

COMMODITIES MARKET MODULE

CURRICULUM

1. Introduction to Derivatives

- Derivatives defined
- Types of derivatives:
 - Financial derivatives
 - Commodity derivatives
- Products, participants and functions
- Exchange-traded versus OTC derivatives

2. Commodity Derivatives

- How they differ from financial derivatives
 - Warehousing
 - Quality of underlying assets
- Global commodities exchanges
- Commodities exchanges in India (regional & national)
- Commodities permitted for trading
- Kabra Committee Report (Roadmap)
- Commodity specific issues
 - Cropping and growth patterns
 - Global and domestic demand- supply dynamics
 - Price trends and factors that influence prices

3. Instruments available for trading

- Types of instruments (future, options)
- Basics
- Payoffs

4. Pricing commodity derivatives

- Investment assets versus consumption assets
- The cost of carry model
 - Pricing futures contracts on investment commodities
 - Pricing futures contracts on consumption commodities
- The futures basis

5. Using commodity derivative markets

- Hedging
- Speculation
- Arbitrage

6. The NCDEX platform

- About NCDEX
- Exchange membership
- Rules, regulations, byelaws

7. Commodities to be traded on the NCDEX platform.

- Types of commodities
 - Bullion (silver & gold)
 - Agricultural commodities

8. Trading on the NCDEX platform

- Contract specifications
- Trading system
- Entities in the trading system
- Trader workstation
- Order types and conditions
- Exposure limits

9. Clearing, Settlement and Risk Management

- Calendar and settlement schedule
- Position determination
- Settlement mechanism
 - Daily Mark to Market Settlement
- Settlement price
 - Daily settlement price

- Final settlement price
- Margining
 - Initial margin
 - Daily Mark to Market margin
 - Open interest limits
 - Second Line of Defence
 - NSCCL SPAN@
- Final settlement
 - Cash settlement
 - Physical settlement(Warehousing)
- Exception Handling
 - Funds Shortages
 - Delivery Shortages

10. Regulatory Framework

- Rules governing Commodity Derivatives Exchanges
- Rules governing Intermediaries
- Investor Grievances, Arbitration Rules

11. Accounting and Taxation issues