

# **SCLE Revision: Futures and Options (Module 14)**



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## Futures and Options (Module 14)

### **Programme Objective**

This course equips participants with comprehensive understanding and knowledge based on the Module 14 Study Outline. Participants will advance their knowledge and comprehension further via an interactive teaching and learning experience while increasing their confidence in sitting for the examination. This course will be facilitated by an experienced and qualified trainer.

### **Programme Overview**

This 2 ½ -day course is designed to match the licensing study outline for Module 14 on futures and options. The topics covered are development of the futures market, types of futures market and its trading, options market and its trading strategies.

## Learning Outcome

Candidates are expected to have good knowledge, understanding and ability to apply in the following areas:

- Concepts and structure of the futures and options markets
- Product knowledge on all contracts that are currently available on Bursa Derivatives
- Hedging, arbitraging and speculative trading strategies using all futures contracts available on Bursa Derivatives
- Option trading strategies including pay-off diagrams
- Options valuation
- Option pricing models and their uses in options trading
- Market analysis - fundamental and technical analysis of futures market

## Candidates' Prerequisites

Candidates are expected to have relatively strong capability in the application and analysis of information provided in this outline and its reference.

## Methodology

This course will be delivered using effective learning methods which include presentations, discussions and review examination questions.

## Programme Details

### Venue

Securities Commission (SC)

### Target audience

Candidates preparing for the Module 12 licensing examination

New entrants to the capital market industry and staff of investment banks

### Number of participants

Maximum of 25 participants

### Duration

2 ½ days:

0900 – 1730 (Day 1)

0900 – 1730 (Day 2)

0900 – 1300 (Day3)

### Trainer

To be advised upon confirmation

## Futures and Options (Module 14)

<b>PROGRAMME - DAY ONE</b>	
8.30am	Registration
9.00am	<p><b>Development of the Futures Market</b></p> <ul style="list-style-type: none"> <li>• Dawn of the Forward Market</li> <li>• The Forward Contract</li> <li>• Types of Forward Contracts</li> <li>• Forward Price and the Cost of Carry</li> <li>• Disadvantages of Forward Contracts</li> </ul>
10.45 am	Refreshment
11.15am	<p><b>The Workings of the Futures Market</b></p> <ul style="list-style-type: none"> <li>• Futures Contract Specifications</li> <li>• Types of Futures Contracts</li> <li>• Advantages of Futures Market</li> <li>• Disadvantages of Futures Contract</li> <li>• Convergence of Futures to Spot Prices</li> <li>• Futures Prices and Cost of Carry</li> <li>• Market Participants: Hedgers, Speculators and Arbitrageurs</li> </ul>
1.00pm	Lunch
2.00pm	<p><b>Trading the Futures Contract</b></p> <ul style="list-style-type: none"> <li>• Uses of Futures: Hedging, Speculating and Arbitraging</li> <li>• Types of Orders</li> <li>• Margining and Daily Settlement</li> <li>• Open Interest and Volume</li> <li>• Closing Out Positions</li> <li>• Negotiated Large Trade (NLT)</li> <li>• Exchange for Related Positions (EFRP)</li> <li>• Technical Analysis</li> <li>• Fundamental Analysis</li> </ul>
3:40pm	Refreshment
4.00pm	<p><b>Trading Futures in Malaysia</b></p> <ul style="list-style-type: none"> <li>• Overview of Regulation of Futures Trading</li> </ul> <p><b>Trading Commodity Futures</b></p> <ul style="list-style-type: none"> <li>• Crude Palm Oil Futures (FCPO)</li> <li>• Crude Palm Kernel Futures (FPKO)</li> <li>• USD Crude Palm Oil Futures (FUPO)</li> <li>• Gold Futures (FGLD)</li> <li>• USD RBD Palm Olein Futures Contract (FPOL)</li> </ul> <p><b>Trading Equity Futures</b></p> <ul style="list-style-type: none"> <li>• FTSE Bursa Malaysia KLCI Futures (FKLI)</li> </ul>

## Futures and Options (Module 14)

	<ul style="list-style-type: none"><li>• Single Stock Futures (SSF)</li></ul> <p><b>Trading Financial Futures</b></p> <ul style="list-style-type: none"><li>• Kuala Lumpur Interbank Offered Rate Futures (FKB3)</li><li>• 3-Year Malaysian Government Securities Futures (FMG3)</li><li>• 5-Year Malaysian Government Securities Futures (FMG5)</li></ul>
5.30pm	End of Day One

## Futures and Options (Module 14)

<b>PROGRAMME - DAY TWO</b>	
8.30 am	Registration
9.00 am	<b>The Options Market</b> <ul style="list-style-type: none"> <li>• Basic Concepts</li> <li>• Underlying Instruments</li> <li>• Option Contract Specifications</li> <li>• Uses of Options</li> <li>• Advantages and Disadvantages of Using Options</li> <li>• Listed Stock Warrants and Structured Warrants</li> </ul>
10.45 am	Refreshments
11.00am	<b>Options Valuation</b> <ul style="list-style-type: none"> <li>• Intrinsic and Time Value</li> <li>• Factors Affecting Options Value</li> <li>• Options Pricing Models</li> <li>• Option Greeks</li> <li>• Put-Call Parity</li> <li>• Payoff Diagrams</li> </ul>
1.00 pm	Lunch
2.00 pm	<b>Trading Strategies with Options</b> <ul style="list-style-type: none"> <li>• Directional Strategies Using Single Options</li> <li>• Spread Trades</li> <li>• Volatility Strategies</li> <li>• Synthetic Strategies</li> </ul>
3.45 pm	Refreshments
4.00 pm	<b>Trading Strategies with Options (cont')</b> <ul style="list-style-type: none"> <li>• Dynamic Hedging Using Option Delta</li> <li>• Managing an Options Portfolio</li> </ul>
5.30 pm	End of Day Two



## Futures and Options (Module 14)

<b>PROGRAMME - DAY THREE</b>	
9.00am	<b>Trading Options in Malaysia</b> <ul style="list-style-type: none"><li>• Warrants</li><li>• Options on FTSE Bursa Malaysia KLCI Futures Contract (OKLI)</li><li>• Options on Crude Palm Oil Futures Contract (OCPO)</li><li>• Use of Options in Portfolio Management</li></ul>
10.30am	Refreshments
10.45am	Revision and Feedback Session on Set of Questions
12.30pm	End of Day Three