

Current Status of the Global Derivatives Market

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Abstract: *The worldwide 'derivative market' has grown at an exponential rate during the previous decade. Derivatives perform critical purposes such as risk mitigation through hedging, market efficiency, and underlying asset deal price discovery. Derivatives were first developed as risk management tools, but now the majority of people use them to make speculative gains. The volume of derivatives trading is expanding every day, indicating the importance of derivatives. This study aims to identify and summarize the present status of global as well as Indian derivative market. The results of this analysis showed that the volumes of exchange-traded derivatives kept up their upward trend, with options seeing a particularly sharp increase, especially in the Asia Pacific area. The trading volume in the Americas and EMEA regions increased little from the previous year. Additionally, this study highlights the preference for equities derivatives over other assets, noting that the most traded equity derivative products worldwide are Bank Nifty Index Options and Nifty Index options of NSE India, with over 100% growth in trade compared to 2021.*

Keywords: Derivatives, Derivatives Market, Futures and Options

1. Introduction

In the world of finance, derivatives have grown in significance. Globally, there is active trading in futures and options across numerous exchanges. Individuals and financial organizations engage in various forms of forward contracts, swaps, options, and other derivatives (Hull & Basu, 2017). It is widely believed in the financial world that the most significant milestone in financial innovation is achieved with the issuance and trading of derivatives. Along with this positive element, the proponents of derivatives also admit that this term arouses more controversies, and most people look at them with suspicion and a few would believe that they do contribute to society's welfare. But the fact is that derivatives are a standard risk management tool that enables risk sharing and facilitates the efficient allocation of capital to productive investment activities (Kumar, 2015).

2. Research Problem

The increased volatility in the financial market also increased the popularity of the derivatives market. The National Stock Exchange of India Ltd. (NSE) emerged as the World's largest derivative exchange in 2019 by the number of contracts traded also evidenced this popularity. In the aftermath of the COVID-19 pandemic, the equity market, particularly the derivatives market, received a great deal of attention (Khan et al., 2020). It is known that number of traders are increasing in the Indian derivatives market. But so far, very few studies have examined the present status of global derivative market. In this background, it is very relevant to study the present status of global as well as Indian derivative market.

3. Literature Review

Studies relating to derivatives market are very limited till the year 1990, research in this sector was accelerated only after 1997. One of the studies by Vashishtha & Kumar, (2010) analyzed the historical roots of derivative trading, types of derivative products, regulation and policy

developments, trends and growth, prospects and challenges of the derivative market in India. The study points out that the launch of the equity derivative market in India has been extremely encouraging and successful. Srinivasan, (2010) investigated the impact of the introduction of futures and options trading on the volatility of the underlying spot market in India. Trivedi, (2010) examined the use of derivatives in the Indian financial system. He investigated the issues and potential for making derivative markets more investor friendly. Das, (2011) attempted to analyze the nature and functioning of the Indian Derivative market. An attempt has also been made to compare between actual futures price and theoretical futures price of selected stocks and nifty futures contracts. Mall, (2011) investigated India's stock index futures market from 2000 to 2011. He has conducted empirical research on the efficiency of the Indian spot and index futures markets. S. Yadav, (2015) evaluated the impact of index futures on Indian stock market growth. The GARCH model was used to analyse the current volatility in the stock market. According to the study, the volatility of the Indian stock market has decreased since the introduction of Index futures. Emm et al., (2021) studied the effects of the Covid-19 pandemic on derivatives trading activity on exchanges across major geographic regions in the world. The study observed a sharp increase in the total open interest from January 7 to March 10 of 2020 followed by a general downward tapering. The increase in open interest during this period is driven by the increased positions of commercial traders. In contrast, there is a slight drop in open interest for noncommercial traders. After an examination of the literature, it is discovered that there is room for more research and that studies about the growth of the global derivative market are scarce. The purpose of this research is to explain the growth of the derivatives market in both India and throughout the world.

4. Methodology

This research is conducted based on a quantitative research strategy. In order to achieve the objective, the reliable data were collected from various secondary sources like, journals, websites, annual reports, etc. The required data

mainly obtained from the websites of World Federation of Exchanges, Futures Industry Association and NSE. The collected data were analysed and presented using Microsoft Excel.

5. Results and Discussions

The findings of this research are discussed below.

