International Journal of Trade and Commerce-IIARTC
January-June 2014, Volume 3, No. 1
ISSN-2277-5811 (Print), 2278-9065 (Online)

A Study of Legal Risk Associated with Financial Derivatives

S.K.S. Yadav[a*], Manpreet Kaur[b]

[a] *Associate Professor, Department of Commerce, Meerut College, Meerut, U.P., India*
Email: sudhiryadavmeerut@gmail.com
[b] *Associate Professor, Deptt. of Management Studies, NGF College of Engineering & Technology, Palwal, Haryana, India*
Email: manu.sond@gmail.com

Abstract

The study examines the concept and the elements of legal risk associated with financial derivatives. A model of legal risk has been developed based on the literature review. A survey conducted on institutional investors and financial institutions there is awareness of the legal risk associated with derivatives. The limitation is that they could correlate it with documentation only whereas legal risk is multi-dimensional in nature. It is this very nature of legal risk makes it difficult to identify its origin. The involvement of legal firm while entering into derivatives contract becomes important because of the multiple laws and multiple regulatory agencies governing the derivatives. But organisations shy away from involving legal firms for their services mainly because of incomplete understanding of the whole concept of legal risk in derivatives and the other reasons being the long procedure of documentation and the cost of legal services. The other significant reasons of not involving legal services are lack of legal expertise and the organisation may itself not be very particular about the laws. Regulation of derivatives does hold a major concern for the participants and even self-regulation by the trading organisation was suggested as a significant means of regulating the derivatives market. Organisations have failed to identify legal risk as one of major risks associated with derivatives. The major focus is on managing liquidity risk followed by operating risk. Hence, the organisations have failed to make a separate policy for legal risk management. The main legal risk faced by the organisations with reference to all derivatives is that the other party to the transaction will fail to pay. The study finally suggests a model for managing legal risk.

Keywords: *Legal risk, derivatives, documentation, regulation.*

PAPER/ARTICLE INFO
RECEIVED ON: 10/2/2014
ACCEPTED ON: 11/05/2014

Reference to this paper should be made as follows:

S.K.S. Yadav, Manpreet Kaur (2014) "A Study of Legal Risk Associated with Financial Derivatives" *Int. J. of Trade and Commerce-IIARTC*, Vol. 3, No. 1, pp. 96-106

**Corresponding Author*

1. INTRODUCTION

Derivatives market is an important segment of financial market of every evolving economic system. Following the global financial crisis of 2008, the derivatives market has attracted more attention. Although the financial crisis is caused by structured credit-linked securities that are not derivatives, but there is need for countries to maintain a functional and virile derivatives markets. Consequently, governments and regulators all over the world are working to strengthening regulations in order to increase transparency and safety both for derivatives and other financial instruments.

A derivative is a bilateral contract that derives its value from changes in the value of the underlying financial instrument, reference price, rate or index.

The distinct classification of financial derivatives contracts is:

- *Over-the-counter (OTC) derivatives:* Contracts that are traded directly between two eligible parties, with or without the use of an intermediary and without going through an exchange.
- *Exchange-traded derivatives:* Derivative products that are traded on an exchange.

Exchange-traded derivatives are standardized and can be regulated. This limits the legal risk to a certain extent in exchange-traded derivatives. However, the OTC derivatives are tailor made contracts for the counter parties leading to ad hoc agreements inducing a higher degree of legal risk into derivatives contracts/transactions. The legal risk become more pronounced in the OTC derivatives since not only the financial terms even the legal documents are customized.

The direct advantage of buying an OTC derivative is that standardization costs are low and also it exactly meets the needs of the buying entity. But then the credit of the OTC derivative seller become essential. Since the higher credit rating means unlikely to default on it's commitment in near future.

