



## Derivative Products I

Students explore the fundamental characteristics, features, and applications of derivative products. Particular attention is paid to options pricing and the examination of the Black-Scholes and Binomial models.

### Targeted Audience

Traders, sales and business development professionals, backoffice staff, financial analysts, auditors and compliance staff.

### Special Offer

Clients who register for this course will receive a complimentary 4-month subscription to FT.com. The Financial Times is the world's most respected financial newspaper, providing a broad assessment on finance, business and the industrial sector. The move to the electronic version follows an ongoing review of our environmental responsibilities as a global business and as part of the Pearson group. FT.com also has features that are not available in hard copy, such as: Special Reports, Alphaville, editor blogs, education sections and much more! Subscriptions will start within 6-8 weeks of the start of class and are limited to one subscription per client. (Please note: as of May 1, 2011, the electronic subscription replaces the hard-copy 3-month Financial Times subscription.)

### Advance Preparation

No advance preparation required.

### Prerequisites

Fundamentals of the Securities Industry or equivalent knowledge, 2 - 3 years financial markets experience working for a bank or brokerage firm who is currently in the derivatives business. You will need a financial calculator with the following specific functions: 1.) The  $e(x)$  (the Exponent  $e$ ) function; 2) The  $\ln$  (the Natural Logarithm) function

### Learning Objectives

Students will be able to:

- . Identify who the market participants are that presently use derivative products.
- . Identify what markets are derivative products (futures, options and swaps) and on what underlying assets these derivatives are based.
- . Explain how these various market participants use derivative products and for what purpose.
- . Demonstrate how to price futures contracts.

## **Alumni Comments**

*"A thorough course with a good instructor."*

*"The instructor was able to break down complex concepts into everyday scenarios."*

*"This course utilized good examples to demonstrate course topics."*

**Level: Basic**

**CPE Credits: 7.0**

**Instructional Method: Group-Live**

## **Detailed Outline**

### **Futures and Forwards**

- . Evolution and History
- . Standardized Contracts
- . Margin and Daily Settlement
- . Clearing Firms and Their Function
- . Benefits Of Exchange-Traded Futures
- . Applications Of Futures And Forwards
- . Differences Between Futures & Forwards
- . Time Value of Money

### **Eurodollar Contract**

- . Define an FRA
- . How they are priced

- . Applications of FRA

### **Eurodollar Futures**

- . Contract Specifications
- . The Eurodollar Strip
- . Value of a Basis Point Futures versus Deposits

### **Interest Rate Swaps**

- . History and Evolution
- . Characteristics and Terms of Swaps
- . Fundamentals Of Pricing Swaps
- . Applications of Interest Rate Swaps

### **OPTIONS, CAPS, FLOORS & SWAPTIONS**

- . History and Evolution Of Options Market
- . Option Terminology
- . Risk/Reward - Payoff Profiles & Breakevens
- . Basic Characteristics Of Option Contracts
- . Basic Characteristics Of Caps & Floors
- . Basic Characteristics Of Swaptions
- . Factors Of Options Pricing

## **Required Materials**

You will need a financial calculator with the following specific functions: 1.The E(x) (the Exponent e)2.The LN (the Natural Logarithm functions)

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