5.1 Current Status of Global Derivative Market

The largest market category in the financial industry is the derivatives market. The worldwide stock market saw a

noticeable decrease in 2022, both in terms of market capitalization (-20%) and value traded (-10%), breaking the upward trend seen in the two years prior (*World Federation of Exchanges, 2022*). A number of distinguishing themes and forces are revealed. First, the conflict in Ukraine and the sanctions against Russia drove up energy costs, notably for European countries, accelerating the inflationary dynamics that were already in motion due to strong consumer demand and supply constraints following the pandemic (*WFE, 2022*). The volume of global Exchange Traded Derivative contracts for the last ten years is exhibited in Figure 1.

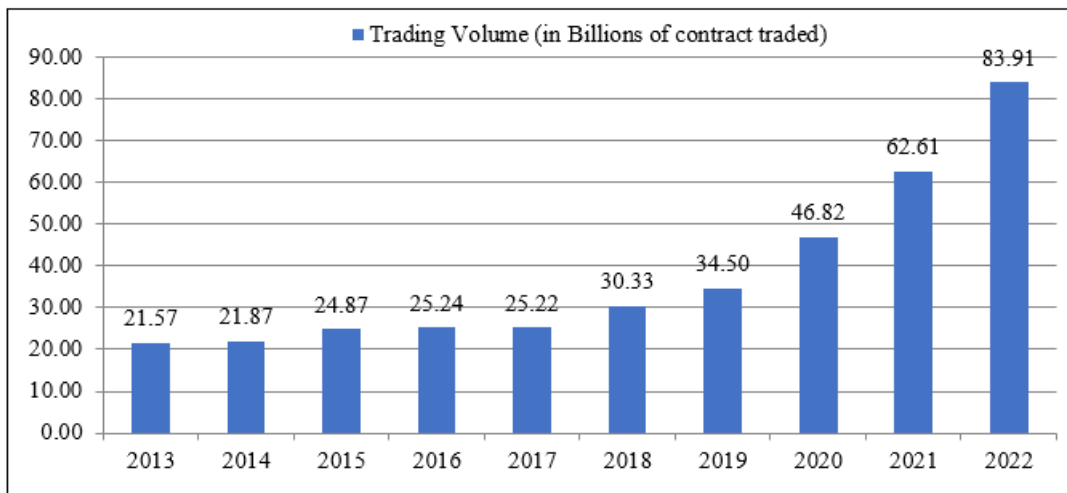


Figure 1: Global trading volume of exchange-traded derivatives

Source: Futures Industry Association (<https://www.fia.org/fia/etd-tracker>)

Global futures and options contracts show tremendous growth over the last ten years. Since 2013 there is an increasing trend in the number of trades. In almost all the years there is an increase in the number of trades carried out, except in 2017 where there is a slight decrease. Growth has reached 83.91 billion contracts in 2022. In 2013 the number

of contracts traded is only 21.57 billion. The volumes of exchange-traded derivatives continued with their positive trend, with a pronounced increase in the case of options. Table 3.5 shows the total volume of options and futures contracts traded in 2022.

Table 1: Total Volumes of Exchange-Traded Futures and Options in 2022

Type of Contract	Jan-Dec 2022 Volume	Change vs. Last Year	Dec 2022 Open Interest	% Change vs. Last Year
Options	54,532,241,710	63.70%	810,418,461	0.00%
Futures	29,315,455,762	0.10%	275,245,814	3.80%
Total	83,847,697,472	34.00%	1,085,664,275	0.90%

Source: Futures Industry Association (<https://www.fia.org/fia/etd-tracker>)

Exchange-traded derivatives contracts, which include both options and futures, increased to their greatest level in the last ten years, totalling 83.85 billion for options and 29.32 billion for futures (83.85 billion derivatives contracts traded). This represents a 34.00% increase compared to 2021. This increase was driven mostly by options, which rose 63.7% (and account for 65% of all derivatives contracts

traded), while futures had a 0.10% uptick. Such an increase in option trading volume could be due to the increasing need to hedge against (or even speculation on) market uncertainty (*WFE, 2022*). Region wise total volume of exchange traded derivatives during the last five years is illustrated in Figure 2.

