KAPLAN PROFESSIONAL

Subject Outline

FIN353 Derivative Markets and Strategies

Section 1 — General information

1.1 Administrative details

Duration	Credit points	Level
One study period (12 weeks)	6	AQF9

1.2 Core or elective subject

This is an elective subject for the Graduate Certificate in Applied Finance, Graduate Diploma of Applied Finance Master of Applied Finance, Graduate Certificate in Financial Services Graduate Diploma in Financial Services, and Master of Financial Services.

1.3 Delivery mode

This subject is delivered online.

1.4 Assumed knowledge

Whilst there are no prerequisites for this subject, Kaplan assumes that students have completed FIN206 Investment Management or understand the content covered in this subject/those subjects, prior to undertaking FIN353 Derivative Markets and Strategies.

1.5 Course transition subject equivalence

Students may not be required to complete this subject if they have transitioned from a SIA/Finsia/Kaplan course and have completed the following subjects:

- FIN351 The Derivatives Market.

1.6 Work integrated learning

There are no placements, internships or work experience requirements associated with undertaking this subject.

1.7 Other resource requirements

Students do not require access to specialist facilities and/or equipment to undertake this subject.

Section 2 — Academic details

2.1 Subject overview

This subject provides knowledge of derivative securities, markets, and strategies. It examines derivative instruments, their pricing, market structures, and regulatory frameworks. Through applied learning, the role of derivatives in investment portfolios is evaluated and hedging, arbitrage, and speculative strategies are constructed.

This subject also covers pricing models, interest rate and FX derivatives, commodity instruments, and risk management techniques. Emphasis is placed on real-world applications including portfolio overlays, duration management, and regulatory compliance.

Students will develop analytical, strategic, and risk-assessment skills essential for professional roles in financial markets and investment management.

2.2 Subject learning outcomes

On successful completion of this subject, students should be able to:

1. Assess the different types of derivative securities and instruments.
2. Examine the structure and regulation of derivatives markets.
3. Evaluate the role of derivatives in investment portfolios.
4. Construct hedging strategies to mitigate risk.

2.3 Topic learning outcomes

Topic 1: Derivative products and trading in derivatives

On successful completion of this topic, students should be able to:

- classify derivative products and their economic purposes (hedging, speculation, arbitrage)
- compare exchange-traded and OTC derivative markets and their structural differences
- evaluate initial and variation margin requirements within derivatives clearing systems
- explore how trades are executed and managed derivative orders across multiple platforms and instruments
- analyse the post-trade processing cycle including confirmation, allocation, and registration
- interpret regulatory requirements and compliance structures for derivatives trading in Australia
- assess central counterparty clearing risk management tools and margining frameworks.

Topic 2: Introduction to FX markets

On successful completion of this topic, students should be able to:

- analyse the institutional structure and participants of the global FX market
- evaluate currency quotation conventions and price formation processes
- calculate and interpret nominal and real effective exchange rates
- examine key drivers of exchange rate determination including PPP and interest rate parity
- differentiate between spot, forward, and swap FX instruments and their applications
- assess the impact of interest rate differentials on FX forward pricing and swap structures.

Topic 3: FX derivatives

On successful completion of this topic, students should be able to:

- differentiate between FX forward, futures, swap, and option instruments and their uses
- price FX forwards using interest rate differentials and forward margins
- construct and evaluate FX swap and cross-currency swap strategies for hedging and liquidity
- apply FX option strategies to manage currency exposure and volatility
- analyse option payoffs and valuation in relation to currency market conditions.

Topic 4: Pricing of derivatives

On successful completion of this topic, students should be able to:

- calculate forward and futures prices using cost-of-carry models under simple, compound, and continuous compounding.
- analyse and value forward and futures positions over time, including the role of margining and mark-to-market adjustments.
- apply arbitrage and replication concepts to verify the consistency of forward, futures, and swap valuations.
- apply non-arbitrage principles to derive synthetic and replication pricing strategies.
- identify and evaluate arbitrage opportunities arising from pricing discrepancies in financial markets.
- explain the pricing of swaps and determine fixed rates for interest rate and other swap contracts.
- analyse the components of option value, including intrinsic and time value
- evaluate the pricing of European and American options using parity relationships
- calculate theoretical option prices using binomial and Black-Scholes models
- compare model assumptions and limitations in option valuation frameworks.

Topic 5: The role of interest rates in derivatives

On successful completion of this topic, students should be able to:

- analyse the relationship between interest rates and derivative pricing mechanism
- evaluate the characteristics and valuation principles of fixed interest securities
- perform accrued interest and market value calculations for various debt instruments
- interpret yield conventions, pricing, and coupon structures in interest rate instruments
- distinguish between par, premium, and discount bond pricing with reference to market practice.

