

Expiration Time

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What is Expiration Time?

The expiration time of an [options contract](#) is the date and time when it is rendered null and void. It is more specific than the [expiration date](#) and should not be confused with the last time to trade that option.

KEY TAKEAWAYS

- The expiration time of an options contract is the date and time when it is rendered null and void.
- Typically, the last day to trade an option is the third Friday of the expiration month, but the actual expiration time is not until the next day (Saturday).

Understanding Expiration Time

Expiration time differs from the expiration date in that the former is when the option actually expires while the latter is the deadline for the holder of the option to make their intentions known. Most option traders need only be concerned with the expiration date but it is useful to know the expiration time as well.

The [NASDAQ](#) offers a more detailed definition: "The expiration time is the time of day by which all [exercise](#) notices must be received on the expiration date. Technically, the expiration time is currently 11:59 am Eastern time on the expiration date, but public holders of option contracts must indicate their desire to exercise no later than 5:30 pm on the business day which precedes the expiration date."

Since many public holders of options deal with [brokers](#), they face different expiration times. Typically, the last day to trade an option is the third Friday of the expiration month, but the actual expiration time is not until the next day (Saturday). A public holder of an option usually must declare their notice to exercise by 5:00 p.m. (or 5:30 p.m. according to NASDAQ) on Friday. This time-frame will allow the broker to notify the [exchange](#) of the holders intent by the actual expiration time on the expiration date. Furthermore, notification limits depend on the exchange where the product trades. For example, the [Chicago Board Options Exchange](#) (CBOE) limits trading on expiring options to 3:00 p.m. Eastern on the last trading day.

An expiration date in [derivatives](#) is the last day that an options or [futures contract](#) is valid. When investors buy options, the contracts give them the right, but not the obligation, to buy or sell the assets at a predetermined price. This price is the [strike price](#). The exercising of the option must be within a given period, which is on or before the expiration date. If an investor chooses not to exercise that right, the option expires and becomes worthless, and the investor loses the money paid to buy it.

The expiration date for listed stock options in the United States is usually the third Friday of the contract month, which is the month when the contract expires. However, when that Friday falls on a holiday, the expiration date is on the Thursday immediately before the third Friday. Once an options or futures contract [passes the expiration date](#), the contract is invalid. The last day to trade [equity](#) options is the Friday before expiry.

Caveats at Expiration

While the majority of [options](#) never reach their expiration dates due to traders offsetting or closing their positions before that time, some options do live on until their actual expiration times. This delay can create interesting dynamics because the last time for trading can be before the expiration time. This time difference is not a problem when the [underlying security](#) also closes for trading at the same time.

However, if the underlying security does trade beyond the close of trading for the option, both buyers and sellers might find that the exercise of their contract is automatic if they were [in the money](#). Conversely, they may expect the automatic exercise, but [after-hours trading](#) in the underlying asset may push them [out of the money](#).

Rules covering these possibilities, especially at what time the final price of the underlying is recorded, can change. So, traders should check with both the exchange where their options trade, as well as the [brokerage](#) handling their account.