Freie Universität Bozen
Libera Università di Bolzano
Università Liedia de Bulsan

Syllabus
Course description

Course title	**LABORATORY IN FINANCIAL TRADING**
Course code	**25432**
Scientific sector	NN
Degree	LM-77 Accounting and Finance
Semester and academic year	2nd semester 2024-2025
Year	2
Credits	3
Modular	No

Total lecturing hours	18
Total lab hours	-
Total exercise hours	-
Attendance	**Highly recommended.** Student planning to regularly attend course, must register through UNIBZ course OLE (Open Learning Environment) platform **as attending student** in order to be able to actively participate to lectures and other classroom related activities. The course OLE platform self-enrolment key that is adopted every year is LABFTyyyy, where yyyy is the calendar year when course is taught. Thus, for the academic year 2024/2025 will be **LABFT2024**. Student not attending course must register through UNIBZ OLE platform **as not attending student** in order to be able to download teaching material required to study for final exam preparation. See above for self-enrolment procedure. The most important aspect which distinguishes attending from not attending students is the assessment modality (see below). Attending students are assessed through a mixture of end-of-session in-class questions/problems and a written assignment, whereas not attending students are assessed through a final written exam test. To this end, attending student course participation is an essential part of their overall valuation and they cannot be absent more than one session with proper justification. If an attending student miss more than one session she/he will not be allowed to be assessed through the described mixture and she/he can only be

	evaluated through a final written exam test. Please notice that attending student participation will be enforced.
Prerequisites	Undergraduate introductory courses in finance, and in addition graduate/master level first year classes in Advanced Corporate Finance and Financial Mathematics. Further, attendance of second year master program optional course in Asset Management and Performance Analysis is also recommended.
Course page	https://www.unibz.it/en/faculties/economics-management/master-accounting-finance/study-plan-finance-and-financial-markets/

Specific educational objectives	Laboratory in Financial Trading (LABFT) is a second-year course for students attending the M.Sc. in Accounting and Finance. LABFT is a graduate course designed to introduce students to the theory and practice of trading and market microstructure, by encompassing trading venues, dealer networks, and new trading platforms. The course content is consistent with curriculum program in Trading adopted by the CFA Institute to students seeking designation as a Chartered Financial Analyst (CFA). LABFT will have an initial part (3-hour session) on the theory and empirics of market microstructure. Subsequently the course will progress to the practice of trading also with lectures given by professionals of trading businesses. The course concludes discussing written assignments on topics connected to liquidity and market quality, trading strategies, and new dynamics in the Exchange industry environment. The initial part of the course will examine: - The principles of trading: why and how people trade. - Why market institutions are organized as they are. - How markets are changing in response to innovations in technology. - The origins of liquidity, volatility, price efficiency, and trading profits. - Limit, Market and Complex Order strategies. Trading is, ultimately, a zero-sum game. Understanding why people trade, and with whom they are trading is very important. If an investor

	wishes to beat the market, she has to find out who is making mistakes. Among the most common mistakes that traders make are: - I intended to invest whilst I gambled. - I held on because I wanted to be right. - I traded on stale information. - I traded on the wrong financial model. - I traded when liquidity was scarce. - I traded without a transaction cost analysis. In market microstructure theory traders are categorized between information, noise and liquidity traders. In practice the taxonomy of traders includes a variety of economic agents performing several roles, such as broker, dealers, proprietary traders, hedgers, speculators and tax avoiders. Attending LABFT provides students with an understanding that trading is not just about being smart. Winning in trading requires good ideas, which can come from, for example, a better understanding/analysis of news about a certain industry or company. However, ultimately, just like in a sport, the trader must know the other players and their weaknesses.

Lecturer	Luisella Bosetti e-mail: luisella.bosetti@unibz.it
Lecturer Scientific sector	SECS-P/11
Teaching language	English
Office hours	Please refer to the timetable
Teaching assistant	-
Office hours	-
List of topics covered	The main subject areas covered in the course are: a) Theory and stylized facts in market microstructure; b) Trading behavior and monitoring in high-frequency trading markets; c) Trading strategies, algorithmic and high frequency trading; d) Transaction cost analysis and exchange trading fee pricing.
Teaching format	Classroom activity will alternate background lectures, exercises, and trading simulations.

