Pricing & Hedging
Derivative Securities
February 4 - 8, 2013
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The financial market for derivative securities, like futures, options and swaps, today accounts for more than $500 trillion notional outstanding globally and by some measures exceeds that of bank lending, trading in stock markets, and insurance combined. Despite the furore generated after the Crisis of 2008, exchange-traded derivative markets are not only safe but also efficient in allowing for risk mitigation. While it was the abuses in the off-exchange over-the-counter (OTC) credit derivatives market that led to the crisis, OTC markets in interest rate and foreign exchange derivatives are critical for both small businesses and large firms for managing risk related to fluctuations in interest rates and exchange rates. Derivative securities not only provide a way to insure against downside risks by providing a ‘hedge’ against potential losses but also help create value for a firm by permitting more efficient resource allocation.

For
The programme is intended for corporate treasury professionals, derivatives traders and ‘structuring’ market risk managers, back and middle-office finance professionals working in product control or quantitative risk assessment, and professionals working in the asset management industry who need to know how to price and risk manage derivative securities.

Objective
The objective of this programme is to introduce the state-of-the-art principles underlying the pricing and hedging of exchange traded and OTC derivative securities in equity, foreign-exchange, and fixed-income markets.

Contents
Introduction: Setting the Tone
- Derivatives Markets: History, Evolution and Their Role in Global Financial Markets Today
- On the Nature of Derivative Securities: Challenges in Pricing and Hedging of Derivatives
- Forwards and Futures Contracts
- Introduction to Options, Swaps, and Exotic Interest Rate Structures

Principles of Derivatives Pricing and Hedging
- Principles of No-arbitrage and Risk-neutral Pricing
- All the Math you Need: Random Walk to Brownian Motion to Ito’s Lemma
- Hedging in the Black-Scholes-Merton World
- Static vs. Dynamic Hedging and ‘Slippage’

Equity and FX Derivatives
- Pricing and Hedging of Equity / FX Derivatives
- Barriers (Knock-ins / Knock-outs), Butterflies, Risk-Reversals, and Straddles
- Equity and FX Exotics: From Annapurna to Napoleon (via Cliquets)
- ‘Pricing with a Smile’: Volatility Swaps / Volatility Options (VIX)

Fixed-Income Derivatives – I: Forwards, Futures and Swaps
- Interest Rates (Spots, Forwards, YTM, Zeros), Conventions, and Bootstrapping
- Interest Rate Hedging using Futures: LIBOR and Eurodollar Futures
- From Forwards to Forward Rate Agreements (FRAs) and FRAs to Swaps
- Basis Swaps and other Structured Swaps

Fixed-Income Derivatives – II: Caps, Swaptions, and Exotics
- Exotic Interest Rate Structures: Caps, Floors, Collars, Swaptions, and Range Accruals
- The Basic Pricing Principles: The Black and the Libor Market Model
- Pricing and Hedging Exotic Interest Rate Structures

Marking-to-Market vs. Marking-to-Model

Pedagogy
The pedagogy would be a mix of lectures and case studies and the emphasis would be on practical applications.

Faculty
Sidharth Sinha
Jayanth R Varma
Vineet Virmani (Coordinator), e-mail: vineetv@iimahd.ernet.in
Venue and Accommodation
The programme will be held at the Indian Institute of Management, Ahmedabad. Participants get full board and air-conditioned single room accommodation on the Institute campus.

Fee
Rs. 75,000/- per participant from SAARC countries including India and US$ 2,350 for participants from other countries. The fee includes tuition charges, teaching material, room and board expenses.

Kindly note that 12.36% service tax is applicable in addition to the fee. Please note that the programme fee should be received at the MDP Office before the programme commencement date. In case of cancellation, the fee will be refunded only if a request is received at least 15 days prior to the programme commencement date. In case of rejected nominations, the fee will be refunded to the concerned person / organization.

Fee for the programme can be paid by Demand Draft, payable at Ahmedabad, India or a pan India cheque payable at par. The cheque or draft should be in favour of “Indian Institute of Management, Ahmedabad.”

Fee can also be paid through Electronic Fund Transfer. The details are:
1. For credit to Savings Bank A/c No.032010100040460, or Current A/c No 032010200002660, IIM, Ahmedabad
Axis Bank, Vastrapur Branch (RTGS Code: UTIB0000032)
2. Name of Remitter:______________(Please mention the name of the sponsoring organization)
3. Purpose of Remittance: Pricing and Hedging Derivative Securities
4. IIMA Permanent Account Number (PAN): AAATI1247F
5. IIMA Tax Deduction Account Number (TAN): AHMI00189A
6. IIMA Service Tax Registration Number: AAATI1247FST001

There is an additional option of payment of fee through Payment Gateway. For more information, kindly visit our website.

