

Course objective:

- To equip the students with the Foreign Exchange management concepts
- To provide an introduction to futures and overview of financial future markets
- To enable the students to acquire knowledge about currency swaps
- To help students to understand the different types of exchange rate risks.

Unit – I: Introduction to Foreign Exchange Management

An overview of Foreign Exchange, Foreign Exchange Market, Exchange Rate System, Euro Currency Market, Participants in Forex Market – interventional by central banks – exchange Rate system of Global Level – nature of Euro – Currency Market. Role of international financial institutions in foreign exchange management.

Unit – II: Foreign Exchange Transaction

Purchase & sale Transaction, Exchange quotations, Spot & Forward Transaction, Ready Exchange Rates, Forward Exchange contracts, execution of Forward Contracts, execution of cancellation/extension of forward contract.

Unit – III: Introduction to Futures

An overview of financial futures market including the types of contracts available, futures terminology and concepts, futures pricing and behavior, cost of carrying and expectations approach, uses of futures for hedging, arbitrage and speculation. (problems)

Unit – IV: Currency Swaps

Development of the swap market, characteristics and uses of swap products, interest rate and currency swaps, legal and regulatory issues, Swap deals in India, Trading in Swaps, Foreign Exchange Dealing (Problems)

Unit – V: Foreign Exchange Risk Management

Exchange rate Risk and Political Risk Identification of the different types of exchange rate risk; transaction exposure, translation exposure and economic exposure, together with an analysis of political risk. Managing Foreign Exchange Rate Risk Strategies for managing foreign exchange rate risk and the instruments available; currency forwards, futures, options and swaps – Short – term Interest Rate Risk Management.

Recommended Text Books:

1. C. Jeevanandam: Foreign Exchange, New Delhi, Sultan Chand & Sons 1994
2. Lue soenen, Foreign Exchange Management, McGrah-Hill Primis Custom Publishing.

Reference Books:

1. Yadav, Foreign Exchange Markets, Macmillian, 2007
2. Julian Walmsley, Foreign Exchange & Money Markets Guide, John wiley, 2006.
3. Thomas von Ungern, Strategic Foreign Exchange Management, Black well Publishers, 1990.
4. Apte, International Financial Management, Prentice Hall
5. T.Siddayya, International Financial Management, Perason