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**DERIVATIVES MARKET BEHAVIOUR, RISK EXPOSURE AND AWARENESS
AMONG STUDENTS ON DERIVATIVE INDUSTRY**

By



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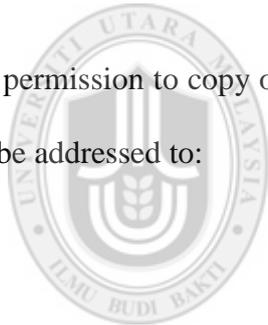
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ABSTRACT

Over the years, companies have been using derivatives to hedge their position, financially as business entities. Derivatives do play an increasingly important role over the years as effective tool or mechanism in managing the potential risks of interest rates, currency exchange rates and equally important, equity markets. The main purpose of this particular study is to examine the level of exposure on Derivatives industry among students. This paper also on the other side, aims to highlight on the role of derivatives in market and to give the readers an understanding of this market. The study is based on secondary data with the application of quantitative analysis. It must be mentioned that key findings suggest that future research work in this particular area of interest should clearly define the importance of knowledge to be seeded from the students level itself. The ability to clearly define the root cause will provide the avenue of a more structured and systematic investment method which in return will be the ability to identify the risk and manage the risk effectively to have a high return. The purpose of this paper is as well to provide an insight to students on what derivatives is. Based on my paper, in depth research can be conducted with more various categories to provide a tare research analysis.

On another note, this paper aims to provide an insight in respect of Derivatives markets, the risk exposure and the awareness on Global Banking Markets among students. As highlighted earlier in the problem statement, there is a lack of knowledge and exposure among Malaysians in particular with regards to the Derivatives industry in utilizing more of the derivatives market. Thus, it is important and considered timely for such a study to be conducted specifically at the student level first to understand where is the knowledge gap is obvious.

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CHAPTER 1

INTRODUCTION

1.1 Introduction

This chapter provides an overall perspective of the project paper. It provides an introduction about the research background, followed by the problem statement research questions and research objectives.

1.2 Background of the study

A Derivative is a financial instrument which is derived from some other assets such as, index, event, value or condition (also known as the underlying). The basic characteristics of a derivative product include the following: i) agreement between two (2) parties namely, the buyer and seller to exchange cash/assets, ii) over a period of time and iii) based on the value of the underlying assets. Examples of such underlying assets include Foreign Exchange, Interest Rates, Equities/Indices, Credit and Commodities. Risks exist in all kinds of business and tend to increase over the years. Example of events that had occurred in the financial market place which led to such growth in uncertainty is competition, financial innovation, globalization emerging markets and deregulation. Derivative is a business which consists of the highest risk but at the same time gives back a very high return.

Being in the derivatives business and knowing the lack of awareness and knowledge on this motivated me to perform a write up for the readers to have the basic knowledge which will help them in career and investment wise.

In Malaysia, the size of derivatives is still small and does not cover all financial instruments yet. Malaysia set up the first derivative exchange in the year 1980 which was known as Kuala Lumpur

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