There are essentially three types of contract enforceability risk, five species of characterization uncertainty and one main risk undermining netting enforceability arrangements that confront the markets for financial derivatives. The three ways in which a contract for financial derivatives can be affected by a null and void ruling are as follows:

- First, over-the-counter (OTC) derivatives that are speculative in nature may be characterized by a court as an unauthorized gaming and wagering arrangement. This exposes market issuers and counterparties to the risk that the derivative itself, or the contract, may be declared null and void because it represents an illegal gaming venture.
- Second, legal enforceability of a derivatives contract may also be affected by a counterparty that lacks, prima facie, the requisite capacity to enter into the agreement. The consequence of this action is that the contract will also be declared null and void by virtue of the legal doctrine of ultra vires.
- Third, a derivatives transaction may be declared null and void by a court if the broker/dealer has engaged in conduct that amounts to a misrepresentation, fraud or negligence, or the transaction is unsuitable to the client.

There are various types of risks associated with the financial derivatives:

1.1 Types of Derivatives Risks

1.1.1 Credit Risk

Credit risk is the risk of loss due to counterparty's failure to perform on an obligation to the institution. Credit risk in derivative products comes in two forms:

Pre-settlement risk is the risk of loss due to a counterparty defaulting on a contract during the life of a transaction. The level of exposure varies throughout the life of the contract and the extent of losses will only be known at the time of default.

Settlement risk is the risk of loss due to the counterparty's failure to perform on its obligation after an institution has performed on its obligation under a contract on the settlement date. Settlement risk frequently arises in international transactions because of time zone differences. This risk is only present in transactions that do not involve delivery versus payment and generally exists for a very short time (less than 24 hours).

1.1.2 Market Risk

Market risk is the risk of loss due to adverse changes in the market value (the price) of an instrument or portfolio of instruments. Such exposure occurs with respect to derivative instruments when changes occur in market factors such as underlying interest rates, exchange rates, equity prices, and commodity prices or in the volatility of these factors.

1.1.3 Liquidity Risk

Liquidity risk is the risk of loss due to failure of an institution to meet its funding requirements or to execute a transaction at a reasonable price. Institutions involved in derivatives activity face two types of liquidity risk : market liquidity risk and funding liquidity risk.

Market liquidity risk is the risk that an institution may not be able to exit or offset positions quickly, and in sufficient quantities, at a reasonable price. This inability may be due to inadequate market depth in certain products (e.g. exotic derivatives, long-dated options), market disruption, or inability of the bank to access the market (e.g. credit down-grading of the institution or of a major counterparty).

Funding liquidity risk is the potential inability of the institution to meet funding requirements, because of cash flow mismatches, at a reasonable cost. Such funding requirements may arise from cash flow mismatches in swap books, exercise of options, and the implementation of dynamic hedging strategies.

1.1.4 Operational Risk

Operational risk is the risk of loss occurring as a result of inadequate systems and control, deficiencies in information systems, human error, or management failure. Derivatives activities can pose challenging operational risk issues because of the complexity of certain products and their continual evolution.

1.1.5 Legal risk

Legal risk is the risk of loss arising from contracts which are not legally enforceable (e.g. the counterparty does not have the power or authority to enter into a particular type of derivatives transaction) or documented correctly.

1.1.6 Regulatory risk

Regulatory risk is the risk of loss arising from failure to comply with regulatory or legal requirements.

1.1.7 Reputation risk

Reputation risk is the risk of loss arising from adverse public opinion and damage to reputation.

In July 1993 Jackson said that the greatest risk facing the derivatives industry was not market, credit or operating risk but it was infact legal risk. When compare to other financial products Legal risk becomes more significant and ambiguous in derivatives because of their inherent characteristic two way credit exposure of the two counterparties. Both of them may have financial incentives to take the matter to the courts.

2. LITERATURE REVIEW

The general temptation is to limit the definition of derivatives' legal risk to the loss resulting from the unenforceability of the contract. To construct a legal risk model, however, the focus cannot be limited solely to the unenforceability issue. Many authors have suggested that the legal uncertainties with rules and regulation are also valid elements of legal risk. For example, a contract may be enforced, but a single term of the contract may not be interpreted by the courts according to the understanding of a party to the contract at its inception, currently involved in litigation.

