interview in the next issue of FEN. Notification will be given of the webpage next month as we have not begun this process.

**Partnership Inclusions**

- A Preferred Program listing (6,000 characters plus school logo) in the website directory of university programs at [www.fenews.com](http://www.fenews.com)
- Co-sponsorship of our March/April issue Special Feature on University Programs including:
  - An exclusive 1,200 word article/interview featuring your program written by one of our reporters
  - Your logo on page 1 of the Special Feature
  - An enhanced listing in the print directory of universities in the Special Feature
  - We provide a high resolution Quark or PDF file of your article/interview (under the FEN Masthead) for you to distribute

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- Your own webpage in the FEN Partners section of our website where you can post testimonials, case studies, tutorials, etc.
  - Your webpage includes dedicated banner ad space for your ads
- Your university logo in the FEN Partners section of our website home page
- Your university will be listed (with a URL link) in all fifty issues of our weekly e-mail newsletter (Financial Engineering Today- FET) as a FEN Partner
- Regular coverage of your university's announcements in our FEN News Briefs column.
- Free listings of your events at our website Events Calendar
- 25% off all print, web and e-mail advertising for 2005

## ***Speaker and Training Series (January-March 2005)***

01/31/2005

Guest Speaker: Mark Beardsell  
Company: Citicorp  
Time: 1:00 P.M. – 2:30P.M.  
Location: Trading Floor

Time: 8:00A.M. – 10:00A.M.  
Location: Trading Floor

03/11/2005

Guest Speaker: Paul Johnson  
Company: Boston Cabot LLC  
Time: 12:00P.M. – 3:00P.M.  
Location: Trading Floor

02/04/2005

Day at KeyBank  
Time: 8:00A.M. – 1:30P.M.  
Location: Trading Floor

03/18/2005

Mock Interviews: Fred Langrehr  
Company: Valparaiso University  
Time: 9:00A.M. – 12:00P.M.  
Location: TBD

03/04/2005

Trainer: Ryan Highland  
Subject: Trading Technologies Training  
Time: 12:00P.M. – 4:00P.M.  
Location: Trading Floor

03/11/2005

Guest Speaker: Brett Steenbarger  
Company: Kingtree Trading

## ***Ambiron and the Financial Engineering Program***

Kent State University, a leader in futures and options education, has signed a partnership agreement with Ambiron to expand the education program in support of the nation's only simulated derivatives trading exchange floor located on a college campus. Chicago-based Ambiron, formerly Tekom, specializes in providing data security and network monitoring services to large financial services firms. Tekom was responsible for the build-out of the Olga A. Mural Financial Engineering Trading Floor at Kent State.

Ambiron will assist with the creation of the certificate programs in financial engineering by organizing, managing and documenting the program, which will offer practitioners current techniques and information using real-world futures and options trading.

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In addition, this partnership will offer electronic trading vendors – application providers, hardware and software, and other technology related concerns – the opportunity to test their products in a real-world environment to demonstrate speed and reliability through a benchmarking program. This addition will enable industry to participate in a fixed, repeatable, industry-specific process and have the tests conducted from an objective point of view.

“Establishing this partnership raises the profile of our already prestigious MSFE program,” said Dr. Mark Holder, MSFE Program Director and Chair of the Finance Department at Kent State University. “Working with Ambiron affords us the opportunity to offer significantly expanded educational opportunities to candidates in our MSFE program while providing additional value to the financial services industry with our benchmarking results.”

“We have further solidified our position as the pre-eminent expert of technology for the financial industry through our relationship with Kent State,” said Robert J. McCullen, co-founder and managing partner of Ambiron. “Our partnership with the Financial Engineering Center at Kent State will provide a basis for the advancement of trading technology in the years ahead.”

“Kent State University is the premier academic institution for derivatives trading and the benchmarking program only adds to that distinction,” added Michael S. Persico, partner and head of the company’s exchange service practice. “As a result, the Kent State MSFE program will continue to meet the growing demand for real-world experience in trading futures and options.”

