



UNSW SCIENCE
School of Maths and Statistics

Course outline

**MATH3311/MATH5335 Mathematical
Computing for Finance**

Term 2, 2021

studies the design, implementation and use of computer programs to solve practical mathematical problems of relevance to finance, insurance and risk management.

Course Description

In the end, finance is concerned with making definite numerical recommendations which frequently can only be made by analysing sophisticated models using high-speed computers. This course studies the design, implementation and use of computer programs to solve practical mathematical problems of relevance to finance, insurance and risk management.

A review of MATLAB, floating point numbers, rounding error and computational complexity. A selection of topics from: approximation and parameter estimation, Fourier series and the FFT, finite difference approximations, partial differential equations (heat equation), sparse linear systems, non-linear algebraic equations, trees, Monte Carlo methods and simulation, random numbers and variance reduction, numerical integration.

Computing environments for mathematical finance. Practical examples and programming assignments using MATLAB.

Assessment and Deadlines

Assessment	Week	Weighting %	Due date if applicable
Assignment		20%	Split in 4 parts, due weeks 3, 5, 7, 10
Matlab Test	Week 9	20%	
Final exam		60%	
	Total	100%	

Late Submission of Assessment Tasks

No late submissions will be accepted. (Where "late" in this context means after any extensions granted for Special Consideration or Equitable Learning Provisions.)

Course Schedule

The course will include material taken from some of the following topics. This is should only serve as a guide as it is not an extensive list of the material to be covered and the timings are approximate. The course content is ultimately defined by the material covered in lectures.

Weeks	Topic	Reading (if applicable)
1	Computing: hardware, software, accuracy and efficiency; Vector and matrix norms	Lecture notes

2	Condition numbers, sensitivity; Linear systems and matrix decompositions, special matrices	Lecture notes
3	Data fitting: least square; l1 and splines; Model calibration	Lecture notes
4	Fourier analysis; Discrete Fourier transform and FFT	Lecture notes
5	Sparse matrices: banded matrices and general sparse matrices; Nonlinear equations	Lecture notes
7	Implied volatility, nonlinear systems; Numerical integration; Expected values: one and multi-dimensional	Lecture notes
8	Monte Carlo methods, pseudo-random numbers, QMC methods; Weiner processes	Lecture notes
9	Stochastic differential equations Stochastic integrals; Option pricing; Black-Scholes formula and PDE	Lecture notes
10	Black-Scholes PDE: finite difference methods	Lecture notes

Textbook

Introductory Real Analysis by Kolomogorov and Fomin (recommended, not required).

Course Learning Outcomes (CLO)

MATH3311

- Demonstrate quantitative skills and an ability to reason logically and mathematically and apply these skills to problems of relevance to finance, insurance and risk management.
- Understand the underlying mathematics, computational techniques and problems solving skills.
- Determine what confidence they should have in the computed answers and what are the risks associated with a given computational problem.

MATH5335

- Demonstrate quantitative skills and an ability to reason logically and mathematically and apply these skills to problems of relevance to finance, insurance and risk management.
- Demonstrate an understanding of the underlying mathematics, computational techniques and problems solving skills.
- Demonstrate the ability to determine what confidence they should have in the computed answers and what are the risks associated with a given computational problem.

Moodle

Log in to Moodle to find announcements, general information, notes, lecture slide, classroom tutorial and assessments etc.

<https://moodle.telt.unsw.edu.au>

School and UNSW Policies

The School of Mathematics and Statistics has adopted a number of policies relating to enrolment, attendance, assessment, plagiarism, cheating, special consideration etc. These are in addition to the Policies of The University of New South Wales. Individual courses may also adopt other policies in addition to or replacing some of the School ones. These will be clearly notified in the Course Initial Handout and on the Course Home Pages on the Maths Stats web site.

Students in courses run by the School of Mathematics and Statistics should be aware of the School and Course policies by reading the appropriate pages on the Maths Stats web site starting at:

<https://www.maths.unsw.edu.au/currentstudents/assessment-policies>

The School of Mathematics and Statistics will assume that all its students have read and understood the School policies on the above pages and any individual course policies on the Course Initial Handout and Course Home Page. Lack of knowledge about a policy will not be an excuse for failing to follow the procedure in it.

Academic Integrity and Plagiarism

UNSW has an ongoing commitment to fostering a culture of learning informed by academic integrity. All UNSW staff and students have a responsibility to adhere to this principle of academic integrity. Plagiarism undermines academic integrity and is not tolerated at UNSW. *Plagiarism at UNSW is defined as using the words or ideas of others and passing them off as your own.*

The **UNSW Student Code** provides a framework for the standard of conduct expected of UNSW students with respect to their academic integrity and behaviour. It outlines the primary obligations of students and directs staff and students to the Code and related procedures.