	LEARNING OUTCOMES: Knowledge and understanding: Knowledge and understanding of operation of market structures and trading environments such as public organized financial exchanges, over-the-counter markets, industry organized networks, private market platforms. The cost and benefit from trading. Structuring order placement and trading strategies in competitive and fast-moving trading markets. Applying knowledge and understanding: Ability to use background theory and trading techniques to implement order management and execution in a trading platform. Students will learn what is and how to use the implementation shortfall, one of several industry standard metrics to measure cost and efficiency in trading. Making judgments: The course combines the latest academic thinking with hands-on business practice and its main goal is that attending students should develop by the end of classroom activity an expanded ability to analyze and think about sound trading decisions, and to defend these decisions with analytical reasoning. Communication and Learning skills: Students should carefully read book chapters and supplemental readings and be prepared to discuss all assigned exercises/simulations and to prepare trading simulation. They can expect to be asked in class to present their trading execution ideas and how to implement them. Exercises, Case studies and supplemental readings (to be found in the library course shelf and Online Reserve Collection) are detailed in the course detailed syllabus and outline available in the course's OLE platform.

Assessment	**Attending Students** Student assessment will be a two-way process. In the first, student takes in-class quick tests at the end of each Guest speaker Lecture. The test is performed through OLE Platform, which requires student to have available an electronic device (smartphone, tablet or laptop) to interact with OLE platform managed by UNIBZ ICT Services. The final

	exam consists of a prepared final course paper on topics consistent with lectures presented at LABFT. A list of titles will be provided at the beginning of the course. Students may also propose alternative suitable titles, in agreement with the Lecturer. As the LABFT is a short and compressed course, if a student misses more than one session, she/he will not be allowed to take "attending student" assessment in-class tests and case study valuation, but she/he will be directed to take "not attending student" final exams (see below). Notice that student attendance will be enforced. **Not Attending Students** Not attending students will be assessed through a written final exam on the theory and empirical analysis of financial market microstructure. To prepare final exam students are encouraged to work through the required readings as well as the supplementary readings (see below).
Assessment language	English
Evaluation criteria and criteria for awarding marks	**Attending student:** Quick OLE-based tests are either multiple choice or short quantitative problems with detailed earned points. Course final paper will be marked by considering the following criteria: topic relevance, quality of analysis and discussion, and written English which should be at C-level as required for a second year Master student. Student will get a lower grade if paper writing is: ungrammatical, unclear, journalistic. **Not Attending Student:** Final exam will consist of a mixture of quantitative problems and essay questions. The instructor will mark student final exam by taking account of correctness of answer(s) and methodology. On the essay questions high quality of written English is necessary to obtaining course passing grade.

Required readings	• Larry Harris, *Trading and Electronic Markets: What investment professionals need to know*, CFA Institute Research Foundation, 2015. • Murgia-Pinna-Gottardo-Bosetti, *The impact of large orders in electronic markets,* International Review of Economics and

	Finance, 2019.Algorithmic Trading & DMA, Barry Johnson, 4Myeloma, 2011. • Teaching Slides and lecture notes to be downloaded from course UNIBZ OLE Platform. • Some further readings and notes could be available in course UNIBZ Library Reserve Collection (ULRC) or handed out in advance of specific class sessions. However, ULRC could be accessed through Course OLE Platform.
Supplementary readings	Further useful references for gaining a better understanding of the theory, empirical analyses, practical ideas and regulation of microstructure of financial markets are: • Madhavan, 2000, Market microstructure: a survey, *Journal of financial markets*, Vol. 3, pp. 205-258. • Hasbrouck, 2007, *Empirical market microstructure: the institutions, economics and econometrics of securities trading.* Oxford University Press, New York. • Angel-Harris-Spatt, 2011, Equity trading in the 21st Century, *Quarterly Journal of Finance*, Vol. 1-1, pp. 1-53. • Amihud-Mendelson-Pedersen, 2012, *Market Liquidity – Asset pricing, risk and crises* – Cambridge University Press.