Topic 6: Short-term interest rate derivatives

On successful completion of this topic, students should be able to:

- distinguish between short-term and long-term interest rate derivative instruments
- interpret the structure and dynamics of the yield curve and its implications for pricing
- price and evaluate Bank-Accepted Bills and 90-day Bank Bill futures
- apply arbitrage principles to identify mispricing opportunities in short-term rate instruments
- analyse the structure and valuation of Forward Rate Agreements (FRAs).

Topic 7: Long-term interest rate derivatives

On successful completion of this topic, students should be able to:

- evaluate pricing models for Commonwealth Treasury Bonds and long-dated securities
- apply bond futures contracts for hedging long-term interest rate exposures
- construct arbitrage strategies using long-term interest rate futures
- design portfolio immunisation strategies through duration matching and volatility hedging
- compare and contrast the structure and use of caps, floors, collars, and swaptions
- apply bond switching and Exchange for Physical (EFP) strategies in practice.

Topic 8: Commodity derivatives

On successful completion of this topic, students should be able to:

- describe the characteristics and classifications of major commodity markets
- price and value commodity forwards and futures using spot and cost-of-carry models
- apply basis and convergence principles to commodity hedging decisions
- construct hedging strategies using futures to manage commodity price risk.

Topic 9: Risk management and hedging strategies

On successful completion of this topic, students should be able to:

- explain the role of derivative instruments in managing interest rate exposures.
- evaluate the effectiveness of hedging strategies, including anticipatory hedging, yield curve management, and cross-asset hedging.
- explain how Value at Risk (VaR), volatility measures, and the Greeks are used to evaluate and communicate derivative risk exposures.
- explain how VaR is used in regulatory and governance contexts to oversee hedge effectiveness
- discuss practical limitations of hedging and the challenges of measuring hedge effectiveness in real-world markets.
- apply duration and convexity measures to assess interest rate sensitivity and risk.
- assess liquidity and risk factors associated with fixed income instruments.

Topic 10: Applied investment portfolio strategies

On successful completion of this topic, students should be able to:

- construct and interpret option pay-off diagrams to explain risk–reward profiles and the use of different option strategies
- evaluate and apply option strategies, including exotic options, to determine their risk–return suitability for investment
- apply equity index derivatives in tactical and strategic asset allocation frameworks
- construct synthetic equity positions using futures, forwards, and swaps
- evaluate option-writing strategies for income generation and risk reduction
- implement portfolio overlays using derivatives to manage exposures and implement views
- analyse performance implications of derivative-based active management approaches
- compare protective and speculative option strategies within equity portfolios.

2.4 Assessment schedule

Assessment	Description	Week	Topics	Weighting	Subject learning outcomes assessed
Task	Scenario based short answer questions assessing foundational knowledge of derivatives and FX markets	4	1–3	20%	LO1, LO2
Assignment	Case study analysis: short answer questions assessing FX and interest rate strategies and ethical governance in institutional investment	8	3–7	40%	LO1 – LO4
Presentation and Written Assignment	Case study analysis: Investment strategy report and presentation	12	6–10	40%	LO1 – LO4

Please refer to our website <www.kaplanprofessional.edu.au> to review student policies relating to your assessment, including the Kaplan *Assessment Policy* and *Academic Integrity and Conduct Policy*.

2.5 Prescribed text

There is no prescribed text for this subject. Students are provided with key readings and access to Kaplan's online databases. Students are encouraged to research and read widely on the topic.

2.6 Study plan

Week(s)	Topic name	Study load in hours
1	Topic 1: Derivative products and trading in derivatives	8
2	Topic 2: Introduction to FX markets	9
3	Topic 3: FX derivatives	15
4	Topic 4: Pricing of derivatives **Task (Weighting 20%)**	10
5	Topic 5: The role of interest rates in derivatives	9
6	Topic 6: Short-term interest rate derivatives	9
7	Topic 7: Long-term interest rate derivatives	15
8	**Assignment 1 (Weighting 40%)**	6
9	Topic 8: Commodity derivatives	8
10	Topic 9: Risk management and hedging strategies	10
11	Topic 10: Applied investment portfolio strategies	15
12	**Assignment 2 (Weighting 40%)**	6
Total minimum study load		**120 hours**

Additional study hours (if required), dependent on knowledge and personal commitments	70 hours
Total study load, including additional study hours	**190 hours**