Legal risk has not been defined very clearly by industry bodies such as Basel Committee on banking supervision (Basel) and ISDA in the way that have been done for credit, market and operational risk. Basel Committee on Banking Supervision, in its "Consultative Document on Operational Risk", defines "operational risk" as the risk of direct, or indirect, loss resulting from inadequate or failed internal processes, people and systems, or from external events. This definition includes legal risk. The Basel-II accord covers "legal risk" under "operational risk." "Documentation forms an important part of the banking and financial sector. For many, documentation is a panacea to the legal risks that may arise in banking activities. But then it has also been realized and widely acknowledged that loopholes exist in these documentations". Inaugural address by Ms Shyamala Gopinath, Deputy Governor, at the Symposium on "Changing Dynamics of Legal Risks in the Financial Sector", Kochi, 30 October 2009.

Alexander(2003) defines legal risk as the risk that a transaction proves unenforceable in law or has been inadequately documented. This includes legal uncertainties around the legal capacity of banks' counterparties to enter into transactions, the legality of derivative transactions and/or the recognition and effectiveness of netting arrangements in certain jurisdictions or the effectiveness of collateral arrangements in insolvency**.** Lloyds TSB combines legal risk and compliance risk in their Annual Financial Statements. They define legal risk and compliance risk as the risk of financial loss or reputational damage arising from falling to comply with the laws, regulation and codes applicable to financial services industry.

Barclays PLC distinguishes between legal risk and compliance risk in their annual financial statements 2002 and 2003. They define legal risk as the risk that their businesses are not conducted in accordance with the applicable laws and regulations, or the risk that contractual agreements will either will not be enforceable as intended or will be enforced against them in an unexpected and an adverse manner, or the risk that tangible and intangible property, such as trade names and copyrights will not be adequately protected by law from infringement, or the risk that they will be liable for damages to third party harmed by the conduct of their business.

Feder(2002) defines legal risk that parties to OTC derivatives contracts run that curtained provisions will not be enforced. It also includes the risk that the law will change during the life of the contract. It also includes the risk that attaches to the counterparty, for instance that counter party may not have the legal capacity to enter into the contract.

Johnson defines legal risk as the risk that a court may not enforce derivative contract caused by inadequate documentation, counterparties not authorized to enter into derivatives transactions and general legal uncertainty.

Schmedlen defines legal risk as the risk of loss because the a derivative contract is legally unenforceable. This includes the risks arising from insufficient documentation, insufficient authority and authority to counterparty, uncertain legality and unenforceability due to bankruptcy and insolvency.

More generally legal risk is the failure of the institution to comply with applicable rules, laws and regulations pertaining to derivatives which may cause losses due to legal or regulatory actions taken against the institution. Legal risk can arise from: (1) misunderstanding of terms of derivatives contracts; (2) insufficient documentation of the contract; (3) adverse changes in applicable laws and regulations including tax laws and regulatory requirements that prohibit the institution from investing in or even holding certain types of derivatives; and (4) inability to enforce a netting arrangement in bankruptcy.

The Legal Risk that the terms or conditions of a contract will prove unenforceable due to legal defects can prove a more serious problem then the credit risk that counterparty does not have the financial capacity to perform on a contract. If a contract is found to be unenforceable, it may simultaneously impact a large number of contracts and have exactly the same impact on a trading as if a large number of counterparties defaulted simultaneously

In 1991, the British House of Lords ruled that swaps transactions entered into by local authorities were "ultra vires," **(Hazell v. Hammersmith & Fulham L.B.C., 2 W.L.R. 372 (1991)** (holding entrance into swaps contract as beyond scope of local authority's power and, therefore, legally unenforceable); see also GASTINEAU, supra note 7, at 240 (defining "ultra vires act" as any act performed without legal authority because such act is "beyond scope of powers of corporation, state, province, or municipality") and, therefore, legally unenforceable contracts.

