

# Futures delivery

## How contracts settle

### No postage required

When you order something online, it arrives to you via delivery. Futures delivery works basically the same way—it's the receipt or transfer of an actual commodity or product. But unlike online shopping, only two methods of delivery are available for futures contracts, and those methods are determined ahead of time. Let's take a look at the differences between physically and financially (cash) settled contracts.

	Physically settled	Financially (cash) settled
<b>Settlement</b>	<p><b>Contracts settle directly into the actual commodity</b></p> <ul style="list-style-type: none"> <li>• A long position holder must be ready to take delivery of the commodity and pay the full value of the underlying contract</li> <li>• A short position holder must be ready to deliver the actual commodity or product to the buyer</li> </ul>	<p><b>Contracts expire directly into cash</b></p> <ul style="list-style-type: none"> <li>• At expiration, a credit or debit is issued to the account</li> <li>• The credit or debit is calculated by taking the difference between the purchase or sale price and final settlement price of the contract</li> </ul>
<b>Delivery</b>	<p><b>Charles Schwab Futures and Forex LLC does not allow physical delivery of futures products</b></p> <ul style="list-style-type: none"> <li>• All physically delivered futures contracts must be closed before physical delivery can occur</li> <li>• To avoid physical delivery, you must close your position two business days before the First Notice Day<sup>1</sup> or one business day before the Last Trading Day,<sup>2</sup> whichever comes first</li> <li>• If you are still in a position after these dates, Charles Schwab Futures and Forex LLC will close your position</li> </ul>	<p><b>Charles Schwab Futures and Forex LLC allows clients to cash-settle financially settled futures products</b></p> <ul style="list-style-type: none"> <li>• Financially settled products are cash-settled against the settlement price on the Last Trading Day</li> <li>• The final settlement price is determined by the exchange</li> <li>• Credits or debits will automatically post to your account once calculated</li> </ul>
<b>Popular products</b>	<ul style="list-style-type: none"> <li>• Crude oil (/CL)</li> <li>• Gold (/GC)</li> <li>• 30-Year Treasury bonds (/ZB)</li> <li>• Euro FX currency (/6E)</li> <li>• Natural gas (/NG)</li> <li>• Corn (/ZC)</li> </ul>	<ul style="list-style-type: none"> <li>• E-mini S&amp;P 500 (/ES)</li> <li>• E-mini Nasdaq-100 (/NQ)</li> <li>• E-mini Dow (/YM)</li> <li>• E-mini Russell 2000 (/RTY)</li> <li>• Micro E-mini S&amp;P 500 (/MES)</li> <li>• Micro E-mini Nasdaq-100 (/MNQ)</li> <li>• Micro E-mini Dow (/MYM)</li> <li>• Micro E-mini Russell 2000 (/M2K)</li> </ul>

1. The first day the exchange can assign delivery to accounts that are long futures contracts.

2. The last day a futures contract may trade or be closed before delivery.

**Please note:** Charles Schwab Futures and Forex LLC (CSFF) reserves the right to liquidate a futures position at any time, without notice, regardless of whether the future is physically or financially settled.

## Physical fitness

Even though CSFF doesn't allow physical delivery, it's still important to know how physical settlement works. If you're trading crude oil futures (/CL), the underlying contract represents 1,000 barrels of crude oil. If you're long the futures contract when delivery takes place, you'll receive 1,000 barrels of crude oil. And if you're short, you'll be required to distribute the 1,000 barrels of oil.

To find out when you need to close a physically settled contract, go to the MarketWatch tab > Calendar in the thinkorswim® platform. Then type the symbol in the upper left corner and uncheck all boxes except "Futures Liquidation," which will show a date on the calendar. Click on that date, and then click on the Event message to see the specific day you need to close your position.

In the example below, if you're holding a position in /CLQ22, you need to close your contract by the end of trading day on July 19, 2022. If you don't close your position manually by that date, CSFF will close it automatically.

The screenshot shows the thinkorswim calendar interface for July 2022. The symbol /CL is entered in the top left. The calendar grid shows the date 19 (Tuesday) highlighted in blue, indicating the event date. Below the calendar, a table provides details for the event:

Symbol	Contract Description	Event	Date	Event message
/CLQ22:XYM	Light Sweet Crude Oil Futures, Aug-2022, ETH (p...	Futures Liquidation	7/20/22	Physically settled futures clients need to be out 2022/07/19

For illustrative purposes only. Not a recommendation.

## Cashing out ... or in

If you're trading the E-mini S&P 500 future (/ES), the underlying contract represents \$50 multiplied by the price of the index. E-mini S&P 500 futures are financially settled, so when delivery takes place you'll receive a cash credit or debit that's based on the settlement price.

The image below shows how you can view the details of the credit on thinkorswim.

Description	Misc Fees	Commissions & Fe...	Amount
Futures cash balance at the start of business day 15.11 CST	--	--	--
tIP SOLD -1 /ESZ21:XCME @4681.25	-1.25	-2.25	--
/ESZ21:XCME mark to market at 4679.00 official settlement price	--	--	112.50

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## Want to test-drive your futures strategies without putting any real money on the line? Register for paperMoney®

Examples using real symbols are provided for illustrative and educational use only and are not a recommendation to buy, sell, or hold any specific security.

Futures and futures options trading involves substantial risk, and is not suitable for all investors.

Please read the [Risk Disclosure Statement](#) prior to trading futures products.

Futures accounts are not protected by the Securities Investor Protection Corporation (SIPC).

Futures and futures options trading services provided by Charles Schwab Futures and Forex LLC. Trading privileges subject to review and approval. Not all clients will qualify.

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