Programme : MBA (Financial Services)
Course Code : **FSC213**
Course Title : **Financial Derivatives**
Number of Credits : 4
Effective from AY : 2020-21

Need of the Course	The introduction to Derivatives course is perfect for beginners or anyone who would like to build up their understanding about the capital markets. It also prepares an individual for a career in the fascinating world of trading financial assets as well as trains them how to make money trading derivatives. This course will constantly help learners with strategies for equity and derivatives investment and provide knowledge for trading, hedging and arbitrage opportunities. This course is a perfect choice to understand the complexities of the world of derivatives. A sound understanding of Derivatives aids to hedge risk in the underlying, create option ability, provide leverage, speculate as well as switch asset allocation which are very essential in the globalised scenario.
Description of the Course	The course is designed to provide basic knowledge about risk management and the new instruments of capital market i.e., derivatives used for managing risk. It mainly comprises of a description of the concepts of risk management, Forwards/Futures, Options and Swaps along with the trading mechanics and pricing of these instruments. The Course will help to understand the complex world of derivatives markets.
Objectives of the Course	1. To describe and explain the fundamental features of a range of key financial derivatives instruments. 2. To demonstrate an understanding of the risk management approaches and techniques in the field of derivatives markets. 3. To provide the ability to solve problems requiring pricing derivative instruments and hedge market risk based on numerical data and current market trends. 4. To teach the skills required to understand the risk management needs of clients and to communicate the solutions for the complexities in financial derivatives.

Course Content		
Unit 1	**: Introduction to Financial Derivatives**	**10 Hours**
Financial Derivatives – Introduction – Need and Scope - economic benefits of derivatives - Types - Features - Functions- Factors contributing to the growth of derivatives - Exchange traded versus OTC derivatives -traders in derivatives markets - Financial Derivatives Market in India - Major Recommendations of Dr. L.C. Gupta Committee – Regulatory system of Derivative markets in India – trading mechanism of Derivatives on BSE and NSE. Brief overview of currency, interest rate and commodity derivatives.		

Unit 2	: Futures and Forwards Financial Derivatives	12 Hours
Futures - Evolution of Futures Market in India – Functions – Traders – Trading Mechanism – Specifications of Contracts – Clearing House – Operations of Margins – Settlement Procedures and Types – Pricing of Futures - Cost of Carry and Reverse Cost of Carry – Futures and Forwards – Index Futures – Currency Futures – Interest Rate Futures – Hedging using Futures - Arbitrage and Speculation Opportunities. ***(includes practical problems)***		
Unit 3	**: Options Derivatives**	**14 Hours**
Types – Pay-offs – Moneyness of Options – Trading mechanism – Factors impact the Option Price – Option Pricing Models – Put –Call Parity Model – Binomial Option Pricing Model – Black and Scholes Model – Sensitivities of Option Price - Option trading strategies. ***(includes practical problems)***		
Unit 4	**: Swaps and Interest Rate Derivatives**	**12 Hours**
Interest rate futures (IRF's) and Forward Rate Agreements (FRA's) – Contract Specifications – Pricing– Hedging using IRF's and (FRS's) Contracts – Arbitrage and Speculative Opportunities - Financial Swaps - features and uses of swaps - Mechanics of interest rate swaps – valuation of interest rate swaps – currency swaps – valuation of currency swaps. ***(includes practical problems)***		

Pedagogy	ICT enabled Classroom teaching/ Case study/ Practical / live assignment/ Interactive class room discussions
Reference/Readings	1. N.D.Vohra and B.R.Bagri, Futures and Options, Tata McGraw Hill, New Delhi. 2. John C Hull, Fundamentals of Futures and Options market, Pearson Education, New Delhi 3. Robert W Kolb, Understanding Futures Markets, PHI, New Delhi 4. Franklin R Edwards, Futures and Options, Tata McGraw Hill, New Delhi 5. V K Bhalla, Financial Derivatives and Risk Management, S Chand, New Delhi 6. Chance, Introduction to Derivatives and Risk management, Thomson Learning 7. D C Patwari, Options and Futures in an Indian Perspective, Jaico Publishers 8. I.M, Pandey, Advanced Financial Management, Vikas Publishing House, New Delhi. 9. William F. Sharpe, Gordon J Alexander and Jeffery V Bailey, Investments, Prentice Hall New Delhi 10. R.Mahajan, Futures and Options, Vision Books Pvt Ltd, New Delhi. 11. Prafulla Kumar Swain, Fundamentals of Derivatives, HPH 12. Business Dailies 13. Parasuraman, "Derivatives". 14. SSS Kumar, "Derivatives".
Course Outcome	Upon completion of this course, students will be able to: **CO 1: Understand** the description, features, and the purpose of using variety of financial derivatives in capital markets.

	CO 2: Understand the mechanism of derivatives trading and the various approaches of pricing of derivative instruments. **CO 3: Demonstrate** critical thinking, analytical and problem solving skills in the context of derivatives pricing and hedging practices. **CO 4: Help** clients in the areas of Risk Management, Investment Banking, Treasury Management for solving the risk management issues.