

# **Examination Handbook**

## **Investment Product Series (P Series)**

### **P 3 – Complex Products: Derivatives**

#### **For**

- Investment consultant using as a requirement for “Investment Consultant Complex Type 3”
- or
- Investment consultant using as a requirement for “Investment Consultant Complex Type 1”

**Thailand Securities Institute**  
**Version 1: 15 November 2017**

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Related documents : -	

### **Complex Products: Derivatives**

**Examination structure :** 4 multiple choices for each question

**Number of questions :** 50 questions per each test

**Duration :** 80 minutes

**Fee :** Baht 2,000

**Pass mark :** 70 %

Contents	No. of questions
<b>Complex Products: Derivatives</b>	<b><u>50</u></b>
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## **Complex Products (Derivatives)**

### **Suggested Readings:**

1. **Knowledge about Capital Market Products: Complex Products (Derivatives)**

### **Chapter 1: Overview of Derivatives**

#### **Learning Objectives:**

1. Explain significant basic characteristics of a futures contract.
2. Explain characteristics and distinguish types of a futures contract: forward commitments and contingent claims.
3. Distinguish types of an underlying asset in a futures market.
4. Explain basic characteristics of an underlying asset in a futures market.
5. Explain the definition, significance, and factors affecting to the value of each type of an underlying asset.
6. Explain usefulness, risks and cautions of utilising a futures contract.
7. Explain arbitrage and the law of one price.
8. Explain an exchange traded market and over-the-counter.
9. Explain the development of the Thai and overseas futures markets.
10. Explain trading transactions in a futures market in Thailand.
11. Explain the role, duties of concerned parties in a futures exchange market.
12. Link the relation of a clearing house with other counterparties.
13. Distinguish the types and characteristics of each type of investors in a futures market.

### **Chapter 2: Fundamental Knowledge of Futures**

#### **Learning Objectives:**

1. Explain significant characteristics of a futures contract.
2. Distinguish differences of futures and forwards.
3. Explain the concept of futures price determination according to convergence of futures and spot price principle, and according to the cost of carry model.
4. Explain the concept of futures price determination in the case that an asset that an investor holds provides benefits.
5. Calculate returns from long and short positions in futures.
6. Explain the meaning of basis and spread of a futures contract.

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7. Explain the situations of backwardation/ contango/ normal backwardation/ normal contango.
8. Explain the valuation principle for each type of a futures contract.
9. Explain hedging strategies for each type of a futures contract.
10. Explain speculative strategies for each type of a futures contract.
11. Explain arbitrage strategies for each type of a futures contract.

### **Chapter 3: Fundamental Knowledge of Option**

#### **Learning Objectives:**

1. Explain a definition and characteristics of an option.
2. Distinguish a type of an option as put/call options, European, American, Pseudo-American options, an option of each type of an underlying asset.
3. Explain the moneyness of an option (in-the-money, at-the-money, out-of-the-money, near-the-money, nearest-the-money).
4. Explain the exercise of an option, offset the position of an option.
5. Explain how to calculate returns of an option as a long call, short call, long put, short put options.
6. Explain characteristics of an option on each type of an underlying asset.
7. Identify basic factors of price determination and explain factors affecting to the price determination.
8. Explain the upper bound and lower bound of an option contract.
9. Explain basic principles of price determination of an option.
10. Explain hedging strategies for option trading.
11. Explain speculative strategies for option trading.
12. Explain arbitrage strategies for option trading.

### **Chapter 4: Trading Mechanism of Thailand Futures Exchange (TFEX)**

#### **Learning Objectives:**

1. Explain process and relation of concerned parties in futures trading.
2. Explain matching mechanism: electronic trading transaction and block trading transaction.
3. Explain the meaning of trading orders and be able to choose each type of trading order.
4. Explain the process of futures night trading.
5. Explain nature of each type of collaterals that a broker calls from a client.
6. Explain mark-to-the-market process.
7. Explain the process of margin call if margin is lower than maintenance margin.
8. Explain the process of settlement between a broker and a client.
9. Explain physical delivery and cash delivery.

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10. Explain daily market quotation of the futures market.
11. Explain objectives, main points of market supervision of a futures business.
12. Explain sales conduct and servicing futures market products.
13. Explain guidelines of asset custody of a client and margin call for reducing credit risks from a client.
14. Explain the meaning and distinguish unfair actions about futures trading.
15. Explain penalties of disobey to the rules and regulation of unfair futures trading.

## **Chapter 5: Contract Specifications of Products in Thailand Futures Exchange**

### **Learning Objectives:**

1. Explain reasons and significance of standard setting in a futures contract.
2. Distinguish types of an underlying asset in a futures market.
3. Explain meanings and significance of the nature of a futures contract standard.
4. Explain symbol and abbreviation of a futures contract.
5. Explain a multiplier of a futures contract.
6. Explain a settlement price of a futures contract.
7. Explain a minimum tick size of a futures contract.
8. Explain a daily price limit of a futures contract.
9. Explain a trading hour of a futures contract.
10. Explain the last trading day of a futures contract.
11. Explain a settlement price of a futures contract.
12. Explain a speculative position limit of a futures contract.
13. Explain a settlement method of a futures contract.
14. Explain trading fee and clearing fee of a futures contract.
15. Explain and distinguish the standard, contract terms of each type of a futures contract.

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