



## DIPLOMA EXAMINATION IN COMMODITY DERIVATIVES FOR BANKERS

### Rules & Syllabus 2010

#### OBJECTIVE

Commodity Derivative segment is one of the sectors in Indian economy where demand for manpower is outpacing supply. Financial Institution, NBFCs, Intermediary homes and bankers have started showing interest in the commodity market and have started playing a prominent role. However, these institutions are facing shortage of personnel trained in commodity futures. This diploma course will give necessary knowledge in commodity derivatives.

#### ELIGIBILITY

The applicant should be graduate from a recognized university.

#### SUBJECT OF EXAMINATION

1. Commodity Derivatives - Theory
2. Economic Theory with reference to Commodity Markets
3. Commodity derivatives trading, Futures and Options strategies

#### EXAMINATION FEES / REGISTRATION FEES

	For Members	For Non-Members
First two attempts	Rs. 4000/-	@Rs. 6500/-
Subsequent each attempts	Rs. 2000/-	Rs. 2000/-

@Includes registration fee for Rs.500/-

#### MEDIUM OF EXAMINATION

Examination will be conducted in English only.

#### PATTERN OF EXAMINATION

- (i) Question Paper will be a mix of descriptive and objective type multiple choice questions.
- (ii) Information about mode of examination (online / offline) and a list of examination centre will be provided along with examination application form.

#### DURATION OF EXAMINATION

The duration of the examination will be of three hours.

## PERIODICITY AND EXAMINATION CENTRES

- (i) The examination will be conducted normally twice a year in June and December on a Sundays.
- (ii) Examinations **will be conducted on three consecutive Sundays** (one paper on each Sunday)

## PASSING CRITERIA

- (i) Pass : Minimum marks for pass in every subject - 50 out of 100 marks.
- (ii) **Candidate securing at least 45 marks in each subject with an aggregate of 50% marks in all subjects of examination in a single attempt will also be declared as having completed the Examination.**
- (iii) Candidates will be allowed to retain credits for the subject/s they have passed in a attempt till the expiry of the time limit for passing the examination as mentioned bellow :

## TIME LIMIT FOR PASSING THE EXAMINATION

- (i) Candidates will be required to pass the examination within a time limit of 2 years (i.e. 4 consecutive attempts). Initially a candidate will have to pay examination fee for 1st block of one year i.e. for two attempts. In case a candidate is not able to pass examination within the 1st block of one year, candidate should necessarily submit the examination application form for subsequent attempt, without any gap on payment of requisite examination fee. If they do not submit the examination form immediately after exhausting the first block, the examination conducted will be counted as attempt for the purpose of time limit for passing.
- (ii) Candidates not able to pass examination within the stipulated time period of two years are required to re-enroll themselves afresh by submitting a fresh Examination Application Form. Such candidates will not be granted credit/s for subject/s passed, if any, earlier.
- (iii) Attempts will be counted from the date of application irrespective of whether a candidate appears at any examination or otherwise.

## “CLASS OF PASS” CRITERIA

- (i) The Institute will consider the FIRST PHYSICAL ATTEMPT of the candidate at the examination as first attempt for awarding class. In other words, the candidate should not have attempted any of the subject/s pertaining to the concerned examination any time in the past and has to pass all the subjects as per the passing criteria and secure prescribed marks for awarding class. Candidate re-enrolling for the examination after exhausting all permissible attempts as per the time limit rule will not be considered for awarding class.

(ii) First Class : 60% or more marks in aggregate and pass in all the subjects in the FIRST PHYSICAL ATTEMPT.

(iii) First Class with Distinction : 75% or more marks in any individual subject and 60% or more marks in the aggregate and pass in all subjects in the FIRST PHYSICAL ATTEMPT.

## PROCEDURE FOR APPLYING FOR EXAMINATION

Examination Application Forms will be available at the Institute's website [www.iibf.org.in](http://www.iibf.org.in) which could be downloaded and filled in. The application forms will be also available at the Institute's zonal offices, Corporate Office and also at such other centres / offices as may be notified from time to time. Examination Application Forms duly filled in (for the detailed instructions refer the Examination Application Form) along with requisite examination fee should be submitted to the respective zonal office at Mumbai, Chennai, New Delhi, Kolkata. The Institute accepts no responsibility for delay or inconvenience arising from the candidate's failure to reach the Examination Application Form in time or if the form is incomplete or failure to furnish all the essential information about himself / herself and the details of his / her examination.

## STUDY MATERIAL

The Institute has published books to facilitate study and they will be available at outlets / showrooms / distributors of M/s. Macmillan Publishers India Ltd. The price of each book and detailed list of outlet is mentioned below.

