

**STUART SCHOOL OF BUSINESS  
ILLINOIS INSTITUTE OF TECHNOLOGY**

**Merger of MS Finance and MS Financial Markets  
March 2008**

At the February 2008 meeting of the faculty of the Stuart School of Business, the faculty agreed to a proposal from Dean Harvey Kahalas to merge the School's programs in finance and financial markets. The merger will result in one of the world's largest and most extensive programs in quantitative finance with full time enrollment of over 300 students in Fall 2008. The combined program, which will be offered under the MS Finance title, will complement IIT's other financial programs the MBA (a managerial finance concentration) and the MMF (mathematical finance program with the Department of Applied Mathematics).

The motivation for having distinct graduate programs in finance and financial markets was to provide educational opportunities in finance to quantitatively oriented executives, on the one hand, and to participants in Chicago's vibrant financial markets, on the other. Over the past ten years, however, Chicago's markets have led the world in the move away from physical trading floors towards electronic, internet based, trading platforms. Electronic crossing networks like GLOBEX © in the futures markets and Archipelago © in the equity markets were both developed in the city of Chicago and are now the dominant platforms in their respective market segments.

The financial markets faculty at IIT have responded to these developments by modifying the curriculum to place a greater emphasis on electronic markets and computer-based trading systems. The end result of these developments is that the distinction between finance and financial markets courses has become less clear. Participants in the programs who want to specialize in financial engineering, risk management, quantitative investments, electronic trading or financial programming have found that they would prefer to be free to select courses from both programs. The first and foremost reason, therefore, for the proposed merger is to respond to the preferences of the program participants.

A second motivation behind the proposed merger is the necessity of managing the growth in enrollment in these programs. A second important influence on the development of the programs has been the move towards open market economies and capital markets in countries like India, China, and Mexico. The rapid growth in financial markets in these countries has created a vibrant demand for quantitative financial professionals. IIT's finance programs are particularly attractive for these individuals because of the practical and theoretical orientation of our programs and because of our location in the city of Chicago. In order to be responsive to the demand, it is necessary for the Stuart school to restructure our course offerings.

By combining the two programs, all students will take a common core curriculum and elective courses will be consolidated. As a result, the course offerings per class session will be reduced.

The third motivation for the merger relates to the recent AACSB accreditation review of the Stuart school. The accreditation team expressed concern that a large fraction of the courses in the finance programs were being taught by full time and adjunct faculty who are not academically qualified under AACSB standards. The Stuart School has responded to the team report by making a commitment to increase the number of academically qualified faculty who are teaching in the finance programs. Stuart will hire additional full time faculty in Fall 2008, and Fall 2009. At the same time, the School is actively encouraging existing full time faculty to attain academically qualified status. By consolidating the two programs with a common core curriculum, the combined program will have a set of large core classes which will be taught by academically qualified faculty. Since the AACSB weights teaching by class size, the consolidation should move the finance programs substantially towards levels of academic faculty that are consistent with AACSB standards.

The combined finance program at the Stuart School will be unique in the breadth of its elective offerings. While other universities have created successful niche programs in quantitative finance like financial engineering (UC Berkeley), computational finance (CMU), and financial mathematics (U of C), the IIT program will allow students to pursue a specialization in all of these fields or to take a combination of one or more specializations. The combined program will offer specialized concentrations in corporate finance, financial economics, financial engineering, financial markets, financial programming, investment management, risk management, and trading. The combined program will offer semester long elective courses in the Fall and Spring semesters and a smaller number of half courses or double time courses during the summer break. In addition, eligible MS Finance students will be able to take elective classes in applied mathematics and management science. As a consequence, IIT will be able to offer a quantitative finance program that will be a strong competitor to our first tier competition at the University of Chicago and Northwestern University as well as other prominent universities around the world.