

**Intensive Programme on**  
**Financial**  
**Derivatives**

*(Focus : Interest Rate and  
Currency Derivatives)*

*in Collaboration with*  
**CME Group, Chicago, USA**

**Module I**  
**May 24 – 29, 2009**  
**NIBM, Pune, INDIA**

**Module II**  
**June 01 – 05, 2009**  
**CME Group, Chicago, USA**

**Coordinators**  
**Kedar Nath Mukherjee**  
**Dr S V Kuvalekar**



**National Institute of Bank Management**

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## **Introduction**

The progressive integration of the Indian financial markets due to globalization has made our banks, financial institutions and others more vulnerable to market risk. Increased cross-border flow of funds has further complicated the scenario. These in turn have made issues relating to hedging of such risk exposures very challenging. While derivatives are very useful for hedging and risk transfer, and hence improve market efficiency, it is necessary to keep in view the risks of excessive leverage, lack of transparency particularly in complex products, difficulties in valuation, tail risk exposures, counterparty exposure and hidden systemic risk.

The derivative markets in India have been going through a reform process over the last one and half decade and have witnessed significant growth in terms of size, product profile, nature of participants and the development of market infrastructure across all segments – equity markets, debt markets and forex markets. At present, Indian market is having a menu of over-the-counter (OTC) products, such as forwards, swaps and options, available to them for hedging their interest rate as well as currency risk and the markets for these are quite deep and liquid. Interest rate derivatives such as Interest Rate Swaps (IRS), and Forward Rate Agreements (FRA) were introduced in 2000. As regards interest rate derivatives, the inter-bank Rupee swap market turnover, as reported on the CCIL platform, on average has been around USD 4 billion per day in notional terms. Trading in equity derivatives such as stock index futures and options, futures and options on underlying stocks, etc. have been introduced since June 2000. At present, size of equity linked derivatives is significantly higher as compared to cash segment. Indian forex derivative markets have also developed significantly over the years. The daily average turnover has gone up from about USD 5 billion per day in 1998 to more than USD 50 billion per day in 2008.

In the context of growing integration of the Indian economy with the rest of the world, Reserve Bank of India has introduced new products like Currency Futures, whereas the interest rate futures are expected to be reintroduced very soon. Since the commencement of trading of currency futures in India, the value of the trades has gone up steadily from USD 3.48 billion in October 2008 to USD 9.16 billion in December 2008. The average daily turnover in all the exchanges has also increased from USD 0.17 to 0.43 billion during the same period.

Importance of commodity futures in Indian commodity market, specifically in agricultural sector, has also become much researched topic. The Government of India and regulators of various markets such as RBI, SEBI and FMC have recognized the importance of financial and commodity derivatives and accordingly have taken various policy initiatives, so as to ensure that the derivatives market becomes a key segment of Indian financial market.

While one should understand the important features of these derivative instruments but at the same time demystifying the instruments, complex trading of such instruments, their risk structures and use for risk mitigation is a new concept especially in the Indian market. In view of the relevance of these products in the risk management exercise, the participants in the market like commercial banks, primary dealers, non-bank finance companies, mutual funds and corporations are likely to make use of these products on a large scale for their own business. Given the above perspective, it is felt that the Institute should take appropriate initiative to impart new skills, knowledge, perspective and quality of

analysis to the executives of banks and financial institutions who would participate in the derivatives market. The techniques we explore are essential for anybody needing to develop and actually use models in the financial markets such that model risk can be minimized and right trading strategy can be adopted.

To accomplish these objectives, the Institute has entered into collaboration with CME Group, Chicago, USA to offer a series of programmes on financial derivatives to the banking and finance industry. The first programme in this series was organized in May 2008. The captioned programme is the second in this series.

### **Distinctive Features of the Programme**

The captioned programme is designed to sharpen the skills, knowledge, perspective and analytical capabilities of the executives in banking and non-banking financial institutions who are either presently working or are going to be posted in the Treasury, Forex, ALM and Risk Management departments including derivatives desks.

The programme will provide indepth input on theory and applications of derivatives by eminent faculty and leading practitioners both from the CME Group and in India.

Important cases in the global as also in local context would be deliberated during the programme.

### **About CME Group**

The CME Group is the world's largest derivatives exchange and the first financial exchange to introduce currency futures. CME Group is a combined entity formed by the 2007 merger of the Chicago Mercantile Exchange (CME) and the Chicago Board of Trade (CBOT). It provides the widest range of benchmark futures and options products available on any exchange, covering all major asset classes. CME Group offers customers and the global marketplace a history of more than 150 years of exchange expertise.

### **Target Group**

Executives working in the Treasury, Forex, ALM and Risk Management in Banks, Financial Institutions, NBFCs, Insurance Companies, etc. Participants from corporates are also encouraged to apply.