Candidates who purchase books directly from outlets of publishers will be offered a discount of 20% on the cost price of the book. Candidates desirous of purchasing books by post will not be offered any discount. However the postage will be borne by publishers. Candidates would be required to send their indent to publishers' outlet along with a Demand Draft for the cost of books as mentioned overleaf. The Demand Draft should be drawn in favor of M/s. Macmillan Publishers India Ltd. **(No cheques will be accepted)**. **Candidates are requested not to send any request for the purchase of books to the Institute's Zonal Offices / Corporate Office.**

Name of the Book	Price
Commodity Derivatives	Rs.345/-

**New Delhi**

2/19 Ansari Road, Daryaganj,  
New Delhi - 110002  
Phone : (Oil) 23273624 / 23273814 /  
23263969 / 23289442 / 23289443  
E-mail : mildel@macmillan.co.in

**Kolkata**

Unit No 302, L&T Chambers, (3rd Floor),  
16 Camac Street, Kolkata - 700017  
Phone : (033) 22834480-85  
E-mail : milcal@macmillan.co.in

**Chennai**

240 Lloyds Road, Chennai 600086  
Phone : (044) 28353372 / 28353174  
E-mail : rnillo@macmillan.co.in

**Bangalore**

12-12/A, Shrunagar Shopping Centre,  
M. G. Road, Bangalore - 560001  
Phone : (080) 25583777  
E-mail : milbgl@macmillan.co.in

**Bhopal**

76 Malviya Nagar, TT Nagar,  
Bhopal - 462003  
Phone : (0755) 2553895  
E-mail : milbho@macmillan.co.in

**Chandigarh**

First Floor, SCO Number, 449-450,  
Sector 35C, Chandigarh - 160022  
Phone : (0172) 2611651 / 5088291  
Email : milchd@macmillan.co.in

**Coimbatore**

136 Sarojini Street, Ram Nagar,  
Coimbatore - 641009  
Phone : (0422) 2230940 / 2237805  
E-mail : milcbe@macmillan.co.in

**Cuttack**

Maitree Vihar, Link Road, Cuttack -753012  
Phone : (0671) 2311979 / 2331979  
E-mail : milcut@macmillan.co.in

**Guwahati**

S. C. Goswami Road, Pan Bazar,  
Guwahati -781001  
Phone : (0361) 2516564 / 2633529  
E-mail : milguw@macmillan.co.in

**Hubli**

Suvidha Annexe, F-17 Block A,  
389 Keshawapur, Hubli - 580023  
Phone : (0836) 2361944  
E-mail : milhub@macmillan.co.in

**Hyderabad**

104-105 Shakti Sai Complex,  
1st Floor, Chapel Road, Abids,  
Hyderabad - 500001  
Phone : (040) 23212867 / 66633233  
E-mail : milhyd@macmillan.co.in

**Jaipur**

B-48 Sankar Marg,  
Opp. Imliwala Phatak,  
Lai Kothi Scheme,  
Jaipur - 302015  
Phone : (0141) 2741308  
E-mail : miljai@macmillan.co.in

**Lucknow**

17/1 Mudra Building,  
Madan Mohan Malviya Marg,  
Lucknow-226001  
Phone : (0522) 2209780 / 2208810  
E-mail : milluc@macmillan.co.in

**Madurai**

6-A Sarojini Street, Chinna,  
Chokkikulam, Madurai - 625002  
Phone : (0452) 2530207 / 2527731  
E-mail : milmdu@macmillan.co.in

**Mumbai**

Unit No. 404, Antariksh Makwana Road,  
Andheri (E), Mumbai 400059  
Phone : (022) 28526228 / 29 / 30

**Mumbai**

Mercantile House, Magazine Street,  
Reay Road (East), Mumbai - 400010  
Phone : (022) 23724401 / 23726017 /  
23741423  
E-mail : macray@bom3.vsnl.net.in

**Nagpur**

House No. 158, 1st Floor,  
Near Kasturba Library,  
Sadar Extension Area,  
Nagpur - 440001  
Phone : (0712) 2531241  
E-mail : milnag@macmillan.co.in

**Patna**

Sinha Library Road, Patna - 800001  
Phone : (0612) 2232550 / 22242348  
E-mail : milpat@macmillan.co.in

**Pune**

8 Shreenad Apartments,  
2030 Sadashiv Peth,  
Tilak Road, Pune - 411030  
Phone : (020) 24329872 / 3  
E-mail : milpun@macmillan.co.in

