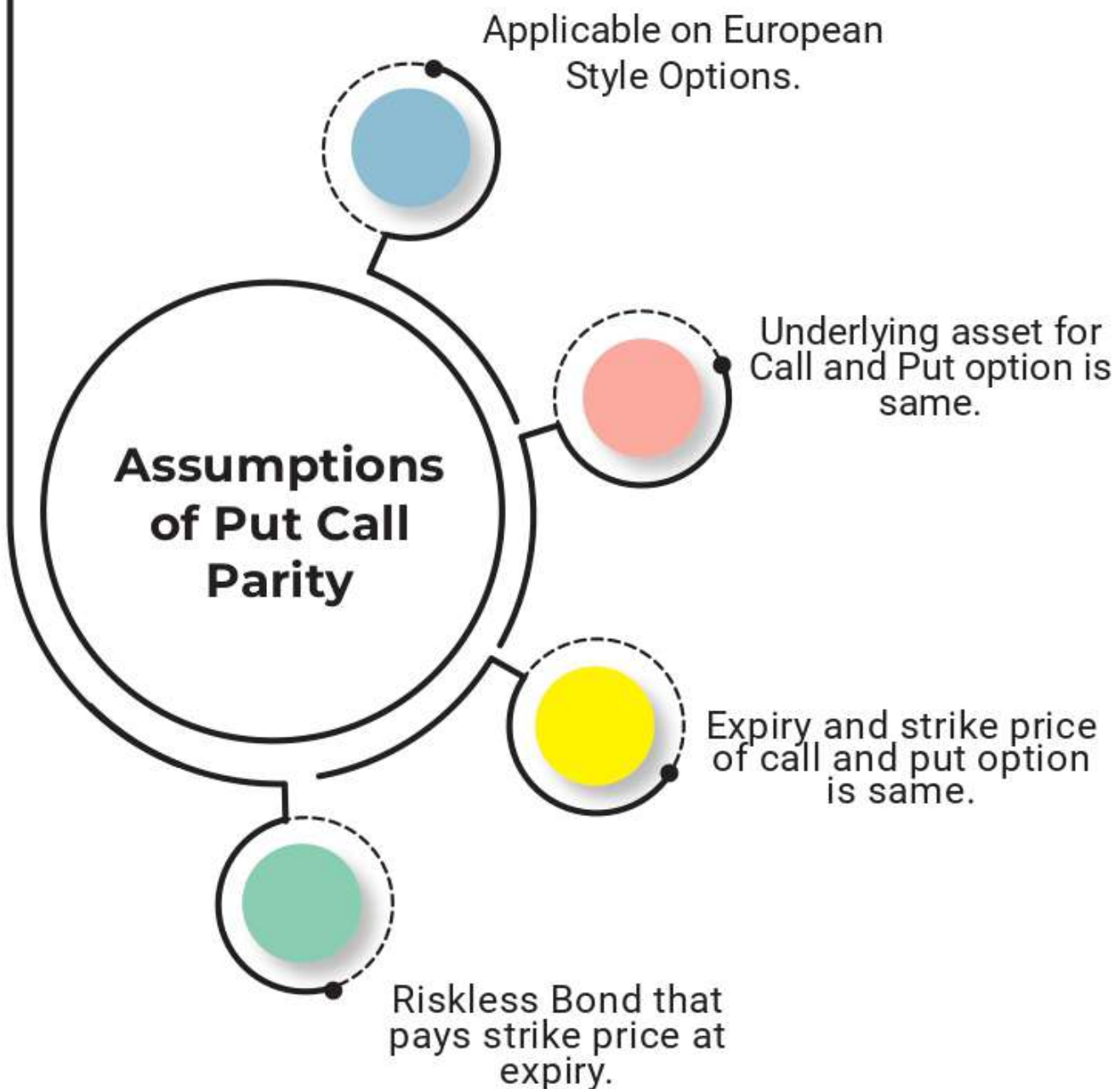


7.3 ASSUMPTIONS OF PUT CALL PARITY



Explainer Video



Applicable on European Style Options.

Only applicable on European Options. European Options are options that can only be exercised on the expiry date. While we have another style of options called American Options that can be exercised any day before the expiry date. Typically, in the Indian Markets we have European Style Options only.



Underlying asset for call and put option is same.

For instance, if the underlying asset is Reliance, then the call and put options should also be on this same underlying asset - Shares of Reliance Industries Limited



Expiry and strike price of call and put option is same.

For instance, if the call strike price is ₹2200, then the put strike price should also be ₹2200. Both call option as well as the put option should have the same expiry as well.



Riskless Bond that pays strike price at expiry.

It means that the bond should be discounted at risk-less rate of return and should pay the exact amount as Strike Price of the options on the date of expiry. For instance, a bond with a strike price of ₹2200 at expiry would be of a lesser value today (say ₹2170).

