Options and Futures: Also Used to Hedge Risk

**Foreign Currency Futures Market** *(Since 1972)*
- for limited # currencies and only at specific exchanges

1. Contracts to buy/sell a foreign currency (delivered on 3rd Wed of Mar, June, Sept, & Dec)
2. for standardized amount of a foreign currency
3. Exchange rate set on date of contract.
4. Exchange rate may (will) change before delivery
5. Buyer may sell/buy contract before delivery date (price set at current mkt. E.R.)

**Foreign Currency Options Market** - *‘Call’ and ‘Put’ (since 1982)*
- for limited # currencies only at specific exchanges

1. Holder has right, but not obligation, to buy/sell.
2. Writer must fulfill if holder executes contract w/in option period.
3. Contracts are offered for set amounts of F.E. at “strike price.”
4. Holder pays premium to writer for either
   a. a “Call Option” - right to buy
   b. a “Put Option” - right to sell.