

**MANAGEMENT PROGRAMME/
POST GRADUATE DIPLOMA IN
FINANCIAL MARKETS PRACTICE**

Term-End Examination

December, 2022

MFP-002 : EQUITY DERIVATIVES

Time : 3 hours

Maximum Marks : 100

Weightage : 70%

Note : Attempt any **five** questions. All questions carry equal marks.

1. What is a SWAP ? Discuss the main characteristics of swaps. Explain plain vanilla interest rate swaps and currency swaps.
2. Explain the need for risk management in the trading of securities. What are the trading strategies that can be used to mitigate risks in trading process ?
3. What do you understand by the term 'Hedging' ? Discuss how hedging is done using Equity Futures and Index Futures.
4. Why do exchanges provide several strikes for trading in options ? Advise as to when one should buy At The Money (ATM), In The Money (ITM) and Out of The Money (OTM) strikes.

5. Discuss the Long condor and Short condor option strategies for speculation. What are option strategies for Arbitrage ?
 6. Explain the following :
 - (a) Gamma
 - (b) VEGA
 7. Discuss the functions performed by clearing members. Describe the clearing and settlement mechanism of option contracts.
 8. Write short notes on any *four* of the following :
 - (a) Value at Risk
 - (b) Standard Deviation
 - (c) Right Issues
 - (d) Equity Spot Market
 - (e) Straddle
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