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| options |
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# options and how they function

Options are financial derivatives that give the buyer the right, but not the obligation, to buy or sell an underlying asset at a predetermined price (strike price) on or before a certain date.

Types of Options:

1. Call Option: Gives the buyer the right to buy the underlying asset.

2. Put Option: Gives the buyer the right to sell the underlying asset.

Terms:

1. Underlying Asset: The security that the option is based on (e.g., stock, ETF, index).

2. Strike Price: The predetermined price at which the buyer can buy or sell the underlying asset.

3. Expiration Date: The last day the option can be exercised.

4. Premium: The price paid for the option contract.

How Options Work:

1. Buyer (Holder): Purchases the option contract, paying the premium.

2. Seller (Writer): Sells the option contract, receiving the premium.

3. Exercise: The buyer can choose to exercise the option, buying or selling the underlying asset at the strike price.

4. Assignment: If the buyer exercises the option, the seller is obligated to fulfill the contract.