



## WHAT IS AN OPTION ?

An option is a contract which gives the buyer the right, but not the obligation, to buy or sell an underlying asset or instrument at a specified strike price prior to or on a specified date, depending on the form of the option.

### CALL OPTION

### TYPES OF OPTIONS

### PUT OPTION

- **Buyer Position (Long Call)**  
has the right but not the obligation to **BUY** the underlying asset at exercise price.
- **Seller Position (Short Call)**  
obliged to **SELL** the underlying asset at exercise price if exercised by buyer.

- **Buyer Position (Long Put)**  
has the right but not the obligation to **SELL** the underlying asset at exercise price
- **Seller Position (Short Put)**  
obliged to **BUY** the underlying asset price at exercise price if exercised by buyer.

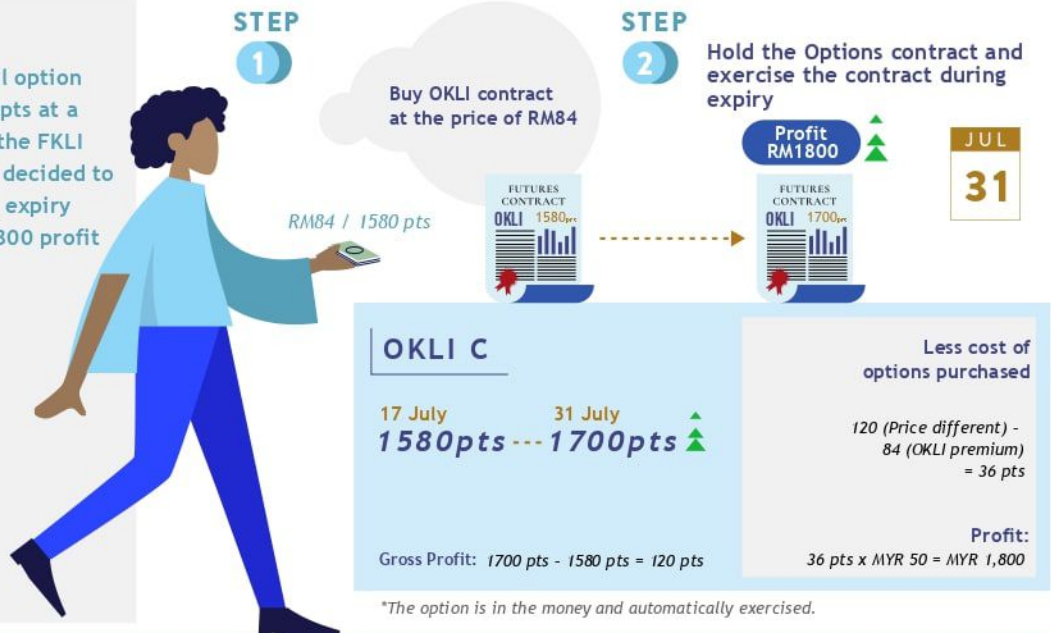
### EXERCISE STYLE

- American options can be exercised any time BEFORE the expiration date of the option.
- European options can only be exercised ON the expiration date.

### FOR EXAMPLE:

Johan buys a July OKLI Call option with a strike price of 1580pts at a cost of 84. On the expiry, the FKLI rise up to 1700 pts. Johan decided to exercise the option during expiry and manage to make RM1,800 profit out of this trading.

*\*the above calculation example is for illustration purposes only\**



### NOTES

#### LIST OF BMD OPTIONS PRODUCTS

- FTSE Bursa Malaysia KLCI Options (OKLI)
- Options on Crude Palm Oil Futures (OCPO)

- Unlike futures/forwards, options require the payment of a premium on purchase.
- One of the advantage of options is that they enable the holder to benefit from upside potential while limiting downside risk
- The maximum loss for the option buyer is the amount of premium, the potential profit is unlimited.
- The maximum loss for the option seller is unlimited, the potential profit is the option premium.



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