

The Licensing Examination for Securities and Futures Intermediaries

Paper 9 Derivatives

Syllabus

(Effective from 01 February 2020)

Topic 1: Overview of the derivatives markets

- 1 Fundamentals of derivatives markets
 - What are derivatives?
 - Exchange-traded derivatives
 - Over-the-counter derivatives
 - The derivatives market in Hong Kong
 - Overseas derivatives markets
- 2 Types of derivatives
 - Futures
 - Forwards
 - Swaps
 - Options
- 3 Uses of derivative products
 - Hedging
 - Asset switching
 - Making a profit
- 4 Participants in derivatives markets
 - Hedgers
 - Speculators
 - Arbitrageurs

Topic 2: Generic derivative products

- 1 Futures
 - Features of a futures product
 - Futures spread strategies
- 2 Forwards
 - Features of a forward product
 - Forward rate agreements
- 3 Swaps
 - Features of a swap
 - Credit default swap

- 4 Options
 - Features of an option
 - Option markets
 - Pay-off diagram
 - Option trading strategies
 - Option pricing models
- 5 Option trading strategies
 - Straddles
 - Strangles
 - Spreads
 - Options with underlying assets

Topic 3: Equity derivatives

- 1 Exchange-traded equity derivatives
 - Hang Seng Index futures
 - Hang Seng Index options
 - Mini-Hang Seng Index futures/options
 - Hang Seng China Enterprises Index futures/options
 - Stock futures
 - Stock options
 - Dividend futures
 - HSI Volatility Index futues
 - BRICS futures
 - CES China 120 Index futures
 - Sector index futures
- 2 Warrants
 - Features of a warrant
 - The warrant market in Hong Kong
 - Types of warrant
 - Issuance of derivative warrants
 - Liquidity providers for derivative warrants
 - Reasons for investing in warrants
- 3 Over-the-counter equity derivatives
 - Equity-linked debt investments
 - Equity swaps
 - OTC options and warrants
- 4 New structured products
 - Equity-linked note
 - Callable range accrual note

- Callable Bull/Bear Contract
 - Accumulator
 - Inline Warrants
- 5 Pricing equity derivatives
- Principles of equity derivatives valuation
 - Pricing index futures
- 6 Hedging using equity derivatives
- Hedging using stock futures
- 7 Trading strategies for equity derivatives

Topic 4: Interest-rate derivatives

- 1 Exchange-traded interest-rate derivatives
- Hong Kong Interbank Offered Rate futures
- 2 OTC-traded interest-rate derivatives
- Forward rate agreements
 - Interest-rate swaps
 - OTC interest-rate options
- 3 Pricing interest-rate derivatives
- Pricing HIBOR futures contract
 - Calculating the contracted value of HIBOR futures
- 4 Hedging using interest-rate derivatives
- Hedging using HIBOR futures
- 5 Trading strategies for interest-rate derivatives
- Trading strategies using HIBOR futures

Topic 5: Currency and commodity derivatives

- 1 Currency derivative products
- Currency forwards
 - Foreign exchange swaps
 - Currency swaps
 - Currency options
 - Non-deliverable forwards
 - Exchange-traded currency derivative products in Hong Kong

- 2 Pricing currency derivatives
- Pricing currency forwards
 - Pricing foreign exchange swaps
 - Pricing currency options
 - Valuing foreign exchange options
- 3 Hedging using currency derivatives
- 4 Trading strategies for currency derivatives
- 5 Commodity derivative products
- Commodity goods
 - Types of commodity derivatives
 - Exchange-traded commodity derivative products in Hong Kong
- 6 Pricing commodity derivatives
- Pricing fundamentals
- 7 Hedging using commodity derivatives
- 8 Trading strategies for commodity derivatives

Topic 6: Derivatives: trading, clearing and settlement

- 1 Trading derivative products
- Risks and benefits of derivative products
 - Analysis of the market
 - Trading practices
 - Dealing with clients
 - Value-at-risk
- 2 Margining systems
- Margining methods
- 3 Derivatives clearing and settlement
- HKFE Clearing Corporation
- 4 Over-the-counter derivatives trading and central counterparty clearing
- Trade execution and confirmation
 - Mandatory reporting
 - Central counterparty clearing
