

[Sec-4.]

→ Difference b/w Forward vs Future

* Forward -> A forward contract is a contract whose term is a tailor made between buyer and ~~seller~~ seller.

It is a contract in which two parties trade in the underlying asset is called forward contract.

* Future -> A future contract is an agreement between parties to buy or sell the underlying financial assets at a specified date and time in future.

→ Forward vs Future

Basis	Forward	Future
Meaning	Forward is an agreement between two parties	A future in which parties agree to exchange Asset

What
is it

It is a tailor
made contract

It is a
standardized
contract

3) Traded
on

Over the counter
there is no
Secondary market

Organized
Stock exchange

(4) Settlement

On maturity
date

on a daily
basis

Risk

High

Low

Size

depend on
the contract
terms

Fixed

~~collateral~~

Not required

Initial margin