

1. DERIVATIVE-INTRODUCTION

- Derivative – Introduction, Meaning and Definition
- Features or characteristics of Derivative Contract
- Functions or Role or Advantages of Derivative Market
- Classification or Types of Derivatives
- Functional classification of Derivatives
- Exchange verses OTC
- Participants or Traders in Derivative Market
- Limitations of Derivative Market
- Risk Management – Type of Risks
- Evolution of Derivatives
- Financial Derivative Market in India
- Exercise

2. FORWARDS AND FUTURES

- What is Forward Contract?
- Features of a Forward Contract
- Advantages and Limitations of Forward Contract
- Settlement of Forward Contract
- What is a Future Contract?
- Features of a Future Contract
- Advantages and Limitations of Future Contract
- Difference between Forward and Future Contract
- Margin Requirement and Marking to Market
- Theory of Convergence
- Pricing Forward / Future Contract
- Spot-Forward Relationship
- The Arbitrage Opportunity
- Solved Problems
- Exercise

3. COMMODITY FUTURE

- Commodity Future – Introduction
- Features or characteristics of Commodity Future
- Benefits or Advantages of Commodity Future Contracts
- Limitations of Commodity Future Contracts
- Distinction between Commodity Future and Financial Future
- Commodity Future Contracts
- Role of Hedgers, Speculators and Arbitrageurs in Commodity Future Market
- Hedging Techniques
- Basis: The Relationship between Cash and Future Prices

- Pricing of Commodity Forward / Future Contract
- Arbitraging with Commodity Future
- Solved Problems
- Exercise

4. STOCK AND INDEX FUTURE

- Index Future: Definition and concept
- Indices
- Index Future
- Stock Future
- Distinction between Stock future and Index Future
- Terminology used in Stock and Index Future Market
- Structure of NSE Nifty 50 Index
- Pricing of Stock Index Future
- Solved Problems
- Exercise

5. CURRENCY FORWARDS AND FUTURES

- Introduction
- Foreign exchange market
- Currency Futures
- Features of Currency Futures
- Benefits of currency Futures Contracts
- International foreign exchange market
- Foreign exchange market in India
- Basic terminology in International Finance
- Futures on USD-INR Rates
- Currency hedging tools
- Currency Swaps
- Role of financial Intermediaries
- Exchange Risk Management
- Hedging with Swaps
- Solved Problems
- Exercise

6. OPTION—SECTION I: BASICS OF OPTION CONTRACT

- Option - Introduction
- Features of an Option Contract:
- Distinction between Future Contract and Option Contract
- Advantages and Limitations Option Contract:
- Type of Option Contract:
- Coverage of Underlying Assets:
- Terminology Used in Option Contract:
- In The Money, At The Money, Out Of Money (ITM, ATM, OTM)
- Moneyness of Put Option:
- Intrinsic and Time Value:
- Boundary conditions for Option Values
- Put Call parity for European Option:
- Margin Money

SECTION II: OPTION PRICING THEORY

- Option pricing Theory - Introduction
- Valuation Model
- Binomial Model
- Black Scholes Model
- The Merton Model (Dividend Paying) - (1973)
- Valuing of Option on Currencies
- Option Greeks

SECTION III: OPTION STRATEGIES

- Introduction
- Option Strategies for Speculation
- Option Strategies for Hedging
- Strategies with Combination of Options (Call and Put)
- Spreading
- Other Options

SECTION IV : SOLVED PROBLEMS

SECTION V: EXERCISE

7. SWAPS

- Introduction
- Features of a Swap Market:
- Advantage of Swap or Rationale for Swap
- Limitations of Swap Market:
- How Swap Market Introduced?
- How Swap can be used?
- Parties to a Swap Transaction:
- *Role of Financial Intermediaries:*
- Bid-Ask Spread
- *Type of Swap:*
- Swaption
- Other Type of Swaps
- Exit or Leave out from a Swap Contract
- Pricing and Valuation of Swap:

APPENDIX-I : DERIVATIVE AND RISK MANAGEMENT