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Derivatives play an important role in today's world's financial systems and have been considered by market participants as one of the new financial instruments. Derivatives are also critical in foreign exchange markets, and besides cash transactions, they have a large volume of transactions in this market. In the foreign exchange derivatives market, various derivative contracts are traded on a given underlying asset (currency). Currency derivatives include foreign exchange futures contracts, foreign exchange options, and currency swaps. The main participants in the foreign exchange derivatives market are three groups: First, hedgers who use these tools to hedge their risk against future exchange rate fluctuations; Second, speculators who, in order to make a profit, take a buy or sell position against risk hedgers and bring liquidity to the market, and third, arbitrators who seek risk-free profit by entering into transactions in two or more different markets simultaneously.

A foreign exchange futures contract is a bilateral obligation according to which a certain amount of a base currency (foreign currency) at a certain exchange rate on the specific maturity date is exchanged with another money (usually domestic currency). Most foreign exchange derivatives are traded at short maturities. For most major currencies in the futures market (over-the-counter), liquidation is being more common, with maturities of one to six months, and in a few cases, they have maturities of three to five years. Maturities of less than one month are not common for foreign exchange derivatives as well as other derivatives in organized stock exchanges, but there are maturities of less than one month in the over-the-counter market.

One of the main advantages of foreign exchange futures contracts for the parties to the transaction is the coverage of exchange rate fluctuations risk; Because the seller of the currency knows that he can sell his currency to the buyer at a certain price at a certain time in the future. The buyer also has the confidence to buy the currency he needs at the specified price at maturity. Another important advantage of this contract is using speculation opportunities based on predicting future exchange rate fluctuations.

Other advantages of the foreign exchange derivatives market are enabling exchange rate stabilization policy, risk coverage for investors, producers, and traders, regulating speculative activities in the foreign exchange market, helping to discover the currency exchange rate in the cash market, reducing diversification costs in the portfolio, and clarifying the future course of the exchange rate, especially in the short term. One of the most important functions of foreign exchange derivatives, including foreign exchange futures contracts, is controlling currency fluctuations, which is achieved, especially through derivatives with short-term maturities.

Today, in addition to the foreign exchange cash market problems, the lack of a well-organized market for foreign exchange derivatives, including futures contracts, has created various costs for policymakers, producers, and investors. The existence of a foreign exchange derivatives market can cover at least part of the currency price risks and provide a perspective for economic actors, albeit short-term. Despite the announcement of the executive regulations of foreign exchange-Rial futures transactions on July 20, 2010, in order to cover exchange rate fluctuations for exporters, due to issues such as non-competitive exchange rate set by the bank, imposing significant fees on both parties, maturity of at least one month and for a maximum of twelve months, the additional costs of committing futures contracts, the possibility of concluding contracts only for large enterprises and the lack of a secondary market for buying and selling this contract and the existence of credit risk in the clearing room, the formation of a foreign exchange futures market is not provided.

In recent years, an informal market has been formed in the country's economy, known as the "tomorrow's currency trading market." In this market, the foreign exchange market stakeholders enter into a transaction at the end of the trading day in relation to the exchange rate of the next day and assume the obligations of both parties based on their forecasts of the exchange rate in the coming days; Estimates show that there are currently about \$ 100 million currency traded daily in the free market, of which about \$ 70 million is in the tomorrow's currency trading market. Given the various problems this market has in terms of lack of transparency, suspicion of transactions, and the like, forming a cohesive and formal foreign exchange futures market can solve these problems and benefit various stakeholders, including monetary policymakers, producers, etc. Some of the most critical requirements for the formation of this market are as follows:

- Due to the need to separate the foreign exchange futures market at the micro and macro levels, it is better to start in a limited way among major brokers and with smaller amounts, and if successful, gradually expand its scope.
- The Central Bank must be in charge of forming the foreign exchange futures market. Although the transfer of offshore trading network from abroad into the country can play an important role in strengthening the foreign exchange futures market and the possibility of better management by the Central Bank, it is not necessary to make the formation of this market conditional on the transfer of offshore trading network inland and can also form this market in the current situation.
- If the Central Bank wants to play a leading role as the main supplier in this market, there is a concern that the currency will not be delivered at maturity, and a great deal of risk may be imposed on the Central Bank. Therefore, the Central Bank must provide

more opportunities for other market participants and play a role as a market-maker in this market.

- In the short term, foreign exchange futures can be designed on the basis of two legal frameworks, namely: "commitment to sell in the future" and "Peace Contract" by taking into account some considerations. For the proper implementation of both legal frameworks, it is necessary to consider certain measures so that the mentioned transactions take place on the commodity (currency) and not on the exchange rate changes.
- Given that the agreement at the micro-level does most transactions, it is better to do foreign exchange futures in the form of **Currency Forward** so that there is more flexibility in terms of maturity and contract amount.
- Due to the need to minimize the orientation of the futures market to the foreign exchange cash market, it is better to form this market with a short-term maturity of a maximum of five days, and at the same time the possibility of closing the trading position by doing reverse trading for market participants be available (with the approval of the supervisor).
- Given the proximity of the SANA rate (weighted average exchange rate) to the market rate, it is better to use this rate as a reference for price discovery in the futures market before determining the unit rate for the cash market.
- Due to the possibility of orienting the futures market to the cash foreign exchange market and the occurrence of instability in exchange rates, the foreign exchange futures contract should be designed in a way that the main basis of the contract is physical delivery unless cash settlement is possible with the approval of the supervisor.
- It is better to consider the necessary policies for managing parallel markets, especially gold, at the same time as the formation of the foreign exchange futures market in the short term.
- In order to increase the attractiveness of the foreign exchange futures market and help deepen it, complementary financial instruments such as foreign exchange deposit certificates, foreign exchange Sukuk, etc., can also be used.
- Establishing an official foreign exchange futures market in the Iran Commodity Exchange is a medium-term and fundamental solution in this regard, and this trading platform can be used to establish a foreign exchange derivatives market at the micro-level.

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