

Section-6

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Describe the meaning of Exchange Traded derivatives?

Exchange Traded derivatives

The Exchange Traded derivatives that trade the main party and by trading of derivatives actually risk is traded b/w two parties. One party who purchase future contract is said to go long and the person who sell the future contract.

Exchange traded are standardised contract with pre-determined exercise price and standard expiration mths.

Access to the market is through brokers who impose commission for each contract trade.

The market operates on the floor of the exchange where the broker gather to reflect.

Exchange traded derivatives feature.

1. Full transparency.
2. Use of computer
3. Centralisation of order flow

4. Time price priority
5. Large investor
6. Lower cost intermediation
7. Better risk management