### **Dates**

Module I : May 24 – 29, 2009

Module II : June 01 – 05, 2009

### **Venue**

#### **Module I : May 24 – 29, 2009**

National Institute of Bank Management  
NIBM Campus, Kondhwe Khurd, Pune 411048

*Accommodation* : Programme is fully residential. Participants will be provided fully furnished single room AC accommodation in the recently renovated hostel complex in the Campus. Participants have to reach the Campus on 23<sup>rd</sup> evening and leave by the 30<sup>th</sup> morning. Participants will not be permitted to bring their family members to stay on the Campus.

#### **Module II : June 01 – 05, 2009**

CME Group, 20 South Wacker Chicago, Illinois 60606, USA

*Accommodation* : CME Group has agreed to make arrangements for stay at "Presidential Towers", within walking distance from CME Group Building, at the rate of US \$ 169 per night per participant for 6 nights. The hotel apartments are fully furnished and have its individual kitchen, with a full service grocery store in the building. For details, please visit [www.presidentialtowersapts.com](http://www.presidentialtowersapts.com)

Each participant is, therefore, required to carry a **Demand Draft of US \$1014 favouring “CME Group” payable in Chicago**. Confirmation for the accommodation should come along with the nomination.

### **Fees per Participant**

US \$ 2000 for Foreign Participant

Rs. 55,000 for member or Rs. 65,000 for non-member Indian Participant\*

The fees cover the cost of programme material, full boarding and lodging at NIBM only. The fees may be remitted by demand draft/pay order made out in favour of 'National Institute of Bank Management', drawn on any bank and payable at Pune, India (*\*Service tax will be charged extra, if made applicable*).

**Fee at CME Group : Nil**

### **TDS Exemption**

Kindly note that NIBM is exempted under Section 194J of the Income Tax Act, 1961, and hence no tax is deductible at source from any payments made in its favour.

### **Special Instructions**

1. Participants should have valid passport covering the programme duration.
2. The responsibility of obtaining the visa lies with the individual participant. Participants are advised to initiate the process of obtaining visa for the relevant period of the programme from the US embassy at the earliest. To expedite this process, participation letter from CME Group can be made available on request.

### **Nominations and Enquiries**

Kindly address your enquiries and nominations along with the fees to :

Kedar Nath Mukherjee  
Dr S V Kuvalekar  
Programme Coordinators  
National Institute of Bank Management  
NIBM Post Office, Kondhwe Khurd  
Pune 411 048 INDIA

Telephone : 0091-20-26716000 (EPABX)  
                  0091-20-26716351/26716305 (Direct)  
Fax : 0091-20-26834478  
E-mail : kedar@nibmindia.org/svk@nibmindia.org  
Website : <http://www.nibmindia.org>

### **Last Date for Receiving Nominations**

April 15, 2009

**Module I : May 24 – 29, 2009  
(at NIBM, Pune)**

**Day 1 (24/5/09)**

- Basel-II and Risk Management (Market, Credit, Liquidity, Operational Risk)
- Introduction to Derivatives
- Uses of Statistics in Derivatives (Basic Measures, Distribution, Volatility, Correlation, etc.)

**Day 2 (25/5/09)**

- Basic Bond Mathematics (YTM, Spot Rates, Duration and Convexity)
- Introduction to Forward, Futures and Options
- Interest Rate Swaps and Forward Rate Agreement

**Day 3 (26/5/09)**

- Interest Rate Options
- Pricing Model (Binomial)
- Equity Derivatives
- Index and Stock Futures

**Day 4 (27/5/09)**

- Stock Options (Black Scholes Model)
- Interest Rate Futures
- Currency Futures

**Day 5 (28/5/09)**

- Currency Swaps and Currency Options
- Introduction to Commodity Derivatives
- Introduction to Credit Derivatives

**Day 6 (29/5/09)**

- Value-at-Risk (Introduction)
- VaR (Swaps, Options) (Credit VaR – Credit Metrics Approach)
- Accounting Standards, Taxation Aspects and Regulatory Framework
- Sub-prime Crisis : Lessons

**Module II : June 1 – 5, 2009  
(at CME Group, Chicago, USA)**

**Day 1 (01/6/09)**

- Morning* : Introduction to CME Group, Recent Developments in Derivative Markets, Financial Crisis, and New Regulatory Initiatives
- Afternoon* : Margins and SPAN, Market Surveillance, Clearing and OTC Clearing (Clearport)

**Day 2 (02/6/09)**

- Short-Term Interest Rate (STIR) Futures, Exchange vs OTC, Pricing & Hedging
- STIR Futures and Options : Packs, Bundles, Spreads, and other Trading Strategies

**Day 3 (03/6/09)**

- Treasury Bond Futures and Options, Pricing and Hedging, Yield Curve, Credit Spreads
- Interest Rate Swap Futures – (5 year to 30 year) & Spreads

**Day 4 (04/6/09)**

- Stock Index Futures
- FX Futures, FX Options and FX Swaps
- Commodities: Grains, Energy and Metals

**Day 5 (05/6/09)**

- Trading Floor Tours
- Option Spread Trading
- Electronic Trading, Demos, Games, Discussions