***Additional Financial Engineering Program Tasks in Progress***

**Resume Books:** Electronic copies of the Class of 2005 Resume book were sent out this past month. Many nice replies were sent by individuals that were newly introduced to the program.

“I received an email message from you regarding Kent State's Masters of Science and Engineering program as well as a resume book. I think the information may be useful. am going to pass it along to our HR people. – FannieMae

“We are interested in your brochures, as well as your resume book. Currently we estimate that we will need 5 new employees in May/June of 2005.” – Murex North America

**MSFE Brochures:** Due to popular demand the new brochures we had printed last year are almost gone. We had anticipated this run to last for two years. We have made a few minor adjustments and will have another batch printed this month.

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**15<sup>th</sup> Asia Pacific Futures Research Symposium**

The 15<sup>th</sup> Annual Asia-Pacific Futures Research Symposium will be held on Thursday and Friday, February 24-25, 2005, in Singapore at the Ritz-Carlton, Millennia Singapore, 7 Raffles Avenue, Singapore. The symposium—sponsored this year by Kent State University, The Review of Futures Markets, the Chicago Board of Trade Educational Research Foundation, the Journal of Futures Markets, Singapore Management University and Hong Kong Baptist University—is a high quality forum for the presentation and discussion of derivatives-oriented research carried out by academics and practitioners. Presentations and discussions will be in English. Participants will include representatives from the Monetary Authority of Singapore, CFTC, Singapore Exchange, Federal Reserve, Penn State, London School of Business, University of Sydney and many other prestigious universities and institutions. There is no symposium registration fee, and the sponsors will provide a luncheon, coffee breaks, and a cocktail reception during the program.

**Preliminary Program**

Charles Cao	<i>The Information Content of an Open Limit Order Book: Evidence from the Australian Stock Exchange</i>
George H. K. Wang	<i>Liquidity and Price Discovery on Floor Versus Screen-Based Trading Systems: An Analysis of Foreign Exchange Futures Market</i>
John Carlson	<i>Recovering Market Expectations of FOMC Rate Changes with Options on Federal Funds Futures</i>
Takeshi Nishikawa	<i>The Implied Exchange Rates Derived From Option Premiums —A Test of the Currency Option Boundary Approach on JPY</i>
Lars Norden	<i>Information Flows and Option Bid-Ask Spreads</i>
Sean Pinder	<i>The Impact of Net Buying Pressure on Implied Volatilities Observed from SPI Futures Option</i>
Alex Frino	<i>Slippage in Futures Markets: Evidence from the Sydney Futures Exchange</i>
Paul Kofman	<i>Structurally Sound Dynamic Index Futures Hedging</i>
Alexander Kwok-Wah Fung	<i>Overreaction of Index Futures in Asia to U.S. Market Performance - Evidence of Behavioral Biases?</i>
Michael T. Chng	<i>Measuring the Summary Informativeness of Orders and Trades</i>

We are down to the last few weeks prior to the symposium and things are a bit hectic here right now. DMI continues to collect the date from those who wish to participate in the symposium. To date we have 55 attendees registered.

**Review of Futures Market News**

Thursday, January 20, 2005

A new member of the RFM Advisory Board is Dennis W. Draper, Associate Professor of Finance at the Marshall School of Business, University of Southern California. Robert Whaley gave up his seat on the Advisory Board.

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RFM is seeking the work of renowned scholars for the first issue of the journal. Professor Salih Neftci has already agreed to submit a paper for the first issue, and the journal has also requested papers from Carol Alexander of ISMA, the University of Reading Business School; Galen Burghardt of the University of Chicago Business School; and several other eminent authors.

RFM has revised the date for the first issue; the journal will publish Issue 1, Spring 2005 in May.

The RFM office is beginning to compile a list of scholars who will serve as reviewers for papers submitted to the journal for possible publication.

The RFM office is finalizing the following:

- Brochure to be sent to university libraries, departments of finance, and finance professors to promote the re-issue of RFM.
- Mailing lists of finance department chairs and deans.
- The appearance of the journal.

Mary Aaby, assistant editor