

Foreword

The four decades since the 1970s have been a period of extraordinarily rapid social and technological change, with few spheres of human endeavour left untouched. In the financial markets in particular, where I have had the privilege of being an active participant at all levels, the pace of change has been frenetic, with the growing importance of derivatives being one of the most significant.

In the pre-1970s world of fixed exchange rates, controlled interest rates, limited international trade, administered prices (and in countries like India, price controls and rationing), we hardly needed derivatives. In today's world, where price volatility is a constant feature of markets, derivatives are an integral part of financial markets and essential for sound risk management. Derivatives are no longer confined to the developed countries. Many of the most actively traded derivatives markets are now in emerging economies.

Derivatives are important but they are also complicated. The second edition of this book provides the reader with a sound understanding of the fundamental principles and practices of derivatives markets. It is comprehensive, covering topics ranging from pricing to accounting, while remaining concise. What makes this book stand out is the fact that it is written in plain language, de-mystifies a complex subject, and is easy to understand. At the same time, it does not over-simplify the subject. It provides a clear conceptual framework to each topic, which puts issues in context and makes them easier to comprehend. I am confident it will prove very valuable to a wide variety of readers.

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Shanghai, June 2017

