

# FX VANILLA OPTIONS

## VALUE PROPOSITION

Saxo Bank's proposition to the FX options trader is truly unique given the quality of the analytics provided, the depth of the product offering, and the level of service available. Saxo Bank provides access to a superior grade of trading capabilities that affords the client maximum flexibility to implement trading strategies and market views.

Saxo Bank's FX Vanilla option offering provides the possibility to both buy and sell European style options, giving clients the opportunity to express a directional view in two different ways. FX options not only enable clients to express a directional trading view but also offer more alternatives in relation to controlling risk, in addition to a traditional stop loss order.

### EXAMPLE:

Will EURUSD trade at 1.15 before the end of the week?

Yes → Buy a 1.15 Call option and pay a premium **OR** sell a 1.15 Put option and receive a premium

No → Buy a 1.15 Put option and pay a premium **OR** sell a 1.15 Call option and receive a premium

# CHARACTERISTICS & TRADING CAPABILITIES

**Crosses:** Available for trading in 44 currency pairs, including silver and gold.

**Types:** Calls (option to buy a currency at a specified strike price) and Puts (option to sell a currency at a specified strike price).

**Expiry:** European-style (the option can only be exercised on the expiry date, i.e. at a single pre-defined point in time).

**Buy (Hold) / Sell (Write):** The holder of an option (long) pays a premium for the right to exercise the option at a profit, or let the option expire with no further obligation. The writer of an option (short) receives the premium and assumes the possible liability of having to pay the difference between the strike price and market price at maturity.

**Amount:** Maximum streaming amount is 25,000,000 units of base currency, with a minimum ticket size of 10,000 units. Notional amounts over the maximum streaming amount are available on a Request for Quote (RFQ) basis.

**Maturity:** Tradable tenors from 1 day to 12 months.

**Price (premium):** Calculated in pip terms of the 2nd currency.

**Premium:** When buying an option the maximum loss is the premium paid, but when selling an option the writer receives the premium however assumes the potential of much greater downside risk.

**Strike:** The price at which a Put or Call option can be exercised.

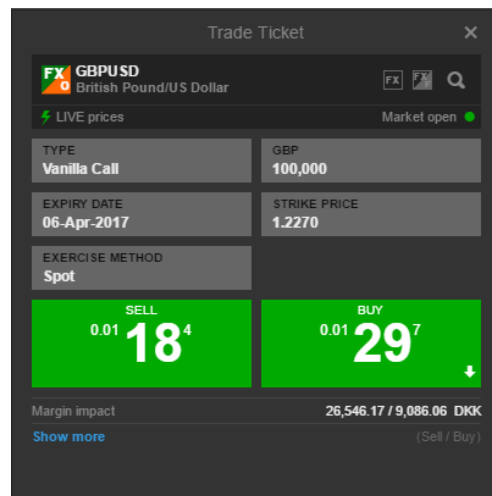
**Expiry:** An automatic process, meaning clients do not have to call in to manage the exercise or expiry. If the option is in-the-money it will automatically settle in the pre-defined exercise method (described in the next point), or the option will automatically expire (cease to exist) at 10 am EST (New York time) on the expiry date.

**Exercise/Settlement:** At trade entry, clients have the choice of the exercise method that will apply should the option end up in-the-money. Options can be converted into a spot position on expiry or cash settled. The exercise method can be modified up to one hour prior to expiry.

**Venue:** Clients can trade Vanilla options from an option trade ticket, or from the Option Board.

**RFQ:** For transactions above the maximum streaming amount, clients can Request for Quote.

**Spread:** Defined as the distance between the bid/ask price,



and can vary depending on market liquidity and conditions.

**P/L:** Can be followed in the account summary, listed in the 2nd currency (i.e. USD for EURUSD).

**Margin:** The margin requirement is calculated per currency pair, to align with FX Spot tiered margins, and per maturity date.

**Orders:** Not available. Trading is only available on live quotes.

**Opening Hours:** Open for trading 24/6 (like FX Spot and Vanilla options).

## MAIN BENEFITS OF TRADING OPTIONS WITH SAXO BANK

- Automated cash settlement
- Can be bought or sold until maturity
- Access to risk management tools such as Saxo Spot Ladder and Volatility Grid
- Extensive educational resources through Saxo Academy

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