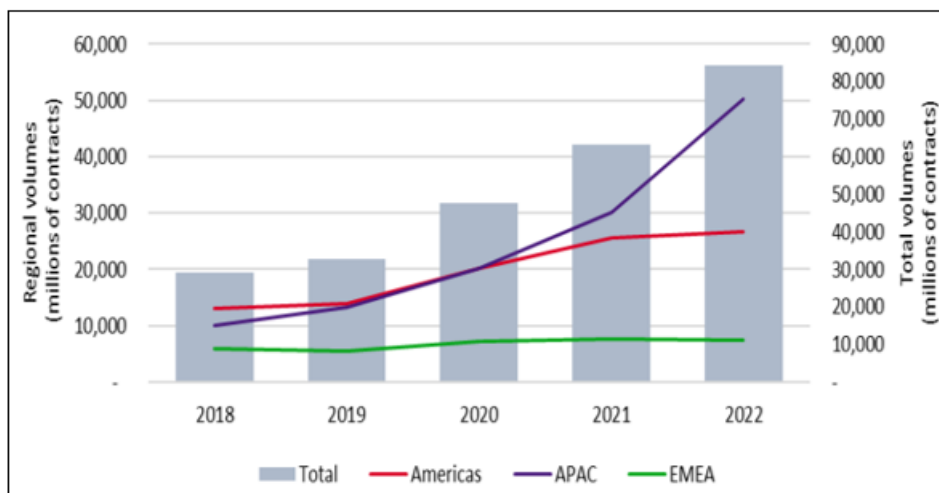


Figure 2: Volumes of Exchange-Traded Derivatives by region

Source: World Federation of Exchanges (<https://www.world-exchanges.org/our-work/statistics>)

Figure 2 shows that all three regions recorded their peak over the last five years in 2022: the Americas region 25.43 billion, Asia Pacific (APAC) region 50.63 billion, and EMEA region (Europe Middle East and Africa) 7.78 billion contracts traded. However, the growth varied significantly

between regions. While APAC grew 65.7%, EMEA and Americas region recorded only a nominal increase in trading volume as compared to last year. The region-wise volumes of exchange traded derivatives are illustrated in Table 2.

Table 2: Region-wise Volume of Exchange Traded Derivative contracts in 2022

Region	Jan-Dec 2022 Volume	Change vs. Last Year	Dec 2022 Open Interest	% Change vs. Last Year
Asia-Pacific	50,634,253,866	65.7%	104,975,311	14.1%
North America	16,807,149,751	9.3%	607,576,745	2.2%
Latin America	8,624,373,629	-3.0%	130,579,901	-10.1%
Europe	4,802,600,636	-11.9%	205,920,731	-5.8%
Other	2,979,319,590	29.1%	36,611,587	45.2%
Grand Total	83,847,697,472	34.0%	1,085,664,275	0.9%

Source: Futures Industry Association (<https://www.fia.org/fia/etd-tracker>)

Table 2 shows that worldwide volume of exchange-traded derivatives reached 83.85 billion contracts in Dec. 2022. Options continue to gain in popularity and global trading of options reached 54.53 billion contracts in Dec. 2022, up by more than 63% from last year, with most of that trading taking place in the Asia-Pacific region followed by the

Americas region. Global trading of futures reached 29.32 billion contracts in Dec. 2022, up by 0.1% from the last year (Futures Industry Association, 2023). The underlying asset-wise growth in trading volume of Exchange Traded Derivatives is exhibited in Figure 3.

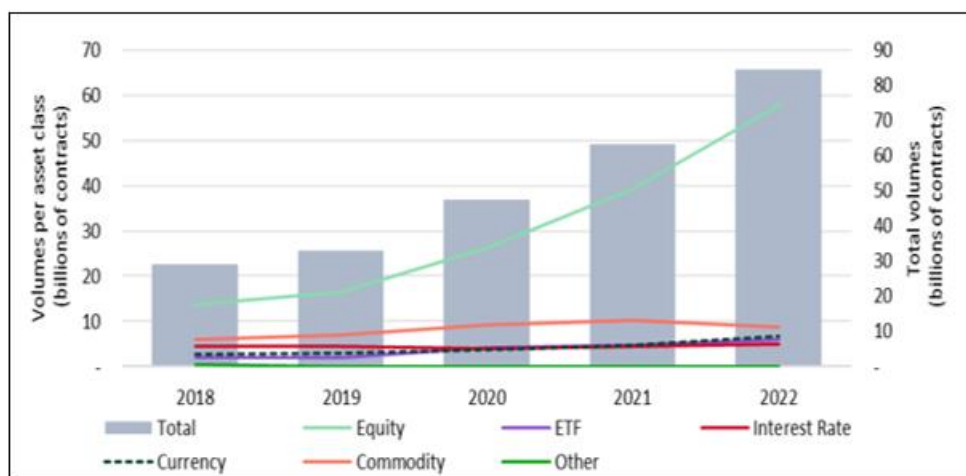


Figure 3: Volumes of Exchange-Traded Derivatives by Asset Class

Source: World Federation of Exchanges (<https://www.world-exchanges.org/our-work/statistics>)