Please DO inform us the complete transaction details so that we can connect the same.

Discount
Early Bird Discount: Nominations received with payments on or before January 15, 2013 will be entitled to an early bird discount of 10%. Early submission of fee and nomination does not, however, guarantee acceptance of application.

Group Discount: Any organization sponsoring five or more participants to a programme will be entitled to a discount of 10% on total fee payable provided that at least five participants actually attend the programme.

Organizations can avail themselves of both the discounts subject to a maximum overall discount of 20%.

Income-tax Exemption
The income of the Indian Institute of Management, Ahmedabad is exempt from tax u/s. 10(23C) (vi) of the Income Tax Act, 1961. Kindly provide the PAN and TAN number of your organization while forwarding the Nomination Form of the participants sponsored by your organization. On the basis of PAN / TAN numbers received, the Income Tax Department would be issuing TDS Exemption Certificate at Nil rate in the name of the organization.

Nominations and Inquiries
Nominations should reach the Manager - MDP latest by January 21, 2013.

Organizational sponsorship is generally required but can be waived in case the participant is likely to gain significantly from the programme for personal improvement or greater job effectiveness.

All nominations are subject to review and approval by the programme faculty after the last date of nominations. A formal acceptance letter will be sent to selected nominees accordingly. Nominees are requested to make their travel plans only after receiving the acceptance letter.

All nominees are requested to note that IIMA norms do not allow anyone to accompany them.

For nomination forms and more information, please contact:
Manager - MDP
Indian Institute of Management, Vastrapur, Ahmedabad 380 015
Phone: 91-79-6632 4071/ 4072-77, 91-79-6544 9057 • Fax: 91-79-2630 0352 (MDP)/2630 6896 (General)
email: mdp@iimahd.ernet.in • website: www.iimahd.ernet.in/mdp

Alumni Association
All participants of open enrolment MDPs who complete three weeks of training through participation in one or more programmes are eligible for MDP ALUMNI status. They would be issued alumni identity cards on payment of one-time alumni membership fee of Rs.10,000/-.
Indian Institute of Management, Ahmedabad (IIMA)

IIMA was set up by the Government of India in collaboration with the Government of Gujarat and Indian industry as an autonomous institution in 1961. The Institute provides education, training, consulting, and research facilities in management.

The Institute conducts the following major programmes:

- Two-Year Post-Graduate Programme in Management (equivalent to MBA)
- Two-Year Post-Graduate Programme in Agri-business Management (equivalent to MBA)
- Fellow Programme in Management (equivalent to Ph.D.)
- One-year Post-Graduate Programme in Management for Executives (PGPX, equivalent to MBA)
- Management Development Programmes (MDPs) for industry, business, agricultural and rural sectors, and public systems covering education, health, transport, and population. In the last 50 years, over 47,450 managers have participated in various MDPs
- Faculty Development Programme for teachers in universities and colleges

The institute has about 90 faculty members working in the following management areas and sectors:

**Disciplinary Areas**
- Business Policy
- Communications
- Economics
- Finance and Accounting
- Marketing
- Organizational Behaviour
- Personnel and Industrial Relations
- Production and Quantitative Methods

**Interdisciplinary Centres and Groups**
- Centre for Innovation, Incubation, and Entrepreneurship
- Centre for Infrastructure Policy and Regulation
- Centre for Management in Agriculture
- Centre for Management of Health Services
- Centre for Retailing
- Computer and Information Systems Group
- Faculty Development Centre
- Gender Resource Centre
- IIMA-Idea Telecom Centre of Excellence
- Insurance Research Centre
- Public Systems Group
- Ravi J. Matthai Centre for Educational Innovation

**Kasturbhai Lalbhai Management Development Centre (KLMDC)** located on the IIMA main campus and **International Management Development Centre (IMDC)**, located on the new campus, provide an academic and learning environment for participants of the Management Development Programmes. All rooms at KLMDC and IMDC are air-conditioned and have internet connectivity. They have separate dining halls, a reading lounge, classrooms and auditorium (with audio-visual and computer projection facilities), syndicate rooms, computer lab. The campus is wi-fi enabled. Recreation facilities exist for indoor and outdoor games (badminton, TT, carom, chess, volleyball and cricket). Participants can also take advantage of the Institute’s library.