

**Examination for Additional Product: Derivatives**  
(for Securities Investment Consultant, Debt Instrument Investment  
Consultant, Fund Investment Consultant or Derivatives Investment  
Consultant, Equity Investment Consultant)

**Paper 14**

**Thailand Securities Institute**

**July 2012**

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Related documents : -	

## Paper 14: Examination for Additional Product: Derivatives

### Examination for Additional Product: Derivatives

Examination type: Multiple choice (4 choices)

Number of questions: 60

Duration: 1 hour and 30 minutes

Passing criteria: 70% overall

Topics	No. of Questions
<a href="#">Section 3 Products Knowledge and Rules and Regulations for Dealing in Derivatives</a>	<a href="#">60</a>
<a href="#">3.1 Derivatives</a>	<a href="#">45</a>
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## Paper 14: Examination for Additional Product: Derivatives

### Section 3

#### Product Knowledge and Rules and Regulations for Dealing in Derivatives

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### 3.1 Derivatives

#### 1. Derivatives: Fundamental Concepts and Knowledge

##### Learning Objective Statement:

1. To differentiate between derivatives and other types of financial securities.
2. To describe the benefits of derivatives
3. To differentiate between various types of derivatives such as futures and options
4. To differentiate between the derivatives, exchange-traded, and over-the-counter markets (OTC)
5. To explain the roles of traders in the derivatives markets such as arbitrageurs, speculators, and dealers
6. To advise different types of investors on basic investment strategy.

#### 2. Futures Market

##### Learning Objective Statement:

1. To explain the characteristics of the Agricultural Futures Exchange of Thailand (AFET) and Thailand Futures Exchange (TFEX)
2. To differentiate between futures and forward contracts
3. To explain trading, risk and return of futures contracts
4. To describe different types of futures contracts, for example, interest rate and foreign exchange futures (USD futures)
5. To explain the mechanics of trading, initial and maintenance margins, marking to market, cash and actual delivery, and cash settlement
6. To calculate margin, marking to market, and cash settlement
7. To apply futures contracts for hedging and speculation
8. To calculate futures prices both for futures of financial assets and of commodities.

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### 3. Futures

#### Learning Objective Statement:

1. To explain the concepts of derivatives pricing analysis, including arbitrage pricing theory and the law of one price
2. To explain the concepts of futures contract pricing, including price convergence and the cost of carry model
3. To calculate futures contract prices using price convergence and the cost of carry model.
4. To explain pricing concepts for different futures contracts, including financial and commodity futures
5. To calculate prices of different futures contracts, including financial futures and commodity futures.
6. To explain cost of carry and its basis
7. To calculate risk and return for different futures trading strategies, including hedging, speculation, and arbitrage.

### 4. Options

#### Learning Objective Statement:

1. To distinguish the types of options characterized by rights, exercise styles, moneyness and underlying assets
2. To distinguish between options and futures contracts
3. To calculate positions and returns of options, including long call, long put, short call, and short put
4. To make practical use of options according to investors' objectives, including hedging, increasing returns on investment, and delaying the actual trading of underlying assets
5. To calculate risk and return of options and explain factors influencing options prices
6. To explain obligations associated with options and offsetting positions
7. To make practical use of options to manage risk, increase returns on investment, or delay trading of the actual underlying asset

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8. To explain the concepts of options pricing, including factors influencing intrinsic and time values.

## 5. Swap

### Learning Objective Statement

1. To explain the types and characteristics of swaps, including interest rate, currency, and equity swaps, and swaptions
2. To explain the concept of swap pricing;
3. To make practical use of swaps, including interest rate, currency and equity swaps
4. To explain the characteristics of caps and floors
5. To explain the characteristics of exotic derivatives, including barrier, binary, as-you-like-it, Asian, compound, and look back options.

## 3.2 Rules and Regulations for Dealing in Derivatives

### 1. Thailand Futures Exchange (TFEX) Rules and Regulations

#### Learning Objective Statement:

1. To explain the characteristics of SET 50 Index Futures;
2. To calculate multiplier, tick size and position limit;
3. To explain trading and settlement procedures for derivatives.

### 2. Thailand Clearing House (TCH): Settlement and Clearing Rules

#### Learning Objective Statement:

1. To explain the roles of TCH;
2. To explain the risk management measures of TCH, including the qualifications of TCH members, margin requirements, margin management, financial resources, and default procedures.

### 3. Derivatives Act and Related Laws

#### Learning Objective Statement:

1. To explain the scope of futures contracts according to the Derivatives Act;
2. To explain the objectives and supervision mechanisms of the Derivatives Act.

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### 3.1 Rules for Derivatives Business Operators

#### Learning Objective Statement:

1. To explain the rules for various derivatives business operators;
2. To explain the types of derivatives business operators, licensing, and rules for derivatives business operators in accordance with the Derivatives Act.

### 3.2 Standard Practices of Derivatives Investor Contacts

#### Learning Objective Statement:

1. To explain standard practices of derivatives investor contacts in the derivatives business and unfair practices relevant to such contracts.

### 3.3 Unfair Derivatives Trading Practices

#### Learning Objective Statement:

1. To explain how to prevent undesirable behavior affecting stability and reliability of capital markets, and abstain from fraudulent activities in capital markets.

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