Figure 3. shows that, trading volumes across all underlying asset classes increased, with the exception of commodity

derivatives, where volumes declined after 2021 (World Federation of Exchanges, 2022). The total trading volume of

equity derivatives crossed 50 billion contracts in 2022, which shows the popularity and increased acceptance of equity derivatives over other assets. The asset-wise volumes

of exchange traded derivatives in 2022 are illustrated in Table 3.

Table 3: Asset-wise Volume of Exchange Traded Derivative contracts in 2022

Asset Category	Jan-Dec 2022 Volume	Change vs. Last Year	Dec 2022 Open Interest	% Change vs. Last Year
Equity	61,624,125,974	48.00%	7675,06,432	2.50%
Currencies	7,676,796,067	38.50%	419,81,709	17.90%
Interest Rates	5,146,742,735	12.40%	1489,23,268	-13.80%
Other	2,756,750,897	9.10%	242,38,334	34.80%
Agriculture	2,394,485,575	-15.10%	232,86,699	-1.40%
Metals	2,194,431,384	-20.70%	161,58,155	6.10%
Energy	2,054,364,840	-24.20%	635,69,678	3.50%
Total	83,847,697,472	34%	1,085,664,275	0.90%

Source: Futures Industry Association (<https://www.fia.org/fia/etd-tracker>)

Table 3 shows that commodity derivatives were the only product line whose overall volumes (that is, considering both futures and options) declined in 2022, while equity, currency, and interest rates derivatives volumes witnessed double digit increases (48%, 38.5%, and 12.4%, respectively). Agricultural derivatives volumes decreased 15.10% year-on-year. While the equity, currency and

interest rate derivatives increased their share in volumes traded, commodity and interest rate derivatives decreased their share. An analysis of trading volume of equity derivatives over the last five years is also done in this study and Figure 4 shows the growth pattern of different equity derivatives contracts.

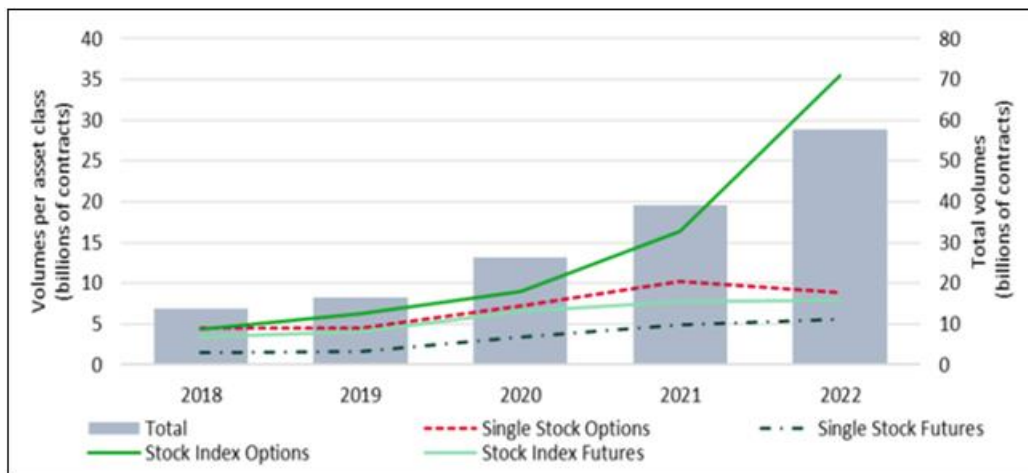


Figure 4: Volumes of Equity Derivatives over five years

Source: World Federation of Exchanges (<https://www.world-exchanges.org/our-work/statistics>)

Figure 4 shows the explosive growth of stock index options during the last five years. Single stock futures, stock index options and stock index futures reached their highest level in volumes in the last five years. In case of single stock options, there is a declining trend in the volume after 2021. Stock index options, which account for the highest share (41.8%) of derivatives contracts, recorded the highest

increase in volumes (117.4%) of all product lines relative to 2021. Notably, stock index options traded at the National Stock Exchange of India increased 134.5% compared to 2021, amounting to 32.57 billion contracts, by far their highest annual figure in the last five years. Table 3.8 shows the ranking of exchanges based on the volume of derivatives trading.