This ruling, known as the **Hammersmith and Fulham** decision,(GASTINEAU, supra note 7, at 123) stating that volume of Hammersmith & Fulham's swaps activity was so large compared to its debt that speculation was obvious aim, and implying that speculative nature of transactions may have influenced ruling of ultra vires) has cost eighty banks approximately $1 billion in defaulted swaps payments.(See British Local Authority Swaps; We're a Special Case, Old Chap, ECONOMIST, May 11, 1991, at 74, 74 (pegging losses to 80 banks at £550 million); London's Legal Liabilities, ECONOMIST, Feb. 22, 1992, at 77, 77 (placing bank losses at over £500 million). The continued assurances from legal counsel that the swaps contracts at issue were enforceable (See **Philip Moore, Cleaning Up the Town Hall Mess, EUROMONEY, Apr. 1991, at 31, 31** (noting that counterparties to Hammersmith & Fulham's swaps agreements had "engaged in comprehensive cross-checks with lawyers and other responsible authorities to confirm that the swap dealings were lawful"). The legal risk of contractual unenforceability may not be limited to speculative English boroughs. See **Gary Evans, Lawyers Warn on Void Swap Deals, EUROMONEY, Apr. 1992, at 14, 14** (articulating legal opinion that other institutions, such as insurance companies or building societies, may present ultra vires risk) underscores the price of misjudgment and the urgent need for legal clarity in the OTC derivatives arena.

According to RBI legal risk is defined as "The risk of loss arising from contracts which are not legally enforceable (e.g. the counterparty does not have the power or authority to enter into a particular type of derivatives transaction) or documented correctly."

Risk arising on account of non-compliance with laws. In some cases, some laws may get applied retrospectively. Major legal risk on transactions may arise on account of courts not holding a transaction as "True Sale". This may result in transaction being invalid. Also, in case of imperfection in transferring of rights, enforceability of the security may also be a challenge.

The uncertainty of the enforceability of the obligations of ICICI Bank's customers and counterparties, including the foreclosure on collateral, creates legal risk. Changes in law and regulation could adversely affect ICICI Bank. Legal risk is higher in new areas of business where the law is often untested by the courts. ICICI Bank seeks to minimize legal risk by using stringent legal documentation, employing procedures designed to ensure that transactions are properly authorized and consulting internal and external legal advisors. Risk of loss due to any of the above risk or combination thereof resulting into the failure to comply with Law and having a negative legal impact on the Bank. The specific types of negative legal impacts could arise by way of fines, confiscation of illegal proceeds, criminal liability etc.

Legal risk is "the risk that a transaction cannot be consummated because of some legal barrier, such as inadequate documentation, a regulatory prohibition on specific counterparty, and non-enforceability of bilateral and multilateral close out netting and collateral arrangements in bankruptcy." (Federal Reserve Board's in-depth guide, **Trading and Capital Market Activities Manual (1998), section 1000.1)** This includes changes in law, mistakes, liabilities of agents and political risks.

Legal risk tends to arise in financial markets when there is a misunderstanding as to the law's effect on transaction or on an entity's financial or commercial position or when someone's behavior gives rise to a possibility of political redress. Banks and financial institutions usually try to avoid taking legal risks because the consequences can be catstrophic damaging their reputation as well as their pockets.

A derivative is a bilateral contract that derives its value from changes in the value of the underlying financial instrument, reference price, rate or index. The legal risks of derivatives, therefore, are the legal risks of a bilateral contract. So, Legal risk can arise from a number of resources:

- ***A failure in contracting:*** This can happen if the contract is not properly authorized or executed.
- ***A failure in contract documentation:*** Mistakes can arise in contract documentation, such as incorrect number of entries.
- ***Bankruptcy risks:*** By nature, the bankruptcy process is fraught with uncertainties. For instance, the bankruptcy court could "cherry-pick" the contracts, or choose to honour the contracts having the greatest default value for the defaulting party only, to the detriment of counterparties.

