

NISM-Series-I: Currency Derivatives Certification Examination

Curriculum

I. Introduction to Currency Markets

- A. History of foreign exchange markets
- B. Major currency pairs
- C. Overview of international currency markets
- D. Basics and Peculiarities of currency markets in India
- E. Settlement or value date
- F. Over-the-Counter (OTC) forward market
- G. Exchange rate arithmetic- cross rate
- H. Impact of market economics on currency prices
- I. Economic indicators

II. Foreign Exchange Derivatives

- A. Evolution of derivatives
- B. Derivative products and features
- C. Growth drivers of derivatives
- D. Market players in the foreign exchange market
- E. Key economic functions of derivatives
- F. Exchange-Traded Vs. OTC derivatives

III. Exchange Traded Currency Futures

- A. Currency futures
- B. Spot price
- C. Futures price
- D. Contract cycle
- E. Value date/Final settlement date
- F. Expiry date
- G. Contract size
- H. Initial margin
- I. Marking-to-market
- J. Rationale behind currency futures

- K. Standard items in a futures contract
- L. Introduction of currency futures in India
- M. Futures and forward contracts
- N. Advantages of futures contracts
- O. Limitations of futures contracts
- P. Interest rate parity and pricing of currency futures

IV. Strategies Using Currency Futures

- A. Role of speculation in futures markets
- B. Long position in futures
- C. Short position in futures
- D. Hedging using currency futures
- E. Types of hedgers
- F. Size of the hedging position
- G. Trading spreads using currency futures
- H. Concept of arbitrage
- I. Use of arbitrage in currency futures markets
- J. Arbitrage opportunities under various conditions
- V. Trading in Currency Futures
 - A. Contract specification for currency futures
 - B. Trading parameters
 - C. Tenors of futures contract
 - D. Expiry date
 - E. Settlement price
 - F. Entities in the trading system
 - G. Types of orders
 - H. Concept of Mark-to-Market (MTM)
 - I. Position limits
 - J. Allowable open position limits for members trading in currency futures
 - K. Monitoring and enforcement of position limits in the currency futures market
 - L. Surveillance systems and procedures of exchanges

VI. Clearing, Settlement and Risk Management in Currency Futures

- A. Clearing entities
- B. Clearing mechanism
- C. Open positions and obligations of clearing members
- D. Settlement mechanism
 - MTM settlement
 - Final settlement
- E. Risk management measures
- F. Concept of margin requirements
- G. Initial margin
- H. Portfolio based margin
- I. Calendar spread margin
- J. Extreme loss margin
- K. Liquid net worth
- L. Liquid assets
- M. Real time computation
- N. Process of margin collection by Clearing Corporations

VII. Exchange Traded Currency Options

- A. Options
- B. Call and put option
- C. Bought and sold option
- D. Option premium
- E. Futures and options
- F. European vs. American option
- G. Moneyness of an option
- H. Option pricing and option Greeks
- I. Option pricing methodology
 - Black-Scholes model
 - Binomial pricing model
- J. Option pay offs
- K. Option strategies
- L. Practical application of currency options

M. Clearing, settlement and risk management for currency options

- Initial margin
- Extreme loss margin
- Net option value
- Calendar margin

VIII. Accounting and Taxation

A. Accounting treatment for derivative contracts

B. Taxation of derivative transaction in securities

C. Tax treatment of profit/loss on derivative transaction in securities

IX. Regulatory Framework for Currency Derivatives

A. Features of Securities Contracts (Regulation) Act, 1956 [SC(R)A]

B. Features of Securities and Exchange Board of India Act, 1992

C. Recommendations of the RBI-SEBI Standing Technical Committee on Exchange Traded Currency and Interest Rate Derivatives

D. Provisions of Foreign Exchange Management Act, 1999

E. Salient features of RBI notification 'Currency Futures (Reserve Bank) Directions, 2008

F. Salient features of RBI Circular, 'Guidelines on trading of Currency Futures in Recognised Stock / New Exchanges'

G. Salient features of SEBI Regulations for Currency Derivatives Exchanges

H. Regulatory framework for clearing corporations

I. Governing Council of the Exchange and Clearing Corporation

J. Eligibility criteria for membership of currency derivatives exchanges

X. Codes of Conduct and Investor Protection Measures

A. Features of SEBI Codes of Conduct for brokers

B. Features of SEBI Codes of Conduct for sub-Brokers

C. Features of Codes of Conduct specific to Exchange Traded Currency Derivatives Segment

D. Grievance redressal mechanism for investors

E. Nature of complaints considered by exchanges

F. Arbitration mechanism at exchanges