Table 4: Exchange Ranking by Derivatives Trading Volumes

Rank	Exchange	Jan-Dec 2022 Volume [#]	Change vs. 2021
1	National Stock Exchange of India	38,113,511,047	120.90%
2	B3 Stock Exchange, Brazil	8,313,793,640	-5.00%
3	CME Group, US	5,846,331,689	18.30%
4	CBOE Global Markets, US	3,476,174,099	12.30%
5	Intercontinental Exchange, US	3,435,073,009	3.50%
6	NASDAQ, US	3,147,540,772	-4.40%
7	Borsa Istanbul, Turkey	2,726,889,885	31.00%
8	Zhengzhou Commodity Exchange	2,397,600,933	-7.10%
9	Dalian Commodity Exchange, China	2,275,200,779	-3.80%
10	Korea Exchange	2,058,222,218	-9.80%
11	Eurex	1,955,730,332	14.80%

Rank	Exchange	Jan-Dec 2022 Volume [#]	Change vs. 2021
12	Shanghai Futures Exchange	1,943,444,607	-20.50%
13	BSE	1,609,192,944	0.10%
14	Miami International Holdings, US	1,302,642,100	-2.90%
15	Moscow Exchange	1,268,386,020	-39.60%

[#]Volume is measured in terms of the number of futures and options contracts traded and/or cleared per month
 Source: Futures Industry Association (<https://www.fia.org/fia/etd-tracker>)

Table 4 shows that the National Stock Exchange (NSE) has emerged as the world's largest derivatives exchange in 2022 by the number of contracts traded based on statistics maintained by the Futures Industry Association (FIA), a derivatives trade body. The calendar year 2022 witnessed the benchmark equity index – the Nifty 50 touching lifetime high of 18,887.60. Significant strengthening in liquidity was witnessed in most of the product categories including equity, equity derivatives and currency derivatives. The total trading volume of NSE is 38.11 billion derivatives contracts, with an annual growth rate of 121 per cent. B3 stock exchange of

Brazil ranked second in the list with 8.31 billion contracts traded, but its growth rate in 2022 is negative 5 per cent. CME, CBOE, ICE and NASDAQ were ranked 3, 4, 5 and 6 respectively with an annual growth rate of 18 percent, 12 percent, 3.5 per cent and -4.4 percent. Borsa Istanbul Stock Exchange, Turkey, the second fastest growing derivatives exchange after the National Stock Exchange of India, ranked 7th in the list of top derivative exchanges with a year-to-year growth rate of 31 per cent. The top-ranked equity index derivatives based on trading volume are illustrated in following Table 5.

Table 5: Equity Index Top Contracts by Trading Volume

Rank	Index, Exchange	Jan-Dec 2022 Volume [#]	Change vs. 2021
1	Bank Nifty Index Options, NSE India	17,779,731,636	108.3%
2	CNX Nifty Index Options, NSE India	13,672,844,647	148.7%
3	Mini Ibovespa Index (WIN) Futures, B3	4,095,005,435	-11.4%
4	SPDR S&P 500 ETF Options*	1,839,648,935	60.4%
5	Nifty Financial Services Index Options, NSE India	1,118,457,216	15472.4%
6	Powershares QQQ ETF Options*	671,075,221	92.2%
7	S&P 500 Index (SPX) Options, CBOE Options Exchange	558,418,890	62.0%
8	S&P Sensex Index (BSX) Options, BSE	526,191,077	-14.4%
9	Kospi 200 Options, Korea Exchange	523,026,110	-2.3%
10	E-mini S&P 500 Futures, Chicago Mercantile Exchange	503,953,011	24.9%
11	Micro E-mini Nasdaq 100 Futures, Chicago Mercantile Exch.	364,950,140	52.6%
12	Micro E-mini S&P 500 Futures, Chicago Mercantile Exchange	343,974,047	57.4%
13	Euro Stoxx 50 Index Futures, Eurex	285,374,104	27.5%
14	Nikkei 225 Mini Futures, Osaka Exchange	275,463,005	23.0%
15	Kospi 200 Weekly Options, Korea Exchange	248,700,237	32.3%

