



Rotman School of Management UNIVERSITY OF TORONTO

RIT and RPM Users' Conference

May 21st – 22nd, 2014

The RIT and RPM Users' Conference is a two-day workshop designed to expand knowledge of the Rotman Interactive Trader and Portfolio Manager applications. The Users' Conference emphasizes a collaborative environment that invites faculty members and instructors from a variety of educational institutions to share ideas about the use of RIT and RPM in the classroom.

RIT is now licensed by more than forty academic institutions around the world. RIT cases have been implemented into the finance curricula at many of these institutions. Over thirty learning cases have been designed to add richness to the learning process by allowing students to apply class material and techniques to practical problems or applications.

With the addition of our new student assessment module in RIT, instructors are now able to generate detailed reports of participants' actions and outcomes (for example, P&L, risk, etc.) over multiple dimensions across time. This will allow students and instructors to engage in detailed analyses of participants' decisions and results.

The following are the objectives of the Users' Conference:

1. Understand different ways to implement the RIT cases into curricula.
2. Review different evaluation techniques and how to use customized reports to achieve desired results.
3. Learn how to run cases and upload user lists on the RIT server.
4. Understand how to save and compute the results from case simulations.
5. Learn how to change case parameters before or during a case, and the effects of those adjustments.
6. Observe the different cases as they're run and learn about specific teaching points.
7. Learn how to modify or extend existing RIT cases.
8. Discuss how the RIT simulation cases can be integrated with RPM exercises linked to real-time quotes.

Please see the attached schedule for a detailed description of the content presented at the conference.

Wednesday May 21st, 2014

10:00 Welcoming Remarks, Introduction and Overview

10:30 Agency Trading 1 – VWAP Strategies

The introductory session of the RIT Users' conference is designed to illustrate how simulations can be used to motivate experiential learning objectives. We will focus on understanding how cases should be run through sequential iterations, and how to scale learning objectives or "signposts" so that students can focus on different analyses and tasks and form a comprehensive strategy over time. Participants who are unfamiliar with the RIT Server will learn how to technically administer a case to a group of students, and experienced users will learn about best practices and new administrative features such as real-time monitoring, messaging, and portfolio adjustments.

11:15 Liability Trading 2 – Orders in Illiquid Markets

The second session of the RIT Users conference will demonstrate how the RIT Liability Trading Cases can be used to teach market microstructure. We'll discuss the benefits of teaching students how to use the RIT shortcut-trading tools and analyses of market depth using Excel. The case highlights liquidity risk and the price impact by forcing students to trade in an illiquid market and, in so doing, manage both liquidity and market price risk

12:00 Lunch

1:00 Liability Trading 4 – Sales and Trading

The Liability Trading 4 case is the culmination of the students' skills for market microstructure, liquidity, and trade execution. Due to the richness of the required decision making, this case is an effective trading evaluation (graded) case. From an administrative perspective, we will focus on changing parameters to alter the behavior and characteristics of the market. We will discuss the learning opportunities provided by multiple trading venues, e.g. cross-market arbitrage, feebates, global books, smart routers.

1:30 Hedging 2 and Options 2 – Introducing Derivatives

Hedging 2 and Options 2 will introduce participants to simulations for derivatives. First, participants will practice managing market risk using put and call options with various maturities. This case emphasizes institutional details, such as contract sizes, as well as hedging objectives and remaining risks (roll-over risk). The OP2 case involves practicing building option strategies e.g. for trading volatility. We will emphasize how the server can be used to provide feedback on their success.

2:45 Coffee Break

3:00 Portfolio Management 1 – Benefits of Diversification

This case is structured in a fundamentally different manner from the typical RIT case. In the Portfolio Management (series of) cases, longer horizons are simulated and decisions are made at discreet 'pause points' in time. This exercise will be used to show how long term portfolio allocations can be replicated in the RIT software so that students can understand the ramifications of investment decisions over long horizons. This case uses a support sheet with a Monte-Carlo simulation that students can use to intuitively 'optimize' their allocations.

3:45 VaR1 – Value at Risk

The VaR case is designed to show students how to apply portfolio theory within a bounded risk and return framework. This case stresses risk management concepts, both explicitly and implicitly. Students are purposely permitted to exceed their risk limits (but penalized afterwards) to replicate real-world scenarios where risk is not monitored in real-time.

5:00 Open Questions and Answers

6:00 Dinner

Thursday May 22nd, 2014

8:00 Breakfast

9:00 Fixed Income 2 & 3 – Bond Pricing

These cases are used to demonstrate real-time asset pricing concepts in Excel. Specifically, students take existing time-value-of-money formulas and apply them by linking parameters to live market conditions. Faculty will be shown how to build these spreadsheets and their associated linkages from scratch, and how to use pre-built spreadsheets to augment their curricula.

10:00 Equity Valuation 1 and Mergers & Acquisitions 1 – Equity Pricing

This case builds on the previous session, but uses two equity valuation models to motivate asset pricing in the equity markets instead of the fixed income markets. Students get a better understanding of factor sensitivity (and relative volatility of equity vs fixed income) by trading this after the Bond cases.

10:45 Coffee Break

11:00 Futures 1 and Commodities 5 – Derivatives Pricing

The commodities cases are used to illustrate (statistical) arbitrage pricing across different markets and how the prices of physical and financial markets are directly related. These cases are particularly useful as teaching supplements for Futures & Options/Derivatives courses since they illustrate concepts directly from core material.

12:00 Lunch

1:00 Algorithmic Trading 1 & 2 – Building a VBA Algorithm

In this session, we will demonstrate how easy it is to deploy an algorithmic trading assignment in a classroom setting. The detailed RIT tutorials provide everything the student requires to build their own algorithm, and full solution guides are presented for instructors to use or distribute at their discretion.

1:45 Behavioral Finance 1 – Asset Bubbles

This case can be used with any group of students, regardless of their prior experience in trading. The mechanics of the case are extremely simple, but the intuition and ramifications behind how individuals react to bubble-like market conditions creates a deep level of discussion and analysis.

2:15 Coffee Break

2:30 RIT Server Case Files and Editing RIT Variables

This session is designed to demystify the RIT Server Case files and show faculty how to edit parameters, change distributions, or force specific outcomes.

3:30 Use of the Rotman Portfolio Manager (RPM)

Taking newly learned skills in a fictitious market and applying them to real market data further accentuates the learning objectives and experiential learning goals. Learn how to create RPM-based assignments that closely mimic the learning objectives from RIT simulations so that students get comprehensive exposure to markets.

4:15 Review of Trading Course Syllabi

Tom and Kevin will discuss the syllabi from their undergraduate and graduate courses so that faculty can get ideas how to deploy RIT cases and RPM exercises in courses. Participants will be encouraged to share their own experience in this regard.