1.a) Ancient markets practiced contracting for future delivery by demonstrating the act of setting a specified price today for a transaction to occur at a specified future date. As sample trading was common and transportation of goods across long distances was difficult in those times, option-like features such as giving the purchaser the right to refuse delivery of subpar quality goods relative to the sample and the Code of Hammurabi laws such as the "Eye for an Eye" punishment were necessary to minimizing the occurrence of delivery failures shown in the cuneiform tablets. European culture, politics, and economics were dominated by Medieval Christianity in ancient times. Led by Aquinas, the Scholastic doctrine (SD) that regulates Christian behaviour evolved into a natural law philosophy in the 16th century and became a "doctrine on risk, gambling, exchange and usury." Loans became legal by using a bill of exchange (BE) to embed a FX transaction to the loan to create risk. The SD on usury established cases where interest payments were allowed. These cases included ones that had: a presence of risk as shown by the BE involving repayment of a different type of currency to the one that was loaned, loss to the lender, profit ceasing, penalty for late return and payment of government debt. The Crusades represented a great part of economic growth in Europe by establishing new trading routes to the Levant and the Far East. The change of Bruges being from a major clothing trade centre in the 13th century to reaching its economic peak in the 14th century and then the foreign trading houses moving from Bruges to Antwerp summarizes the transition to the Antwerp Exchange (AE) in 1531. The AE applied the BE to trading of commodities. Traditional trading for forward delivery involved a long purchaser and a short producer. Unbundled derivative security trading "involved contracts where the long, short or both are not involved in the final exchange and could be cancelled prior to delivery." This led to speculative trading emerging to improve liquidity. Types of exchange trading include cash basis, to-arrive basis, time bargains, and settlement by differences.

9.5