

FINANCIAL MARKETS MANAGEMENT

CLASS–XII

DERIVATIVE MARKET OPERATIONS (794)

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THEORY

Time: 3 Hours

Marks: 60

Chapter-1: Introduction to Derivatives	5
1.1 Types of Derivative Contracts.	
1.2 History of Financial Derivatives Markets.	
1.3 Participants in a Derivative Market.	
1.4 Economic Function of the Derivative Market.	
Chapter-2: Understanding Interest Rates and Stock Indices	5
2.1 Understanding Interest rates.	
2.2 Understanding the Stock Index.	
2.3 Economic Significance of Index Movements.	
2.4 Index Construction Issues.	
2.5 Desirable Attributes of an Index.	
2.6 Applications of Index.	
Chapter-3: Futures Contracts, Mechanism and Pricing	5
3.1 Forward Contracts.	
3.2 Limitations of Forward markets.	
3.3 Introduction to Futures.	
3.4 Distinction between Futures and Forwards Contracts.	
3.5 Futures Terminology.	
3.6 Trading Underlying vs. Trading Single Stock Futures.	
3.7 Futures Payoffs.	
3.8 Pricing Futures.	
3.9 Pricing Stock Futures.	
Chapter-4: Application of Future Contracts	5
4.1 Understanding Beta (β),	
4.2 Numerical illustration of Applications of Stock Futures,	
4.3 Hedging using Stock Index Futures,	
Chapter-5: Options Contracts, Mechanism and Applications	5
5.1 Option Terminology.	
5.2 Comparison between Futures and Options.	
5.3 Options Payoffs.	
5.4 Application of Options.	
Chapter-6: Pricing of Options Contracts and Greek Letters	5
6.1 Variables affecting Option Pricing.	
6.2 The Black Scholes Merton Model for Option Pricing (BSO).	
6.3 The Greeks.	
Chapter-7: Trading Of Derivatives Contracts	10

- 7.1 Futures and Options Trading System.
- 7.2 The Trader Workstation.
- 7.3 Futures and Options Market Instruments.
- 7.4 Criteria for Stocks and Index Eligibility for Trading.
- 7.5 Charges.

Chapter-8: Clearing and Settlement **10**

- 8.1 Clearing Entities.
- 8.2 Clearing Mechanism.
- 8.3 Settlement Procedure.
- 8.4 Risk Management.
- 8.5 Margining System.

Chapter-9: Regulatory Framework **5**

- 9.1 Securities Contracts (Regulation) Act, 1956.
- 9.2 Securities and Exchange Board of India Act, 1992.
- 9.3 Regulation for Derivatives Trading.
- 9.4 Adjustments for Corporate Actions.

Chapter-10: Accounting for Derivatives **5**

- 10.1 Accounting for futures.
- 10.2 Accounting for options.
- 10.3 Taxation of Derivative Transaction in Securities.

PRACTICAL

Time: 2 Hours

Marks: 40

To develop the practical skills of students they will also practice on various modules of NSE to Learn to Trade Software as per details given below.

S. No.	Name of NSE - NLT Module	Class
1.	Numeric Speed Accelerator (NSA).	XI
2.	Function Key Accelerator (FKA).	XI
3.	Trading Skill Accelerator (TSA).	XI
4.	Now Simulation Mutual Fund Service System (NSM).	XI
5.	Arithmetic Skill Accelerator (ASA).	XII
6.	Now Simulation Equity Shares (NSS).	XII
7.	Now Simulation Equity Derivatives (NSD).	XII