**IN-CLASS QUIZZ 04**

On what principle are derivatives based?

1. On the principle of leveraged trading.
2. On the principle of spot trading.
3. On the principle of forward trading.
4. On the principle of discount trading.

What was the original purpose of derivatives?

1. An instrument of speculation
2. a hedging instrument
3. an investment instrument
4. a reserve-building instrument

What percentage of currency futures end with the actual delivery of the underlying asset?

1. Approximately 50%
2. less than 3%
3. 10-15 %
4. 5-10 %

What is the daily settlement of gains and losses in derivatives trading called?

1. Clearing house
2. marking to market
3. SWIFT
4. dealing

What is an option that gives the owner the right to sell a certain amount of an underlying asset under specified conditions called?

1. call option
2. put option
3. crack option
4. American option