**Thiruvananthapuram**

Narayana Towers, Vazhuthacaud,  
Thiruvananthapuram - 695014  
Phone : (0471) 2328314  
E-mail : miltvm@macmillan.co.in

**Visakhapatnam**

30-15-138, 2nd Floor,  
Binayaka Complex, Dabagardens,  
Visakhapatnam - 530020  
Phone : (0891) 2745384  
E-mail : milviz@macmillan.co.in

## SYLLABUS

The details of the prescribed syllabus which is indicative are furnished below. However, keeping in view the professional nature of examinations, all matters falling within the realm of the subject concerned will have to be studied by the candidate as questions can be asked on all relevant matters under the subject. Candidates appearing for the Examination should particularly prepare themselves for answering questions that may be asked on the latest developments taking place under the various subjects of the said examination although those topics may not have been specifically included in the syllabus. The Institute also reserves to itself the right to vary the syllabus / rules / fee structure from time to time. Any alterations made will be notified from time to time. Further, questions based on current developments in banking and finance may be asked.

Candidates are advised to refer to financial news papers / periodicals more particularly "IIBF VISION" and "BANK QUEST" published by the Institute.

## SYLLABUS

### PAPER - I : COMMODITY DERIVATIVES-THEORY

1. Introduction of Derivatives : Derivatives definition, types of derivatives, products, participants and functions, exchange traded vs. OTC derivatives.
2. Commodity Derivatives : How commodity derivatives differ from financial derivatives, warehousing, quantity of underlying assets, global commodities exchange, commodities exchange in India, commodities permitted for trading, Kabra committee report, commodity specific issues - cropping and growth patterns, Global domestic demand-supply dynamics, price trends and factors that influence prices
3. Instrument available for trading : Types of instruments (futures and options), basics, payoffs
4. Pricing commodity derivatives : Investment assets vs. consumption assets, The cost of carry model - pricing futures contracts on investment commodities, pricing futures contracts on consumption commodities, The futures basics
5. Concept of basis using Commodity derivatives markets - Hedging, Speculation, Arbitrage
6. Exchange membership, Rules, regulations, bye laws
7. Commodities to be traded : Types of commodities: Bullion (silver and Gold), Agricultural commodities - fundamental of particular commodity
8. Trading : basic concepts such as margins, circuit filters - delivery norms - contract specifications, trading system, and entities in the trading system, trader workstation, order types and conditions, exposure limits.
9. Clearing, settlement and Risk Management : calendar and settlement schedule, position determination, settlement mechanism, daily mark to market settlement, settlement price - daily settlement price, final settlement price, Margining - Initial margin, Daily mark to Market margin, open interest limits, second line of defence, NSCCL span. Final Settlement : Cash settlement, physical settlement (warehousing) Exception handling : funds shortages, Delivery shortages
10. Regulatory Framework : Forward market commission - Rules governing Commodity Derivatives Exchange, Rules Governing Intermediaries, Investor Grievances, Arbitration Rules - Essential commodities Act - VAT - Forward Contract Regulation Act.
11. Accounting and Taxation Issue

### PAPER - II : Economic Theory

1. Micro and macro economics - Agricultural economics : Nature and scope - consumer behaviour and theories - utility - indifference curve - revealed preference theory - elasticity of demand - theory of production and costs - theory of firm - profit maximization and duality - Dynamic demand and supply function.
2. Commodity Supply and Demand an understanding of the supply and demand factors underpinning agricultural, metals, and energy futures and option contracts (e.g. soybeans, corn, hogs, coffee and cattle, copper, gold and aluminum, crude oil and heating oil).
3. Business cycles and Interest rates - Effects of business cycles and fluctuations in interest rates on the behavior of commodity markets and their futures and options products. Examples of unique behavior with regard to products such as coffee and wheat will be discussed.

4. Market infrastructure Operational aspects of transaction settlement, delivery and fulfillment of commodity derivatives guarantees. The importance of the transaction cycle and the complexities of storing and delivering physical commodities will be examined. In addition, important legislation with reference to regulatory organizations I
5. Market Structure - factor market - perfect competition - monopoly monopolistic competition - oligopoly - general equilibrium analysis - income distribution - social choice theory - Public goods - welfare economics.
6. Agricultural marketing : concepts - market functions - structure - marketing efficiency regulated market, co-operative marketing - Warehousing and commodity boards - future markets.
7. Agricultural input markets - Commission on agricultural costs and prices - methods of agricultural price fixing - price support programs - agricultural supply and demand models - agricultural subsidies - time series analysis of agricultural prices - commodity G models - spatial equilibrium of agricultural market.
8. Optimisation of farm resource use - factor - factor, factor- product and product - product relationships - forms of production functions - production in dynamic setting policy impact on production - cost concepts - types of risk - estimation of risk - management response to risk - risk programming.
9. Scope and gains from international Trade - Terms of trade comparative costs - trade policy - tariffs and quotas for agricultural commodities - effects of monopoly, cartels and price discrimination - state trading in agricultural commodities - case for free - multilateral Trade.

