

Derivatives Market (Dealers) Module (DMDM)

Introduction to Derivatives

Types of Derivative Contracts, History of Financial Derivatives Markets, Participants in a, Economic Function of The Derivative Market.

Understanding Interest Rates and Stock Indices

Understanding Interest rates, Understanding the Stock Index, Economic Significance of Index Movements Index Construction Issues, Desirable Attributes of an Index, Applications of Index.

Futures Contracts, Mechanism and Pricing Forward Contracts

Limitations of forward markets, Introduction to Futures, Distinction between Futures and Forwards Contracts, Futures Terminology, Trading Underling vs. Trading Single Stock Futures , Futures Payoffs, Pricing Futures, Pricing Stock Futures.

Application of Futures Contracts

Understanding Beta, Numerical illustration of Applications of Stock Futures

Options Contracts, Mechanism and Applications

Option Terminology, Comparison between Futures and Options, Options Payoffs, Application of Options

Pricing of Options Contracts and Greek Letters

Variables affecting Option Pricing, The Black Scholes Merton Model for Option Pricing (BSO), The Greeks

Trading of Derivatives Contracts

Futures and Options Trading System, The Trader Workstation, Futures and Options Market Instruments, Criteria for Stocks and Index Eligibility for Trading, Charges

Clearing and Settlement

Clearing Entities, Clearing Mechanism, Settlement Procedure, Risk Management, Margining System

Regulatory Framework

Securities Contracts (Regulation) Act, 1956, Securities and Exchange Board of India Act, 1992, Regulation for Derivatives Trading, Adjustments for Corporate Actions

Accounting for Derivatives

Accounting for futures, Accounting for options, Taxation of Derivative Transaction in securities