Figure 1: Model of Legal Risk

<table>
<tr><td colspan="4">Failure to comply with applicable rules, laws and regulations pertaining to derivatives</td></tr>
<tr><td colspan="2">MACRO-Legal Risk
The legal framework or regulatory environment preventing execution of the derivatives contract</td><td colspan="2">MICRO-Legal Risk
• Specific to participating entities.
• Subset of operational risk : represents a failure at the operational level of the entity or individual in question.</td></tr>
<tr><td>May be characterized either as an illegal gaming or as an unauthorized and illegal securities or transaction.</td><td>Adverse changes in applicable laws and regulations that prohibit the institution from investing in or even holding certain types of derivatives</td><td>Customers and end-users take legal action when they believe that they have been misled or lied to by a dealer or broker</td><td>Dealers who have misled their clients or committed fraud</td></tr>
<tr><td>Insufficient documentation of the contract</td><td>Misunderstanding of terms of derivatives contracts</td><td>Inability to enforce contract due to bankruptcy or insolvency of any of the counterparties.</td><td>Legal capacity of the counterparties</td></tr>
<tr><td colspan="2">General Uncertainty in Law
Legal: The specific types of negative legal impacts could arise by way of fines, confiscation of illegal proceeds, criminal liability etc.</td><td colspan="2">• RISK OF REPUTATION LOSS
• FINANCIAL DAMAGE</td></tr>
</table>

- ***Changes in law and regulations:*** Contracts may contain clauses protecting one party against changes in tax or regulatory treatments. As an example, coupons on Eurobonds are exempt from withholding taxes. If the country of the bond issuer suddenly imposes new taxes, the issuer may be subject to a so-called gross- up clause that requires it to pay the investor additional money to make up for the new tax. (Additional complications may arise if the issuer has the right to redeem the bond at par. If the bond is trading at a premium, this provides a windfall profit for the issuer.)

In July 1993, the Group of Thirty cautioned that the greatest risk facing the derivatives industry was not market, credit or operational risk, but legal risk.

The study of above definitions suggests that legal risk in derivative contracts can further be categorized into

1. Macro legal risk
2. Micro legal risk

Macro legal risk can be defined as the risk that the legal framework or regulatory environment of a nation may prevent the derivative counter parties from executing their derivatives contract. Macro legal risks are standard in nature with the tendency of producing complex outcomes because they represent risks that are not entity-specific and have the potential for wide application. Some of the examples of macro legal risk found to exist with financial derivatives include:

- **The risk of loss** because a derivatives contract cannot be legally enforced in a court of law because one of the counter parties lacks the legal capacity to contract;
- **The risk that certain netting arrangements** may be unenforceable in a bankruptcy or insolvency proceeding;
- **The risk that a derivative may be characterized either as an illegal gaming, insurance contract or bucket shop arrangement, or as an unauthorized and illegal securities or futures transaction;** and
- **The risk that compound interest** may not be awarded by a court in the absence of a legally binding agreement.

Micro legal risks are specific to participating entities. They principally arise because of default at the entity level that adversely affects their rights under the contract. Micro legal risk can be thought of as a subset of operational risk because it represents a failure at the operational level of the entity or individual in question. A good example of micro legal risk is the risk posed by customer litigation. Customers and end-users litigate when they believe that they have been misled or lied to by a dealer or broker. Dealers who have misled their clients or committed fraud have received little sympathy from the courts or market regulators, who have been keen to uphold market integrity and protect consumers from market abuse.

The elements defining legal risk have been summarized in figure 1.

3. RESEARCH METHOD

Exploratory as well as descriptive designs have been used. The primary data has been collected through the pre-defined, well structured questionnaire. The researcher relied mostly on Primary and Secondary Data. The Primary data was obtained from two main sources- Institutional Investors, Brokers of various Stock Exchanges and the Securities and Exchange Board of India (SEBI) officers. **The sample size is 200 investors (Chartered accountants - 50, businessmen 50, Servicemen-financial services 50 and 50 dealers/brokers in big derivatives dealing institutions in Indian derivatives market).** Emphasis is placed on the frequency and percentages at which certain trends occurred during the analyses of the quantitative data.

4. DATA ANALYSIS

This study revealed the following;

Only about 17% respondents were not conversant and only 83% respondents were conversant regarding the Legal risk in Derivatives. 95% of the respondents were replied that it is difficult to indentify legal risk in derivatives. The 86% respondents of the view that the companies' do not involve the services of legal firm or legal expertise while entering into derivatives agreement. About 45% of the respondents sighted lack of legal expertise, 34.6% respondents sighted the less sophisticated nature of participants and 20.4% sighted cost and time as reasons for not involving legal services while entering into derivatives contracts.

