

BA5010 DERIVATIVES MANAGEMENT

DETAILED SYLLABUS

OBJECTIVE

To understand the nuances involved in derivatives and to understand the basic operational mechanisms in derivatives.

UNIT I INTRODUCTION

Derivatives – Definition – Types – Forward Contracts – Futures Contracts – Options – Swaps – Differences between Cash and Future Markets – Types of Traders – OTC and Exchange Traded Securities – Types of Settlement – Uses and Advantages of Derivatives – Risks in Derivatives.

UNIT II FUTURES CONTRACT

Specifications of Futures Contract - Margin Requirements – Marking to Market – Hedging uses Futures – Types of Futures Contracts – Securities, Stock Index Futures, Currencies and Commodities – Delivery Options – Relationship between Future Prices, Forward Prices and Spot Prices.

UNIT III OPTIONS

Definition – Exchange Traded Options, OTC Options – Specifications of Options – Call and Put Options – American and European Options – Intrinsic Value and Time Value of Options – Option payoff, options on Securities, Stock Indices, Currencies and Futures – Options pricing models – Differences between future and Option contracts.

UNIT IV SWAPS

Definition of SWAP – Interest Rate SWAP – Currency SWAP – Role of Financial Intermediary – Warehousing – Valuation of Interest rate SWAPs and Currency SWAPs Bonds and FRNs – Credit Risk.

UNIT V DERIVATIVES IN INDIA

Evolution of Derivatives Market in India – Regulations - Framework – Exchange Trading in Derivatives – Commodity Futures – Contract Terminology and Specifications for Stock Options and Index Options in NSE – Contract Terminology and specifications for stock futures and Index futures in NSE – Contract Terminology and Specifications for Interest Rate Derivatives.

REFERENCES

1. David Dubofsky – 'Option and Financial Futures – Valuation and Uses, McGraw Hill International Edition.
2. Don M. Chance, Robert Brooks, An Introduction to Derivatives and Risk Management, 9th edition, Cengage, 2015.
3. John. C. Hull, Options, Futures and Other Derivative Securities', PHI Learning, 9th Edition, 2012
4. Keith Redhead, 'Financial Derivatives – An Introduction to Futures, Forwards, Options and SWAPs',– PHI Learning, 2011.
5. S. L. Gupta, Financial Derivatives- Theory, Concepts and Practice, Prentice Hall of India, 2011.
6. Stulz, Risk Management and Derivatives, Cengage, 2nd Edition, 2011.
7. Varma, Derivatives and Risk Management, 2nd Edition, 2011.
8. Website of NSE, BSE.