*Traded on multiple US Options Exchanges

[#]Volume is measured in terms of the number of futures and options contracts traded and/or cleared per month
 Source: Futures Industry Association (<https://www.fia.org/fia/etd-tracker>)

From table 5, it can be inferred that Bank Nifty Index Options of NSE India is the highly traded (17.78 bn) equity derivative product globally with more than 100 percent growth in trade as compared to 2021. The second most traded derivative is Nifty Index Options (13.67 bn), which is also from NSE. The trading volume of NSE Nifty index options grows around 150 per cent as compared to 2021. Another notable fact is that NSE's Nifty Financial Service Index Options is the fastest growing derivative product globally. It grows at a rate of 15472.4 per cent as compared to the last year's trading volume.

5.2 Current Status of Indian Derivatives Market

In India, there are two national level exchanges, NSE and BSE. The performance of Indian stock market can be evaluated on the basis of performance of two exchanges NSE and BSE. The most notable development in the history

of the secondary segment of the Indian stock market is the commencement of derivatives trading in June 2000, the Securities and Exchange Board of India (SEBI) approved derivatives trading based on futures contract at NSE and BSE in accordance with the rules and regulations of the stock exchanges. Subsequently, the derivatives products range had been increased by including options and futures on the indices and several highly traded stocks. In an estimate, the product-wise turnover of derivatives on the Indian stock markets as on July 6 2002 is stock futures-50 percent, index futures-21 per cent, stock options-25 per cent and index options-4 per cent (Gupta, 2017). The preferences of Indian investors have shifted from stock futures to index options. NSE is the largest derivative trading exchange in India both in terms of number of contracts trades and notional value of contracts traded. The business growths in F&O segment of NSE and BSE, in the last 10 years are given below.

Table 6: NSE's Business Growth in FO Segment-Turnover

Year	Index Futures Turnover (Rs.cr.)	Stock Futures Turnover (Rs.cr.)	Index Options Notional Turnover (Rs.cr.)	Stock Options Notional Turnover (Rs.cr.)	Total Turnover (Rs.cr.)
2022-23	9520737.97	19072304.37	3734521994.34	59207744.62	3822322781.30
2021-22	8429378.27	21038937.56	1609497197.31	56267621.33	1695233134.47
2020-21	9047645.65	18098365.39	590099062.75	26373034.47	643618108.26
2019-20	6701072.45	14919550.78	311447325.44	12323406.79	345391355.46
2018-19	5568914.47	16147010.86	203302404.91	12582374.84	237600705.08
2017-18	4810454.34	15597519.71	134921876.45	9655008.56	164984859.06
2016-17	4335940.78	11129587.14	72797287.69	6107485.87	94370301.48
2015-16	4557113.64	7828606.00	48951930.60	3488173.75	64825823.99
2014-15	4107215.20	8291766.27	39922663.48	3282552.18	55604197.13
2013-14	3083103.23	4949281.72	27767341.25	2409488.61	38209214.81

Source: NSE (<https://www.nseindia.com/market-data/business-growth-fo-segment>)

F&Os total turnover at stood at Rs. 3822322781.30 crore as on March 31, 2023 .Of the total turnover, index futures contributed Rs 9520737.97 crore, stock futures Rs 19072304.37 crore, index options Rs 3734521994.34 crore and stock options Rs 59207744.62 crore. For the last 10 years the total turnover of NSE derivatives trade grows at an average annual growth rate of 72 per cent. Year 2021-22

registered a highest growth rate of 163 per cent in derivatives trading turnover, whereas in 2022-23 the growth rate is 125 per cent. Index options were primarily responsible for the sharp increase in turnover. In last two years, the turnover of index options grows at 173 and 132 per cent respectively. The business growth in terms of number of contracts is exhibited in Table 7.

