



Derivatives

(part of Candidate CIP®, CIP®)

This course is ideal for those who wish to update or increase their knowledge about derivatives. The learning concept couples directly the theoretical knowledge with the daily practice. In addition, this course forms part of the CIP program.

Training Method

- Prior to the 1-day course, the participant will receive the 'Reader Advanced Derivatives'. In order to be able to participate at the fullest during the course and to achieve optimum results, the participant is required to study this Reader before the course starts;
- After a 1-day intensive course where theory is illustrated with practical examples and current events, from the perspective learning-by-doing, the participant will study some real-life cases and review the results directly with the trainer;
- The course is ended with an exam. Once the participant passes the exam, he/she will receive the CIP certificate for Derivatives.

Topics

During the course Derivatives the following topics will be treated:

- **Definition, history and market structure of the derivatives markets:**
 - History of futures and options markets;
 - Market structure of derivatives markets: participants, turnover, clearing organizations and brokers;
 - Pros and cons of the use of derivatives.
- **Characteristics of derivatives markets:**
 - General characteristics of futures like rights and obligations, settlement, long and short positions, contract size;
 - General characteristics of options like types of options, option positions, underlying values, expiration, maturity, strike prices (exercise prices) and option styles. Also the terminology is discussed (in-at- or out-of-the-money);
 - Explanation of the term 'fair pricing' of futures and options;
 - Differences between futures and options;
 - Overview and explanation of market parties: hedgers, speculators and arbitragers, including examples of how each of these parties use derivatives;
 - Margining and commissions of market makers: margins, writing naked options and writing covered options.
- **Basic characteristics of options:**
 - Factors influencing the option price: price of the underlying value, exercise price (strike price), maturity, volatility, interest rates and dividends;
 - Discussion of the Black & Scholes options pricing model;
 - Review of the importance of volatility in options pricing.

- **Brief discussion of exotic options:**
 - Bermuda option;
 - Canary option;
 - Capped-style option;
 - Compound option;
 - Shout and Swing option;
 - Other exotic options.

- **Option strategies, explanations and cases:**
 - The four basic strategies: long and short call and long and short put;
 - Bull strategies: long call, call spread, covered short call, shares with a long put, short put;
 - Bear strategies: long put, put spread;
 - Market neutral strategies: collar, short straddle, long straddle, long strangle, short strangle, ratio call spread, long call butterfly;
 - Other strategies: strips and straps, calendar spreads, diagonal spreads, condor, etc.

- **Derivatives and Risk Management:**
 - Margining and collateral management (legal frame work);
 - Basic approach of option Greeks (delta, gamma, theta, vega) using cases.

- **Explanation of processes:**
 - Differences between Exchange-traded derivatives and Over the Counter (OTC);
 - Role of Central Counterparty (CCP);
 - Role of General Clearing Member (GCM);
 - Process of options delivery.

- **Use of options by institutional investors.**

Results

After completion of the course Derivatives, the participant will be able to:

- ✓ Understand the financial instrument Derivatives and know its position in the financial markets;
- ✓ Have a clear view of the functioning of the (international) derivatives markets;
- ✓ Distinguish the pros and cons of derivatives;
- ✓ Know the derivatives terminology and characteristics;
- ✓ Have insight in derivatives pricing in general and especially in options pricing;
- ✓ Understand options strategies and specifically recognizing the various types of options strategies;
- ✓ Relate options risk parameters;
- ✓ Understand the role of volatility of the underlying value and how this is calculated and used;
- ✓ Have good insight in the relevant processes of derivatives trading;
- ✓ Have a good understanding of derivatives application by institutional investors.



Course Particulars

The course materials of Derivatives are offered in the English language. The relevant material will also be available in English. Classroom training can be offered in Dutch and English language (on request).

Literature

Reader Derivatives (2014), 70 pages, Presentation Sheets, Answers to questions in the Presentation Sheets

Study, time and preparation:

- Preparation (indication)
- Course 1 x 8 hours*
- Exam preparation (indication)
- Exam

Hours

4 - 8

8

8

1

Total

25 hours

**Optional*

This workload equals **1,5 European Credits (EC)**.

Note: this time depends on the experience of the participant and is therefore only an indication.

Costs

Study material costs are € 325 (ex VAT) per person for the study materials and 1 exam. Classroom costs are € 350 (ex VAT) per person. Re-examination costs per module is € 75,-.

In-company training for this course is also available for groups from 5 up to 20 people, please contact us for further information.

For information on costs for the complete CIP programs please see our special 'Product Suite CIP' leaflet or check the website: www.foundationcip.com