17/5/19

Roll No. .... Total Pages : 2

OMMS/M-19 **13037**

FINANCIAL DERIVATIVES

Paper : FM-403

Time : Three Hours] [Maximum Marks : 70

PART–A

Note : Attempt *eight* questions carrying 5 marks each.

1. How derivative contracts are used for hedging risk ? Discuss.
2. 'Derivative instruments have their own inherent risk.' Do you agree ? Explain.
3. Explain the process of product innovation in derivative markets and the possible difficulties that could be faced by the market participants.
4. Describe trading mechanism for equity derivatives in India.
5. Describe the characteristics and the settlement procedure of future contracts.
6. What are swaps ? Explain different types of swap contracts.
7. Explain and illustrate how a butterfly strategy would be different from a condor option strategy.
8. What are interest rate derivatives ? Explain their basic features.

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9. What are the characteristics of participating forward currency futures ? Explain.

10. State and describe exotic options. (8×5=40)

PART–B

Note : Attempt any *three* questions carrying 10 marks each.

11. Discuss the features and limitations of the cost of carry models.

12. Explain the method of pricing :

    (a) Currency swaps, and

    (b) Swaption.

13. What are the various alternative methods of computing VaR ? Which do you think is the best method for computing market risk ?

14. State and briefly describe Greeks (delta-gamma-theta-vega) hedging.

15. Critically examine the regulatory framework of derivative trading in India. (3×10=30)