Table 7: NSE's Business Growth in FO Segment-Number of Contracts

Year	Index Futures	Stock Futures	Index Options	Stock Options	Total
2022-23	104.74	284.13	40541.93	834.97	41765.77
2021-22	93.66	265.61	17623.36	677.51	18660.14
2020-21	127.60	252.83	7824.04	330.39	8534.86
2019-20	94.78	257.38	4586.69	198.38	5137.23
2018-19	69.82	255.53	2652.46	186.99	3164.8
2017-18	57.67	214.76	1515.03	126.41	1913.87
2016-17	66.54	173.86	1067.24	92.11	1399.75
2015-16	140.54	234.24	1623.53	100.30	2098.61
2014-15	129.30	237.60	1378.64	91.48	1837.02
2013-14	105.25	170.41	928.57	80.17	1284.4

Source: NSE (<https://www.nseindia.com/market-data/business-growth-fo-segment>)

From Table 7, it is clear that there is an increase in the trading of stock and index options at NSE from 2013 to 2023. The total number of contracts has increased from 1284.4 million to 41765.77 million contracts, but in case of

index future and stock futures the trend is almost stable. The following Table shows the growth in F&O trading at BSE in last 10 years.

Table 8: BSE's Business Growth in FO Segment- Turnover

Year	Index Futures Turnover (Rs.cr.)	Stock Futures Turnover (Rs.cr.)	Index Options Turnover (Rs.cr.)	Stock Options Turnover (Rs.cr.)	Total Turnover (Rs.cr.)
2022-23	58.65	0	34315254.32	0.05	34315313.02
2021-22	493.52	0	66077834.33	0	66078327.85
2020-21	5,010.27	0	35055158.8	0	35060169.07
2019-20	14,933.69	163	2,45,962.57	1209.36	262268.62
2018-19	39.13	17.77	2,193.13	0.08	2250.11
2017-18	3,217.51	36.76	8.21	0.18	3262.66
2016-17	2,266.86	203.08	4,469.35	0	6939.29
2015-16	13,097.16	1,349.59	43,86,248.88	74312.69	4475008.32
2014-15	48,632.35	9,794.26	20129226.47	1,75,088	20362741.08
2013-14	63,493.84	54,599.42	90,55,200.61	46,131	9219424.87

Source: BSE (https://www.bseindia.com/markets/keystatics/Keystat_turnover_deriv.aspx)

From the above table it can be noted that the F&O segment of BSE showed a high decrease in 2016-17, 2017-18 and 2018-19 financial years. In 2021-22 it has regained all-time high turnover of Rs. 66078327.85 crore. From Table 3.12, it can be inferred that the derivative trading turnover of the Bombay Stock Exchange is not consistently growing like NSE.

As of March 31, 2023, the BSE's derivatives segment has a total turnover of Rs. 34315313 crore. Index options represent 99.9% of the total turnover (Rs 34315254.32 crore). Stock futures, index futures, and stock options all have very low turnover. The total turnover of the BSE derivatives trade has been fluctuating over the past ten years.

Table 9 shows the increase in business activity as measured by the volume of contracts.

Table 9: BSE's Business Growth in FO Segment-Number of Contracts

Year	Index Futures	Stock Futures	Index Options	Stock Options	Total No. of Contracts
2022-23	651	-	37,25,84,451	1	37,25,85,103
2021-22	4,454	-	67,05,16,570	0	67,05,21,024
2020-21	53,629	-	33,81,07,329	0	33,81,60,958
2019-20	1,50,212	2,983	25,12,339	16349	26,81,883
2018-19	438	271	30,456	2	31,167
2017-18	44,117	467	114	3	44,701
2016-17	32,288	2,901	88,349	0	1,23,538
2015-16	3,06,712	51,815	10,34,27,976	2422891	10,62,09,394
2014-15	12,27,926	3,05,714	49,82,34,687	57,10,542	50,54,78,869
2013-14	21,36,269	19,01,877	29,63,59,575	15,44,720	30,19,42,441

Source: BSE (https://www.bseindia.com/markets/keystatics/Keystat_turnover_deriv.aspx)

From Table 9, it is clear that there is a decrease in the trading of all classes of derivatives at BSE from 2013 to 2023. The total number of contracts has decreased from 670521024 to 372585103 contracts in 2023 as compared to 2022, in the case of index futures and stock futures the trend is almost the same and the trading activity is very less. Unlike in the case of NSE, there is no increasing trend in the trading volume of derivatives in BSE. This evident that the majority trader prefers NSE for trading equity derivatives.

