Options

"Options" is essentially an

- Insurance Type of a Standard Contract
- Entered into between Two Parties – A Buyer and a Seller
- On a Recognised Stock Exchange
- Through an Authorised Stock Broker
- For the Strike Price, Quantity & Quality, decided as on Current Date
- But, Settlement to take place on or before a defined Future Date
- With different rights and obligations for different parties

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Options

A "Call Option" is an Option, by which

- The Buyer has a Right, but not an obligation to Buy
- The Seller has an Obligation to Sell, if the Buyer exercises his / her right
- The Buyer pays the Premium
- The Risk is restricted to Premium paid and the Profit is unlimited
- The Seller receives Premium
- The profit is restricted to Premium received and the Loss is unlimited

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A “Put Option” is an Option, by which

- The Buyer has a Right, but not an obligation to Buy
- The Seller has an Obligation to Sell, if the Buyer exercises his / her right
- The Buyer pays the Premium
- The Risk is restricted to Premium paid and the Profit is unlimited
- The Seller receives Premium
- The profit is restricted to Premium received and the Loss is unlimited

Options

- The Buyer of an Option (Call / Put) pays the Premium, at the time of entering into the Contract
- The Seller of an Option (Call / Put) receives the Premium, at the time of entering into the Contract
- The Seller pays the Mark to Market on a Daily Basis, based on the Closing Price
- On the Date of Settlement / Expiry, the parties are settled by Cash

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Thank you

Replay