## **PAPER - III : COMMODITY DERIVATIVES TRADING, FUTURES AND OPTIONS STRATEGIES**

### **Futures Trading Strategies**

Futures strategies. Various types of time spreads are analyzed - e.g. simple calendar spread, butterfly and condor. The student learns to price, execute and risk manage future strategies. The risks and p / l behind each strategy are thoroughly investigated. An understanding of the concepts of cash and carry and reverse cash and carry (otherwise known as backwardation and contango) are a pre-requisite for this section of the course. Students are also given a refresher on intra-commodity futures spreads -e.g. crack spread, C crush spread.

### **Volatility**

Discussion of option strategies, reviews on volatility. The aim is to provide students with the knowledge with which to analyze volatility and implement / change trading decisions based on their expectations of volatility. The importance of curve management is also stressed.

### **Basic Options strategies**

Option strategies. Basic option strategies are analyzed : straddle, strangle, call / put bull / bear spread, and conversion/reversal. The students learn to price, execute, and risk manage these option strategies. The risks and p / l behind each strategy are thoroughly investigated.

### **Complex options strategies**

More complex option strategies : box, time spread, put / call backspread, butterfly, ladder and condor. The class aims to cement the students' understanding of the theoretical and numerical aspects of trading strategies. Armed with the previous weeks' numerical and theoretical knowledge, students are able to begin to use the tools required to execute and risk manage strategies based upon their trading / investment decisions

## **TRADING**

### **● Electronic commodities markets**

Reviews on electronically traded commodities markets, focusing on the more practical aspects of the business, including: exchanges, products, software vendors, clearing and delivery. Students are also made aware of the physical or underlying markets which may in some instances be traded electronically either through a principal to principal model or a central counter party. Introduced to OTC markets.

### **● Trading simulation**

Interact with the available electronic trading software and implement the theory and trading strategies. These strategies will be implemented from a market maker's perspective on the Web Portal of the Institute.

### **● Trading day**

Aim to replicate a trading day on a commodity futures and options exchange on a simulated model in the Web portal. The session would utilize whatever fully integrated simulated / real time technology is available in the trading laboratory. Students will effectively trade in a simulated exchange environment using the skills taught throughout the course.

## COURSES OF IIBF

### A. Flagship Courses

- ☞ JAIB
- ☞ CAIB
- ☞ Diploma in Banking & Finance

### B. Specialised Post Graduate Diploma Courses (for Member\* and Non-Members\*\*)

- ☞ Diploma in Treasury, Investment and Risk Management
- ☞ Diploma in Banking Technology
- ☞ Diploma in International Banking and Finance
- ☞ Diploma in Urban Co-operative Bank
- ☞ Diploma in Commodity Derivatives for Bankers
- ☞ Diploma for Micro Finance Professionals in collaboration with Sa-Dhan
- ☞ Post Graduate Diploma in Financial Advising
- ☞ Diploma in Home Loan Advising

### C. Specialised Certificate Courses (for Member\* and Non-Members\*\*)

- ☞ Certificate in Trade Finance
- ☞ Certified Information System Banker
- ☞ Certificate in Anti-Money Laundering / Know Your Customer
- ☞ Certificate in Quantitative Methods for Bankers
- ☞ Certificate in Credit Cards for Bankers
- ☞ Certificate Examination in Banking Oriented Paper in Hindi
- ☞ Certificate Examination for SME
- ☞ Certificate Examination in Basics of Banking / Credit Cards for employee of IT Companies

### D. Management Courses

- ☞ Advanced Management Program in collaboration with SIES - Mumbai, Welingkar-Mumbai, IMI-Delhi.
- ☞ Project Management Blended Course with IFMR, Chennai
- ☞ Advanced Diploma in Banking Technology (with PNB-IT) - An entry point qualification
- ☞ CAIB linked MBA with IGNOU.

### Educational support :

- ☞ Publishing specific courseware for each paper / examination and Workbooks etc.
- ☞ Tutorials through Accredited Institutions, Virtual Classes, e-learning through Portal, Contact Classes or Campus Training - Model Questions and subject updates on the net

### Other activities :

- ☞ Research, Seminars, Conferences, Lectures, etc.
- ☞ Publications of books, Daily e-newsletter, monthly newsletter and quarterly journal
- ☞ Training & Consultancy and Financial Education

\* Members are employees of Banks and Financial Institutions who have enrolled as members of IIBF.