In addition, it is important that students understand that it is not permissible to buy essay/writing services from third parties as the use of such services constitutes plagiarism because it involves using the words or ideas of others and passing them off as your own. Nor is it permissible to sell copies of lecture or tutorial notes as students do not own the rights to this intellectual property.

If a student breaches the Student Code with respect to academic integrity, the University may take disciplinary action under the **Student Misconduct Procedure**.

The UNSW Student Code and the Student Misconduct Procedure can be found at:

<https://student.unsw.edu.au/plagiarism>

An online Module “[Working with Academic Integrity](https://student.unsw.edu.au/aim)” (<https://student.unsw.edu.au/aim>) is a six-lesson interactive self-paced Moodle module exploring and explaining all of these terms and placing them into your learning context. It will be the best one-hour investment you’ve ever made.

Plagiarism

Plagiarism is presenting another person's work or ideas as your own. Plagiarism is a serious breach of ethics at UNSW and is not taken lightly. So how do you avoid it? A one-minute video for an overview of how you can avoid plagiarism can be found <https://student.unsw.edu.au/plagiarism>.

Additional Support

ELISE (Enabling Library and Information Skills for Everyone)

ELISE is designed to introduce new students to studying at UNSW.

Completing the ELISE tutorial and quiz will enable you to:

- analyse topics, plan responses and organise research for academic writing and other assessment tasks
- effectively and efficiently find appropriate information sources and evaluate relevance to your needs
- use and manage information effectively to accomplish a specific purpose
- better manage your time
- understand your rights and responsibilities as a student at UNSW
- be aware of plagiarism, copyright, UNSW Student Code of Conduct and Acceptable Use of UNSW ICT Resources Policy
- be aware of the standards of behaviour expected of everyone in the UNSW community
- locate services and information about UNSW and UNSW Library

Some of these areas will be familiar to you, others will be new. Gaining a solid understanding of all the related aspects of ELISE will help you make the most of your studies at UNSW.

The *ELISE* training webpages:

<https://subjectguides.library.unsw.edu.au/elise/aboutelise>

Equitable Learning Services (ELS)

If you suffer from a chronic or ongoing illness that has, or is likely to, put you at a serious disadvantage, then you should contact the Equitable Learning Services (previously known as SEADU) who provide confidential support and advice.

They assist students:

- living with disabilities
- with long- or short-term health concerns and/or mental health issues
- who are primary carers
- from low SES backgrounds
- of diverse genders, sexes and sexualities
- from refugee and refugee-like backgrounds
- from rural and remote backgrounds
- who are the first in their family to undertake a bachelor-level degree.

Their web site is: <https://student.unsw.edu.au/els/services>

Equitable Learning Services (ELS) may determine that your condition requires special arrangements for assessment tasks. Once the School has been notified of these, we will make every effort to meet the arrangements specified by ELS.

Additionally, if you have suffered significant misadventure that affects your ability to complete the course, please contact your Lecturer-in-charge in the first instance.

Academic Skills Support and the Learning Centre

The Learning Centre offers academic support programs to all students at UNSW Australia. We assist students to develop approaches to learning that will enable them to succeed in their academic study. For further information on these programs please go to:

<http://www.lc.unsw.edu.au/services-programs>

Applications for Special Consideration for Missed Assessment

Please adhere to the Special Consideration Policy and Procedures provided on the web page below when applying for special consideration.

<https://student.unsw.edu.au/special-consideration>

Please note that the application is not considered by the Course Authority, it is considered by a centralised team of staff at the Nucleus Student Hub.

The School will contact you (via student email account) after special consideration has been granted to reschedule your missed assessment, for a *lab test or paper-based test* only.

For applications for special consideration for *assignment extensions*, please note that the new submission date and/or outcome will be communicated through the special consideration web site only, no communication will be received from the School.

For Dates on Final Term Exams and Supplementary Exams please check the “Key Dates for Exams” ahead of time to avoid booking holidays or work obligations.

<https://student.unsw.edu.au/exam-dates>

If you believe your application for Special Consideration has not been processed, you should email specialconsideration@unsw.edu.au immediately for advice.

Course Evaluation and Development (MyExperience)

Student feedback is very important to continual course improvement. This is demonstrated within the School of Mathematics and Statistics by the implementation of the UNSW online student survey *myExperience*, which allows students to evaluate their learning experiences in an anonymous way. *myExperience* survey reports are produced for each survey. They are released to staff after all student assessment results are finalised and released to students. Course convenor will use the feedback to make ongoing improvements to the course.