

Derivative Securities, Fall 2013

Assignment 1

1. Give a compact definition of derivative. Is a derivative a security?
2. What is the difference between *exchange-traded* and *over-the-counter* derivatives? Give an example of each class.
3. Describe the largest users of fixed-income derivatives.
4. In Europe, what percentage of derivatives trade OTC (as opposed to trading in an exchange)?
5. What is *bilateral trading*?
6. Define what clearing is.
7. What is a Central Counterparty for trading derivatives?
8. How much of the revenue in derivatives trading comes from OTC as opposed to on-exchange?
9. What is counterparty risk?
10. What is the meaning of systemic risk? Discuss.