

options

① Strike price, (date of maturity)
② Expiration day.

Example →

CALL option

A enters into a contract with B whereby A has the right to buy 100 gm gold from B for 1 Lakh INR at any time before 20 October.

A has to pay an option premium of 10000 for 10 gm.

PUT option

A enters into contract with B whereby A has the option to sell 100 gm gold to B at a price of 120000 INR any time before October, 20.

For granting this right to A, it has to pay 12000 INR as option premium to B.

Bermuda type - on fixed dates of a month

American type - on any day before maturity

European type - only on maturity day

* Asian type - Avg. of different spot price

Capped type - pre-determined cap price.

cap price > strike price (call)

cap " < strike price (put)

once price reaches the cap. it's automatically exercised