

# Course Content NISM-Series-VIII: Equity Derivatives Certification Examination

## **Module I: Basics of Derivatives**

- a. Basics of Derivatives
- b. Derivatives Market – History & Evolution
- c. Indian Derivatives Market
- d. Market Participants
- e. Types of Derivatives Market
- f. Significance of Derivatives
- g. Various risks faced by the participants in derivatives

## **Module II: Understanding Index**

- a. Introduction to Index
- b. Significance of Index
- c. Types of Stock Market Indices
- d. Attributes of an Index
- e. Index management
- f. Major Indices in India
- g. Application of Indices

## **Module III: Introduction to Forwards and Futures**

- a. Introduction to forward contracts
- b. Futures contracts
- c. Contract specifications of futures contracts
- d. Some important terminology associated with futures contracts
- e. Differences between Forwards and Futures
- f. Pay off Charts for Futures contract
- g. Futures pricing
- h. Price discovery and convergence of cash and futures prices on the expiry
- i. Uses of futures

## **Module IV: Introduction to Options**

- a. Basics of options
- b. Contract specifications of exchange-traded options
- c. Moneyness of an option
- d. Intrinsic value and time value of an option
- e. Pay off Charts for Options
- f. Distinction between futures and options contracts
- g. Basics of Option Pricing and Option Greeks
- h. Option Pricing Models

- i. Implied volatility of an option
- j. Analysis of options from the perspectives of buyer and seller

**Module V: Strategies using Equity futures and Equity options**

- a. Futures contracts for hedging, speculation and arbitrage
- b. Use of options for trading and hedging
- c. Arbitrage using options: Put-call parity
- d. Delta-hedging
- e. Interpreting open interest and put-call ratio for trading strategies

**Module VI: Trading Mechanism**

- a. Trading Mechanism
- b. Eligibility criteria for selection of stocks for derivatives trading
- c. Selection criteria of Index for trading
- d. Adjustments for Corporate Actions
- e. Trading costs
- f. Algorithmic trading
- g. Tracking Futures and Options data

**Module VII: Introduction to Clearing and Settlement System**

- a. Clearing Members
- b. Clearing Mechanism
- c. Interoperability of clearing corporations
- d. Settlement Mechanism
- e. Risk Management
- f. Margining and mark to market under SPAN
- g. Position limits
- h. Violations and Penalties
- i. Settlement Guarantee Fund and Investor Protection Fund:

**Module VIII: Legal and Regulatory Environment**

- a. Securities Contracts (Regulation) Act, 1956
- b. Securities and Exchange Board of India Act, 1992
- c. Regulations in Trading
- d. Regulations in Clearing & Settlement and Risk Management
- e. Eligibility criteria for membership on derivatives segment

**Module IX: Accounting and Taxation**

- a. Accounting
- b. Taxation of derivative transaction in securities

**Module X: Sales Practices and Investors Protection Services**

- a. Understanding risk profile of the client
- b. Risk Disclosure Document

- c. Written Anti Money Laundering Procedures
- d. Investors Grievance Mechanism