

**Course Objectives:**

1. To give a specialized knowledge on significance of Foreign exchange and its relevance to survival of Companies in international markets
2. To study the features and characteristics of foreign exchange market
3. To study market exposures and hedging techniques
4. To study spot and forward exchange rates
5. To study interest rate derivatives and SWAPS
6. To understand exchange rate fluctuation and exchange rate determination
7. To study economic and translation exposures.

**Course Outcomes:**

- CO1:** Students will be prepared to understand with foreign exchange market structure, market dealings.
- CO2:** Understand the functions and players in the foreign exchange market.
- CO3:** Capable of understanding various forex exposures
- CO4:** Gain knowledge to manage the exchange exposures
- CO5:** learn the forward and spot market operations
- CO6:** Learn the futures and options dealings
- CO7:** Learn exchange control measures, polices and regulations

**UNIT I:** Foreign Exchange Market: Structure and market infrastructure, major participants, Spot market, quotations, cross rates, currency arbitrage, forward market, forward quotations, relationship between forward rate and future spot rate, Forecasting exchange rates. Determinants of exchange rates, Exchange rate behavior, Law of one price, purchasing power parity, interest rate parity.

**UNIT II:** The Indian Forex markets: Overview of the Foreign Exchange Management Act. Convertibility of rupee - exchange control - Indian exports & imports - policies - practices - and documentation.

**UNIT III:** Measuring Exposure to Exchange rate fluctuations: The investor hedge argument, Currency diversification argument, Stakeholder diversification argument. Types of exposures – Transaction exposure, economic exposure, translation exposure.

**UNIT IV:** Managing Transaction Exposure: Hedging exposure to payables and receivables – Forward or Futures Hedge, Money Market Hedge, Options Hedge; Limitations of Hedging, Hedging for Long Term forward contracts – parallel loan; alternative hedging techniques – leading and lagging, cross hedging, currency diversifications.

**UNIT V:** Managing Economic exposure and Translation exposure: Translation methods; current / noncurrent, monetary / non-monetary, current rate methods. Economic exposure-How to measure economic exposure, determinants of operating exposure, managing operating exposure.

**UNIT VI: Interest rate derivatives and SWAPS: Interest rate swaps, currency swaps, interest rate forwards futures, structured notes.**

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