17 XB F03

FINANCIAL

DERIVATIVES

UNIT I: INTRODUCTION

• Financial Derivatives: Definition - Different Classification of Traders – Types of Derivative **Instruments -** Forwards, Futures, Options, Swaps and Other Instruments – Types of Order - Futures Vs Forwards – Different Classification of Derivative Market - OTCEI and Exchange Traded Derivatives

Market.

Derivatives Market Trading System

- Trading system Fully automated trading environment screen based, floor-less trading
- Online Monitoring and Surveillance mechanism
- Supports Order-Driven Market
- Complete transparency
- Orders placed are processed for potential match
- Orders stored in Price-time Priority

Order Matching Rules

• Best Buy Order with Best Sell Order

- Best Buy Order – Highest Price, Best Sell Order – Lowest Price

• Active Orders

- Orders that are matched with the existing Order

- Passive Orders
 - Unmatched Orders

Order Conditions

- Types of order based on individual's requirements
- Orders can be categorized on the basis of

a) Time

b) Price

a) Time Condition

- i) Day Order / Good Till Day Order
 - Valid for the day when it is entered
 - system will not carry forward the order for next day
- ii) Immediate or Cancel Order (IOC)
 - Allows to buy/sell securities as soon as the order is released into the market
 - Partial match is possible
 - Unmated portion is cancelled immediately

b) Price Condition

i) Limit Order

- Limit Price is specified
- ii) Market Order
 - Matched at the best price available at the time of entering the order

iii) Stop Loss Order

• Order gets activated and placed as limit order only when the

market price reaches the Threshold Price / Trigger Price.

a) Sell Order – Gets triggered only when the market

price reaches or falls below the Threshold Price

b) Buy Order - Gets triggered only when the market

price reaches or exceeds the Threshold Price

Other Order Terms

• Good Till Date (GTD) Order

- valid & remain in the system till the given date

• Good-Till-Cancelled (GTC) Order

- remain in the system until the date that it is filled or until a

maximum of 90 calendar days from date of entry

• All-or-none (AON)

- An order that must be filled in its entirety. There are no partial

fills.

• Fill-or-Kill (FOK)

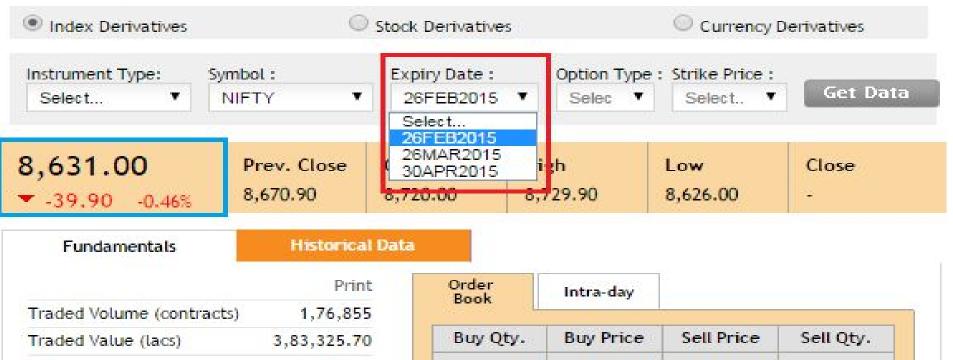
- An order that must be filled in its whole or immediately killed.

Enter Transaction Password : Submit (Transaction Password is required to be entered only once for a session) Exchange NSE Inst. Type OPTIDX Expiry Date 25-APR-2013 Contract Buy / Sell SELECT Quantity Strike Price Options Type	
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Buy / Sell SELECT M Quantity Strike Price Options Type	·SELECT 💟
Stop Loss Order Term Good Till Day V Price LIMIT V	

Quote As on Feb 12, 2015 11:32:36 IST C

CNX Nifty - NIFTY

Index Watch | Option Chain



	Print
Traded Volume (contracts)	1,76,855
Traded Value (lacs)	3,83,325.70
VWAP	8,669.83
Underlying value	8,602.25
Market Lot	25
Open Interest	2,52,64,025
Change in Open Interest	4,55,725
% Change in Open Interest	1.84
Implied Volatility	73

		Intra-day	Book
Sell Qty.	Sell Price	Buy Price	Buy Qty.
75	8,631.50	8,631.00	25
3,675	8,631.55	8,630.05	100
25	8,631.80	8,630.00	150
100	8,631.85	8,629.40	25
100	8,631.90	8,629.30	50
7,12,225	antity	Total Qu	5,60,400

+ Cost of Carry

+ Other Information

Time	Trading Activity	Open Interest
Jan 1	A buys 1 option and B sells 1 option contract	1
Jan 2	C buys 5 options and D sells 5 options contracts	6
Jan 3	A sells his 1 option and D buys 1 options contract	5
Jan 4	E buys 5 options from ${f C}$ who sells 5 options contracts	5