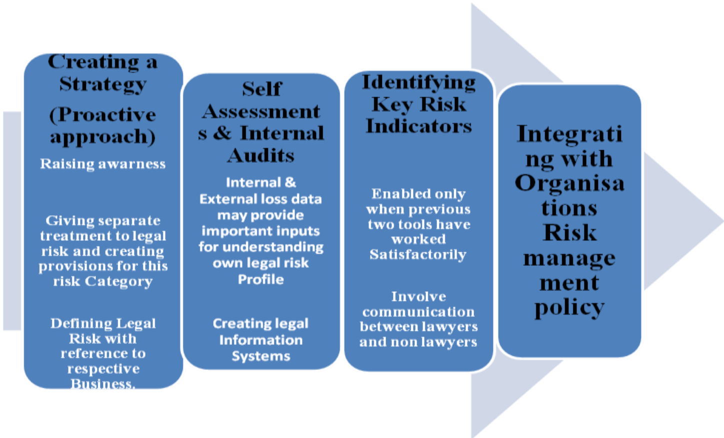
None of the respondent's organisation had a separate legal risk management Policy. They considered legal risk as part of operational risk. In case of about the Risk in the Events of Default relating with Failure to pay about 90% respondents replied in Yes agree and only 10% replied in

No. For the Risk in the Events of Default relating with Breach of Contract about 82% given reply in yes and 18% given reply negatively. For Risk in the Events of Default relating with Breach of Misrepresentation 79% given reply in yes and 21% given reply negatively. About the Risk in the Events of Default relating with Breach of Cross Default 78% given reply in yes and 22% given reply negatively. About the Risk in the Events of Default relating with Breach of Credit Worth 81% given reply in yes and 19% given reply negatively. About the Risk in the Events of Default relating with Corporate Restructuring 80% given reply in yes and 20% given reply negatively. About the Risk in the Events of Default relating with Bankruptcy 79% given reply in yes and 19% given reply negatively. About the Risk in the Events of Default relating with Illegality 91% given reply in yes and 09% given reply negatively. About the Risk in the Events of Default relating with Tax Event 80% given reply in yes and 20% given reply negatively. The risk of most concern in the derivative market to respondents is Liquidity Risk, Operating Risk, and Legal Risk with only 3% respondents considering legal risk. About 56% percent people are of opine that Derivative market is in developing stage while 44% are in view that it is not in developing stage but backward stage. About 92% respondents accepted that there is lot of legal risk while 8% opined that there is no legal risk. Thus, majority of respondents have confirmed the legal risk involvement in the derivative market so the hypothesis is accepted. About 32% respondents are accepting the that there is no sufficient laws to regulate risk in India while 68% were in view that the laws are sufficient one to regulate the legal risk. About 53% respondents were in view that there is need to make some more strong rules to regulate Derivative Market in India. We can say that there is a need to make necessary amendments to make the Indian Laws relating to Derivatives Market may become stronger to manage the legal risk present in Indian derivatives market.

5. CONCLUSION

- Legal risk has not been defined very clearly by industry bodies such as Basel Committee on banking supervision (Basel) and ISDA in the way that have been done for credit, market and operational risk.
- Legal risk is now certainly being recognized as a significant part of the risk entailing derivatives.
- Legal risk is higher in new areas of business where the law is often untested by the courts especially for country like India.
- Self regulation is expected to organizations' internal controls through the discipline of market mechanisms.
- Identifying legal risk is a major task so more trained manpower needed. Courses based on law and financial trading needed.
- It is very important to involve a lawyer or a law firm while entering into a derivatives agreement.
- Regulatory authorities and the trade associations have lacked in removing the fears in the mind of investors.
- In India the major participants in OTC derivatives are Banks. The expansion of their activities has exposed them to unfamiliar markets and jurisdictions.

6. Suggested Model For Legal Risk Management



7. Suggestions

- Organizations need to consider to develop an independent and knowledgeable risk management policy accepting legal risk separately.
- Only authorized professionals within the organisations should deal with derivatives.
- Enforce regulatory supervision of legal risk
- The regulatory authorities should remove legal uncertainties.
- Communication between regulators and market participants.

