MBA - II SEMESTER - IV
FM - Risk Management (RM)

1. Course Objective:

The course intends to equip students with the ability to apply stock market basics to Indian Derivative market. Financial Derivatives are discussed in terms of their valuation, analysis and application for hedging, speculation and arbitrage. Students are apprised of the recent innovations in derivatives in India unlike other countries. At the end of the course, they are expected to have learnt the mechanics, valuation and trading strategies of derivative market. They are also required to frame their own trading strategies in this volatile market.

2. Course Duration:

The course will have sessions which are divided into five modules. Each module consists of eight sessions of 75 minutes each and carries a weightage of 30%.

3. Course Content:

Module No.	Modules/Sub-Modules	Sessions	Marks Weightage
I	**Introduction to Cash & Derivative Market- An Overview** Basic Market Concepts & Mechanics of Cash Market, Various Indexes of the world & its computation, Meaning & types of Derivative Instruments, Forward, future, Option & swaps, Spot v/s Future Market, Growth of Derivative Markets in India-History & Background, ETM & OTC Markets, Types of Traders-Hedger, Arbitrageur & Speculation, Standardization of Derivative Contracts & other basic concepts. Regulatory Framework.	8	20%
II	**Forward & Future Markets** Introduction, Mechanics of Forward & Future Market, Stock Futures & Stock Index Futures in India, Pricing of Forward & Future Markets-how to read quotes, Margins, Open interest positions etc. Cost of Carry Models & Basis-Cash Price v/s Future price, Trading Strategies-Index Arbitrage, hedging using futures, options and combination of both, Speculation, spreads etc & other advanced trading strategies.	8	20%
III	**Option Markets** Types of option markets, ITM, ATM & OTM, Intrinsic Value & Time Value, Factors affecting option pricing, European & American, Arbitrage restriction on option prices, Put-call parity relationship, Put call ratio & Open Interest in relation to the price and volume, liquidating options, Option Trading Strategies-Arbitrage, hedging & Speculation, Option Pricing Models-Black schools & Binomial Model, Option Calculator, VAR & Greek Letters.	8	20%
IV	**Innovations in Indian Derivative Market** Introduction to Commodity and Currency Derivatives v/s OTC Derivatives-Foreign currency market & currency contracts in India, Purchasing power parity & covered interest Arbitrage, Currency Futures-Arbitrage, hedging & Speculation.	8	20%

V	**Innovations in Indian Derivative Market** Introduction to Interest rate Derivatives in India, Bond Futures, T-bill market in India, Exchange traded interest rate future, yield curve, term structure of interest rates, etc., Currency & Interest rate Swaps.	8	20%

4. Teaching Methods:

The following pedagogical tools will be used to teach this course:

1. Lectures & Discussions
2. Assignments & Presentations
3. Case Analysis
4. Numerical Problems Solving

5. Evaluation:

The students will be evaluated on a continuous basis and broadly follow the scheme given below:

1.	Assignments / Presentations/ Quizzes / Class Participation etc.	50% Marks (Internal Assessment)
2.	Mid – Semester Examination	30% Marks (Internal Assessment)
3.	End - Semester Examination	70% Marks (External Assessment)

6. Basic Text Books:

Sr. No.	Author/s	Name of the Book	Publisher	Edition
T1	Vohra & Bagri	Futures and Options	Tata McGraw hill	Latest Edition
T2	Rajiv Srivastava	Derivatives & Risk Management	Oxford Univesity	Latest Edition
T3	John C. Hull	Futures and Option Markets	Pearson Education	Latest Edition

7. Reference Books:

Sr. No.	Author/s	Name of the Book	Publisher	Edition
R1	Varma	Derivatives & Risk Management	Tata McGraw hill	Latest Edition
R2	Vivek & P.N. Asthana	Financial Risk Management	Himalaya	Latest Edition
R3	Rene M. Stulz	Risk Management & Derivative	Cengage	Latest Edition
R4	David A. Dubofsky and Thomas W. Miler	Derivatives Valuation and Risk Management	Oxford University Press	Latest Edition
R5	Patwari & Bhargava	Options and Futures : An Indian Perspective	Jaico Publishing House	Latest Edition

8. List of Journals / Periodicals / Magazines / Newspapers / Websites etc.:

The students will have to refer to past issues of the following journals and websites in order to get relevant topic/information pertaining to the subject.

1. Business Standard
2. The Economic Times
3. Financial Express
4. NSE & BSE Websites
5. ICFAI journal of Derivative Market
6. Business Today
7. Business India
8. Business World
9. Finance India
10. Treasury Management
11. Financial Risk Management

9. Session Plan:

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Sessions	Topic
1	Basic Market Concepts & Mechanics of Cash Market, Various Indexes of the world & its computation
2	Meaning & types of Derivative Instruments
3-4	Forward, future, Option & swaps, Spot v/s Future Market
5	Growth of Derivative Markets in India-History & Background, ETM & OTC Markets
6	Types of Traders-Hedger, Arbitrageur & Speculation
7-8	Standardization of Derivative Contracts & other basic concepts, Regulatory Framework
9-10	Introduction, Mechanics of Forward & Future Market, Stock Futures & Stock Index Futures in India
11-12	Pricing of Forward & Future Markets-how to read quotes, Margins, Open interest positions etc.
13	Cost of Carry Models & Basis-Cash Price v/s Future price
14-15	Trading Strategies-Index Arbitrage, hedging using futures, options and combination of both
16	Speculation, spreads etc & other advanced trading strategies.
17	Types of option markets, ITM, ATM & OTM, Intrinsic Value & Time Value
18	Factors affecting option pricing, European & American, Arbitrage restriction on option prices
19	Put-call parity relationship, Put call ratio & Open Interest in relation to the price and volume, liquidating options
20-21	Option Trading Strategies-Arbitrage, hedging & Speculation
22-23	Option Pricing Models-Black schools & Binomial Model
24	Option Calculator, VAR & Greek Letters
25-27	Introduction to Commodity and Currency Derivatives v/s OTC Derivatives-Foreign currency market & currency contracts in India
28-29	Purchasing power parity & covered interest Arbitrage
30-32	Currency Futures-Arbitrage, hedging & Speculation
33-35	Introduction to Interest rate Derivatives in India, Bond Futures, T-bill market in India
36-38	Exchange traded interest rate future, yield curve, term structure of interest rates, etc.
39-40	Currency & Interest rate Swaps