Contractual Rights and Obligations of Calls and Puts

CALLS

The **Buyer** (Long) has the **Right** (not obligation) to **Buy** (take delivery) of the Underlying Asset by Paying the (FIXED) Exercise Price

The **Seller** (Short, Writer) has the **Obligation** (not right) to **Sell** (deliver) the Underlying Asset and Receive the (FIXED) Exercise Price

PUTS

The **Buyer** (Long) has the **Right** (not obligation) to **Sell** (deliver) the Underlying Asset and Receive the (FIXED) Exercise Price

The **Seller** (Short, Writer) has the **Obligation** (not right) to **Buy** (take delivery) of the Underlying Asset and Pay the (FIXED) Exercise Price

N.B.

Because all Buyers have Rights and all Sellers have Obligations, Buyers must pay Sellers to enter the contract. That payment is called the option premium. It is the price of the option .