

Derivatives Market (Dealers) Module (DMDM)

➤ **Introduction to Derivatives**

Types of Derivative Contracts, History of Financial Derivatives Markets, Participants in a Derivative Market, 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 Underlying 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, Future 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