

Introductory Note to Students

Welcome to the ACTEX Online Course for Exam MFE/3F.

The materials on this exam are from the book, Derivatives Markets (2e), by Robert L. McDonald, and a short clarifying Study Note available online by Elias S. W. Shiu, entitled “Some Remarks on *Derivatives Markets*”. Errata lists for this text are also available online. You should make it a point to get the 2nd edition of this book since the Errata list for the 1st edition is extensive. In addition to the book, it is highly recommended that you purchase the book’s Solutions Manual which provides solutions to even-numbered problems. There is a significant discount from ACTEX if the book and solutions are purchased together.

While not required, you may want to consider the 2010 edition of the ACTEX Study Manual for this exam, which was updated in 2009 for the new exam requirements, and costs \$115. This manual contains summary notes from the readings, but most importantly from my perspective, provides solutions to McDonald’s odd-numbered exercises, many chapter specific practice exam questions, and several complete practice exams. These latter materials can help you better prepare for this exam given that there are only a few practice exams available on-line from the SOA.

If you are only interested in practice exams, and not the rest of what this Manual offers, you could also consider the on-line product from ACTEX which provides 2 practice exams for \$30. These practice exams are created from the Study Manual exams and purchasers of the Manual are given online access to these for free. There is also a hard copy manual of 4 practice exams on the ACTEX site for \$35.

Course Structure

I have attached a week-by-week agenda for this course. From the course start date of February 17, there are 12 weeks to the exam date of May 12. The course is designed to help you master the content in 9.5 weeks. I recommend that the 2.5 weeks before the exam then be dedicated to review and taking practice exams. I have assigned Appendix B.1 and C for an initial “short” week, since this is a good way to get warmed up a bit on relatively easy topics that will arise again and again in the chapter readings.

During weeks 2-10 we will, with 2 exceptions, proceed through the book materials at a pace of about 25 pages per week. Weeks 7 and 8 will cover more page content, but are comparable in terms of “challenge”. In addition to the reading assignments, which are strongly recommended even if you have the ACTEX Study Manual or other summary notes, you will be assigned viewings of the associated webcasts in which I teach these materials with slides from the text author, my slides, and worked examples. In general, there are 75-115 slides associated with the materials from each week’s assignment. As the Shiu Study Note covers a variety of materials from several of the readings, I recommend that you check it with each reading to see if there is a section that is relevant.

Each week’s assignment will also include even-numbered practice exercises from the text, for which you should have solutions. For those who acquire the ACTEX Study Manual, I will also identify odd-numbered exercises from the text as well as additional exam-type problems from the associated materials.

Recommended 5-Step Study Approach

1. Read the book. It is well written and provides examples as well as graphs and tables that support the materials. Make your own notes that reflect the strengths and shortcomings in your background. If the week’s material is really tough-going for you, scan it with the idea you can return after step 3.
2. At least attempt to fill in missing steps in the demonstrations in the book, and even reproduce derivations that are given in detail. There is a lot of learning that comes from independently attempting to reproduce a derivation, and this effort will build your math skills and confidence. Don’t believe that if you just observed a derivation that it will be trivial to reproduce it. It is only during an independent derivation when you learn where the decision points are, and what choices you have to make to get to the conclusion.
3. View the webcast. Don’t make this a passive viewing, but instead, frequently pause the video so that you will have a chance to reproduce a derivation or calculation I demonstrate, or fill in the details of those

I only sketch. You will learn far less from watching me work out a problem than you will learn from doing it yourself.

4. As necessary, re-read the chapter. If the book went well the first time and there were no surprises in the video, you are ready for step 5. Otherwise, do a more careful reading and note-taking this time, working through the details and producing your final outline.

5. Work on assigned exercises to master the materials before proceeding. As time allows, also work on the other identified problems if you have the Study Manual. I will target mid-week for my email to you identifying exercises.

And most importantly, don't look at the solution manual or ACTEX Manual solutions until you have developed a solution you are confident in, or you have failed miserably in your attempt after trying everything you can think of. You only get one chance to learn something from an exercise, and that chance is effectively over once you look at the solution. The goal of an exercise is to build skills, not get any one specific answer. Since you will likely never see that problem again, it is only the skills you develop that will help you in the future. Do not fool yourself into thinking that looking up the answer after a half-hearted attempt is a "learning" experience. You may develop some understanding, but will have acquired little of the depth of skills needed for exam success.

If you follow this approach each week, you will find that your knowledge, skills and confidence will build over the duration of this course, and that you will be ready for doing practice exams the last few weeks before the exam.

Online Communications

If you have questions over the next several weeks, post them on-line and I will respond, typically within a day. Also feel free to make suggestions on how I can make this course better.

I look forward to working with you on this course and helping you master this challenging but interesting and rewarding material.

Robert R. Reitano

Course Outline

Note: Each week's assignment is designed to be completed by Sunday, with the next week's readings begun on Monday. Problem sets will be distributed on-line mid-week.

<u>Dates</u>	<u>Text</u>	<u>Webcast Modules</u>
February 17 - 21	Appendices B.1 and C	A.1 - A.2
February 22 - 28	Chapter 9	9.1 - 9.5
March 1 - 7	Chapter 10	10.1 - 10.7
March 8 - 14	Chapter 11	11.1 - 11.6
March 15 - 21	Chapter 12	12.1 - 12.6
March 22 - 28	Chapter 13	13.1 - 13.6
March 29 - April 4	Chapter 14, 18	14.1 - 14.4 18.1 - 18.5
April 5 - 11	Chapter 19, 20	19.1 - 19.5 20.1 - 20.9
April 12 - 18	Chapters 21, 22, 23	21.1 - 21.4 22.1 - 22.2 23.1 - 23.2
April 19 - 25	Chapter 24	24.1 - 24.6
April 26 - May 11	Practice Exams and Review	
May 12	Exam MFE/3F	