The Indian stock market seems to be maturing day by day and so are the investors. The corrections after the 2021 rally did not deter retail investors to invest in the market (ICICI Direct, 2022). Post the market crash of March 2020 retail investor participation in the stock market has been witnessing explosive growth. In March 2020 the number of demat accounts in India stood at 4.09 crore. Since then, the number of demat accounts has been steadily rising and reached 10 crore in August 2022. Retail investors now account for 52 per cent of daily transactions in the market

with DIIs and FIIs accounting for 29 per cent and 19 per cent respectively (Vijayakumar, 2022).

Retail investor participation in the equity market is essential. It promotes the financialization of savings which, in turn, channelizes savings from idle assets like gold into productive investment, thereby contributing to higher capital formation and economic growth. It enables investors to participate in wealth creation happening through the capital market. However, some unhealthy developments have emerged which deserve serious attention. Large numbers of newbie retail investors have taken to speculation in the stock market in hopes of becoming rich quickly (Vijayakumar, 2022).

The number of retail investors that traded in secondary markets rose sequentially for three months of 2023 sequentially to touch 8 Million in capital markets segment and 3.1 Million in the equity derivatives segment. Figure 3.5 shows the trend of retail trading activity at NSE.

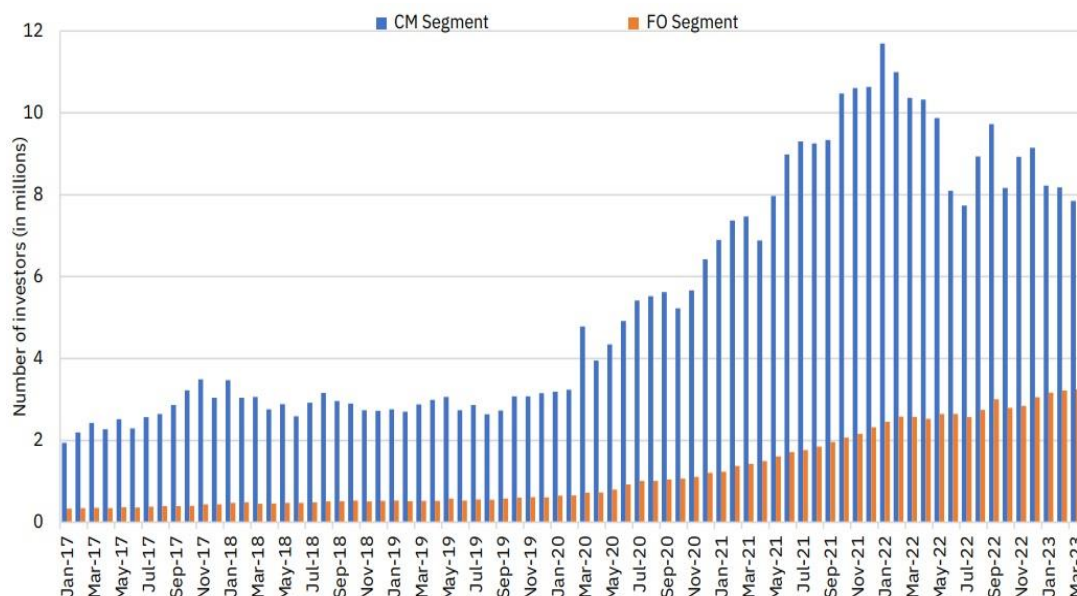


Figure 5: Retail trading activity in cash and equity derivative segments of NSE

Source: (NSE, 2023) <https://www.nseindia.com/resources/publications-reports-nse-market-pulse#href-1>

According to Figure 5, the number of retail investors participating in secondary markets has increased significantly from January 2020, rising from 3 million investors to around 8 million in March 2023 in the NSE's

CM segment, before peaking in January 2022 at 11.7 million. This is consistent with the recent registrations of new investors. Despite the decline in 2022, the number of active investors remained higher than it was before the

pandemic. In the FO segment, the number of retail investors remained consistent at 3.2 million in March 2023 for three consecutive months, marginally higher than the monthly average of 2.8 million for the fiscal year. The monthly average for the CM segment during this period touched 8.8 million.

6. Conclusion

Derivatives were originally designed as risk management tools, but the bulk of people today utilize them for speculative gains. The daily increase in the amount of derivatives trading demonstrates the significance of derivatives. The current state of the Indian and worldwide derivative markets is examined in this paper. Analysis by region, asset class, contract type, and exchange type is presented in this study. The preference for equity derivatives over other assets is highlighted by this study.

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