

Standard option



An insurance policy or a yield enhancement tool

What you should know about standard options

A standard option protects the buyer (also referred to as the holder) against unfavorable exchange rate fluctuations. At the same time, the holder can still profit from advantageous foreign exchange movements. Purchasing an option is the equivalent of taking out an insurance policy.

By paying a premium, the buyer of an option acquires the right to buy (call) or sell (put) a currency at the agreed price on the due date (so-called strike price).

The seller (or writer) of the option is obliged to honor the option if the buyer exercises his/her right. For this the seller receives the premium.

Option buyer

Plain standard options are commonly bought for hedging purposes. The potential loss is limited to the premium, whereas the potential profit is unlimited.

The call option is suitable for importers who have to pay in foreign currencies and who want to hedge against rising exchange rates. It guarantees a maximum rate.

The put option is suitable for exporters who are expecting future payments received in foreign currencies and want to hedge against falling exchange rates. This option guarantees a minimum rate.

The four basic positions

	Long Buy Hold	Short Sell Write
Call	Right to buy	Obligation to sell
Put	Right to sell	Obligation to buy

Your advantages as a buyer

- Provides a full hedge against an unfavorable exchange rate move.
- Allows you to benefit in full from a favorable move.
- The maximum loss is limited to the premium.
- No credit line required.

Possible risk as a buyer

- A premium has to be paid upfront.

Option seller

Standard options are commonly sold for yield enhancement purposes. The potential profits are limited to the premium, whereas the potential loss is unlimited.

By selling a call option, you waive the right to benefit from further exchange rate appreciation and you are not hedged against a fall in the exchange rate. By selling a put option, you waive the right to benefit from further exchange rate depreciation and you are not hedged against a rise in the exchange rate.

Your advantages as a seller

- Allows you to enhance the yield on your foreign currencies.

Possible risk as a seller

- If the option buyer exercises their right you are obligated to fulfill the obligation regardless of the spot level at expiry, which can result in a significant loss.
- The potential profit is limited to the premium, whereas the potential loss is unlimited.

Contact us

FX Sales Corporate & Institutional Clients

mailbox.dz@credit-suisse.comcredit-suisse.com/fx

Zurich	+41 44 656 68 78*
Basel	+41 61 279 65 00*
Geneva	+41 22 394 81 55*
St. Gallen	+41 71 226 61 80*
Lugano	+41 91 802 64 00*

* We will provide you with your assigned telephone number. Telephone calls may be recorded for security reasons and training purposes. By making a call, you acknowledge your agreement with this business practice.

CREDIT SUISSE AG

International Trading Solutions

Uetlibergstrasse 231

CH-8070 Zurich

credit-suisse.com

The information provided herein constitutes marketing material. It is not investment advice or otherwise based on a consideration of the personal circumstances of the addressee nor is it the result of objective or independent research. The information provided herein is not legally binding and it does not constitute an offer or invitation to enter into any type of financial transaction. The information provided herein was produced by Credit Suisse Group AG and/or its affiliates (hereafter "CS") with the greatest of care and to the best of its knowledge and belief. The information and views expressed herein are those of CS at the time of writing and are subject to change at any time without notice. They are derived from sources believed to be reliable. CS provides no guarantee with regard to the content and completeness of the information and where legally possible does not accept any liability for losses that might arise from making use of the information. If nothing is indicated to the contrary, all figures are unaudited. The information provided herein is for the exclusive use of the recipient. Neither this information nor any copy thereof may be sent, taken into or distributed in the United States or to any U. S. person (within the meaning of Regulation S under the US Securities Act of 1933, as amended). It may not be reproduced, neither in part nor in full, without the written permission of CS. Over-the-counter ("OTC") transactions are complex derivative products that are not standardized and not securitized. They are negotiated and traded off-exchange. OTC transactions are not settled via a clearing house and have no secondary market. OTC transactions may involve a high degree of risk. They are intended only for investors who understand and are capable of assuming all risks involved. The value of the products depends on the development of the value of the underlying asset and the creditworthiness of the parties, which may change over the lifetime of the products. A CS company may be involved in other transactions related to any underlying of the above products; such possible transactions are not disclosed herein. The binding terms of any transaction will be set forth in the specific OTC contracts and confirmations. You may ask your relationship manager to provide you with any additional information regarding these products (e.g., full terms). Investments in foreign currencies involve the additional risk that the foreign currency might lose value against the investor's reference currency.

Copyright © 2019 Credit Suisse Group AG and/or its affiliates. All rights reserved.