\*\* Non-Members are eligible candidates for each course / examination without IIBF Membership.

The Syllabi, Rules / Regulations, Examination Forms and other information pertaining to the examinations are available with Institute's Offices at Mumbai, Chennai, New Delhi, Kolkata and also at such other centers / offices as may be notified from time to time. The same is also available at our website [www.iibf.org.in](http://www.iibf.org.in).

## MEMBERS OF THE GOVERNING COUNCIL (As on 01/01/2010)

### President

**Shri O. P. Bhatt**, Chairman, State Bank of India

### Vice President

**Shri M. V. Nair**, Chairman & Managing Director, Union Bank of India

**Shri M. D. Mallya**, Chairman & Managing Director, Bank of Baroda

### Representing Reserve Bank of India

**Shri C. Krishnan**, Executive Director

### Representing State Bank of India and its Associate Banks

**Shri Narayanan Raja**, DMD & CDO, State Bank of India

**Shri Arun Shandilya**, Managing Director, State Bank of Bikaner & Jaipur

### Representing Public Sector Banks

**Shri A. C. Mahajan**, Chairman & Managing Director, Canara Bank

**Shri Yogesh Agarwal**, Chairman & Managing Director, IDBI Bank Ltd.

**Shri M. S. Sundara Rajan**, Chairman & Managing Director, Indian Bank

**Shri K. R. Kamath**, Chairman & Managing Director, Punjab National Bank

**Shri A. K. Misra**, Chairman & Managing Director, Bank of India

**Shri J. M. Garg**, Chairman & Managing Director, Corporation Bank

**Shri S. Sridhar**, Chairman & Managing Director, Central Bank of India

### Representing Financial Institutions

**Shri U. C. Sarangi**, Chairman, NABARD

### Representing Private Sector Banks

**Shri M. V. Venugopalan**, Chairman & CEO, The Federal Bank Ltd.

**Shri Ananthakrishna**, Chairman & CEO, Karnataka Bank Ltd.

### Representing Foreign Banks

**Shri Gunit Chadha**, Chief Executive Officer - India, Deutsche Bank AG

### Representing Co-operative Banks

**Shri S. K. Banerji**, Managing Director, The Saraswat Co-op Bank Ltd.

### Representing other Bodies / Experts

**Shri Y. H. Malegam**, Former Managing Partner, SB. Billimoria & Co., Chartered Accountants

**Prof. Y. K. Bhushan**, Senior Adviser, ICFAI Business School

**Dr. Asish Saha**, Director, National Institute of Bank Management

**Dr. K. Ramakrishnan**, Chief Executive, Indian Bank's Association

### From IIBF

**Shri R. Bhaskaran**, CEO, Indian Institute of Banking & Finance

## ADDRESSES FOR CONTACT

### Corporate Office :

Indian Institute of Banking & Finance  
The "Arcade", World Trade Centre, 2nd Floor,  
East Wing, Cuffe Parade, Mumbai - 400 005  
Tel : 2218 7003/4/5 Fax : 022-2218 5147 / 2215 5093  
E-mail : iibgen@bom5.vsnl.net.in

### Northern Zonal Office :

Indian Institute of Banking & Finance  
109-113, Vikrant Towers, 1st Floor,  
4, Rajendra Place, New Delhi - 110 008  
Tel. : 91-011-2575 2191/92  
Fax : 91-011-2575 2193  
E-mail : iibnz@iibf.org.in

### Southern Zonal Office :

Indian Institute of Banking & Finance  
No.94, Jawaharlal Nehru Road,  
(100 Feet Road), Opp. Hotel Ambica  
Empire, Vadapalani, Chennai - 600 026  
Tel. : 044-2472 2990/2472 7961  
Fax : 044-2472 6966  
E-mail : iibsz@iibf.org.in

### Western Zonal Office :

Indian Institute of Banking & Finance  
191-F, Maker Towers, 19th Floor,  
Cuffe Parade, Mumbai - 400 005  
Tel. : 022-2218 3302 / 2218 5134  
Fax : 022-2218 0845  
E-mail : iibwz@iibf.org.in

### Eastern Zonal Office :

Indian Institute of Banking & Finance  
408, 'Anandlok', 'A' Block, 4th Floor,  
227, Acharya J. C. Bose Road,  
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Fax : 033-2280 9680  
E-mail : iibez@iibf.org.in