

# PG DEPARTMENT OF COMMERCE



**Sree Krishna College, Guruvayur – 680102**

**Certificate course- 2024-2025**

## **Certificate Course on "FUTURES AND OPTIONS: CONCEPTS AND TRADING"**

**Course Code: CERSKCCOM7**

**Total Hours- 30 Hours**

**Total Marks- 40 Marks**

### **Objectives:**

1. Provide a clear understanding of the concepts and mechanics of futures and options markets.
2. Develop practical knowledge of trading mechanisms and pricing strategies in F&O markets.
3. Equip participants with skills to implement risk management and hedging strategies effectively.
4. Familiarize learners with the regulatory framework and best practices in F&O trading.

### **Learning Outcomes:**

Upon completion, participants will:

1. Gain a thorough understanding of futures and options concepts and trading mechanisms.
2. Develop skills to analyse and price derivatives.
3. Be equipped to apply F&O strategies for risk management and speculative purposes.

### **Target Audience:**

- Undergraduate/graduate students in commerce, finance, and economics.
- Professionals or retail investors interested in learning F&O trading.

### **Module 1: Fundamentals of Derivatives and Futures Trading (10 Hours)**

- **Introduction to Derivatives**
  - Overview of financial markets and role of derivatives
  - Types of derivatives: forwards, futures, options, and swaps

- Benefits and risks of derivatives trading
- **Understanding Futures Contracts**
  - Key features of futures contracts
  - Pricing of futures: cost of carry model and calculations
  - Mark-to-market, margin requirements, and settlement mechanisms
- **Applications of Futures**
  - Hedging strategies with futures
  - Speculation and arbitrage opportunities

**Key Activities:**

- Case study on futures contracts in the stock or commodity market
- Exercises on calculating futures prices and margin requirements

**Module 2: Options: Concepts, Pricing, and Strategies (12 Hours)**

- **Introduction to Options**
  - Call and put options: features, terms, and payoff structures
  - Intrinsic value and time value of options
- **Pricing of Options**
  - Factors influencing option pricing (Greeks: Delta, Gamma, Theta, etc.)
  - Introduction to the Black-Scholes Option Pricing Model
- **Option Trading Strategies**
  - Basic strategies: covered calls, protective puts
  - Intermediate strategies: straddles, strangles etc.
  - Hedging and speculation using options

**Key Activities:**

- Building and analysing option strategies
- Simulating basic and advanced option strategies using mock trading platforms

**Module 3: Trading Mechanisms, Risk Management, and Regulations (8 Hours)**

- **Trading Futures and Options**
  - Overview of trading platforms (NSE, BSE, etc.)
  - Order types: market, limit, and stop-loss orders
  - Clearing, settlement, and the role of brokers
- **Risk Management in F&O Trading**
  - Common risks: market risk, leverage risk, liquidity risk
  - Techniques: portfolio diversification, position sizing, managing margin calls
- **Regulatory Framework**
  - Role of SEBI in the Indian derivatives market
  - Rules, guidelines, and compliance for F&O trading

**Key Activities:**

- Practical trading session using virtual trading platforms

- Case study on risk management in volatile markets

## **Assessment and Certification:**

- **Evaluation Criteria:**
  - Assignment/Case Studies: 20%
  - Module-End Quizzes: 30%
  - Final Examination/Practical Task: 50%
- **Certification:** Participants scoring 50% or more will receive a certificate of completion.

## **References :**

### **1. Books:**

- Hull, J. C. *Options, Futures, and Other Derivatives* (Global Edition). Pearson Education.
- Chance, D. M., & Brooks, R. *An Introduction to Derivatives and Risk Management*. Cengage Learning.
- Varma, J. R. *Derivatives and Risk Management*. Tata McGraw-Hill Education.

### **2. Articles and Journals:**

- "SEBI Regulations for Derivatives Market," published by the Securities and Exchange Board of India.
- Research papers from journals such as *The Journal of Derivatives* and *The Review of Financial Studies*.

### **3. Online Resources:**

- NSE India website: <https://www.nseindia.com> (Detailed information on trading mechanisms, derivatives products, and regulations).
- Investopedia: <https://www.investopedia.com> (Comprehensive articles on futures, options, and trading strategies).
- Zerodha Varsity: <https://zerodha.com/varsity/> (Educational modules on derivatives trading and strategies).

### **4. Practical Tools and Platforms:**

- Virtual Trading Platforms like NSE NOW and Zerodha Kite for mock trading sessions.
- SEBI's official reports and guidelines for compliance and regulatory practices.