References

[1]. **Bank for International Settlements**, International Convergence of Capital Measurement and Capital Standards: A Revised Framework. BIS Basel Committee on Banking Supervision, Basel, 2004.
[2]. **Feder, N. M.** (2002). 'Deconstructing Over-The-Counter Derivatives', Columbia Business Law Review p. 679.
[3]. **Global Derivatives Study Group** (1993). Group of Thirty, Derivatives Practices and Principles, Appendix 1, page 43.
[4]. **Feder, N. M**. (2002) 'Deconstructing Over-The-Counter Derivatives' Columbia Business Law Review p 679.
[5]. **Alexander, C** (2003) Operational Risk: Regulation, Analysis and Management Financial Times, Prentice Hall p 90.
[6]. **Lloyds, T.S.B.** (2003). Annual Financial Statements 2002-2003: Risk Report
[7]. **Barclays, P.L.C.** (2002). Annual Financial Statements 2002-2003: Risk Management Report
[8]. **Feder, N. M**. (2002). 'Deconstructing over the Counter Derivatives' Columbia Business Law Review pg 728.
[9]. **Johnson, C. A. (1998).** 'At The Intersection of Bank Finance And Derivatives: Who has the Right Way? Tennessee Law Review p 21

[10]. Managing Uncertainty in Derivatives Transactions, Euromoney Institutional Investor, Jan 2004, Pages: 179
[11]. The United States, where the Bankers Trust litigation has raised these issues, Proctor & Gamble Co. v. Bankers Trust Co. 925 F. Supp. 1270, DC S Ohio, 27 October 1994), Gibson Greetings v. Bankers Trust Co. (No 1–94–620, SD Ohio, 12 September 1994). See also Société Nationale d'Exploitation Industrielle des Tabacs et Allumettes v. Salomon Bros. Int'l Ltd., 928 F.Supp. 398 (S.D.N.Y. 1996) and in the United Kingdom: Bankers Trust Int'l PLC v. PT Dharmala Sakti Sehahtera (unreported Q.B. (Com,.Ct.) 1 December 1995.
[12]. **'International Options Market Association (IOMA) Derivatives Market Survey' 2007**, available at: http://www.world-exchanges.org/ioma (accessed on May 30, 2009).
[13]. **'Introduction to derivatives in** India', available at: http://business.mapsofindia.com/investmentindustry/introduction-to-derivatives.html (accessed on May 27, 2009).

WEBSITES
[1]. http://www.bloomberg.com/apps/news?pid=newsarchive&sid=auIe3UTJncpY
[2]. http://www.lexology.com/library/detail.aspx?g=12ea4273-676c-4d8c-a529-348066bf152f
[3]. https://www.sec.gov/news/speech/2013/spch040613ebw.htm
[4]. http://www.tradersmagazine.com/issues/20_300/sponsored-access-pre-trade-surveillance-sec-nyse-regulation-104588-1.html
[5]. http://finra.complinet.com/en/display/display_main.html?rbid=2403&element_id=6286
[6]. http://www.sec.gov/spotlight/insidertrading/cases.shtml
[7]. http://www.berkshirehathaway.com/letters/letters.html
[8]. http://icai.org/icairoot/announcements/icai_news_section_19mar08b.html
[9]. http://www.valuenotes.com/njain/nj_derivatives_15sep03.asp?ArtCd=33178&Cat=T&Id=10 (accessed on May 28,2009)
[10]. http://www.rbi.org.in/scripts/BS_SpeechesView.aspx?Id=443
[11]. http://www.bis.org/publ/bcbsca07.pdf
[12]. http://www.risk.net/risk-magazine/feature/1506604/legal-risk-optimisation
[13]. http://rbidocs.rbi.org.in/rdocs/content/PDFs/76927.pdf
[14]. http://www.hdfcbank.com/htdocs/common/pdf/Basel-II-disclosure-Mar2012.pdf
[15]. http://210.212.115.113:81/AshokMalhotra/RiskManagmentinIndianBanks/RiskMgtinBankPartIII.pdf
[16]. http://www.icicigroupcompanies.com/Group_AML_Policy_April_2008_final.pdf