Deriv Investments (Europe) Limited

Key Information Document

CFDs on Synthetic Indices: Drift Switch Indices

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1. Purpose of the document

This document provides you with key information about this investment product. It is not marketing material. The information is required by law to help you understand the nature, risks, costs, potential gains, and potential losses of this product and to help you compare it with other products.

2. Product

Product name: Contract for difference ("CFD")

Product manufacturer: Deriv Investments (Europe) Limited ("DIEL"), regulated by the Malta Financial Services Authority. To get in touch with us, visit our contact page. This document was last updated on 09 January 2024.

You are about to purchase a product that is not simple and may be difficult to understand.

3. What is this product?

Type: CFDs on a synthetic index — Drift Switch Index

CFDs are a form of derivative in which you obtain indirect exposure to an underlying asset. The generation of our synthetic indices involves first generating a random number and then using that random number to produce a market quote. Our random number generator follows a cryptographically secure methodology to generate random numbers from a uniform distribution. This means that synthetic indices will not be affected by any adverse market conditions. Therefore, no real-world event could trigger price movement in an unexpected manner. For more information on contract specifications offered on CFDs, visit our website.

CFDs are a leveraged product, enabling you to buy or sell a position by depositing a percentage of the full value of the trade. This is referred to as the 'initial margin requirement'. Trading on margin can multiply any gains or losses you make. For more information on CFDs and trading on margin, refer to our website.

Objectives

When trading on CFDs, the objective is to speculate on the rise and fall of an underlying asset. Gains and losses depend on the price movements of the underlying asset and the size of your position. For instance, if you speculate the price of an asset will go up, you would buy a CFD (referred to as 'going long') intending to sell it at a later stage, at a higher value than purchased. Conversely, if you anticipate the price will go down, you would sell a CFD (referred to as 'going short') with the intention of buying the underlying asset back at a lower price than sold.

The Drift Switch Indices (DSI), simulate real-world market trends where asset prices go through different phases or regimes. DSI are built to mimic a classic economic cycle consisting of growth, consolidation, and recession, without considering the tail events (i.e. events with a very rare and extreme risk). These synthetic indices alternate between three trends: Positive Drift Regime/bullish trend (Growth Phase), Negative Drift Regime/bearish trend (Recession Phase) and Driftless Regime/sideways trend (Consolidation Phase). On average, these indices switch between trends every 10 to 30 minutes. There are 3 indices under DSI available: DSI10, DSI20 and DSI30. The number in each of the names represents the average time, in minutes, it takes for these indices to shift between different trends. For instance, DSI10 would typically change trends every 10 minutes on average.

The difference between the closing value and the opening value of the contract multiplied by the trade size (units) will equate to your profit or loss depending on the direction of the asset's price movement, minus any costs, as detailed below in the '**What are the costs**?' section.

Intended retail investor

CFDs are intended for investors who have knowledge of and experience with trading leveraged products. The likely investors will comprehend key concepts of trading on margin and how leverage works. They will also have the ability to bear the loss of their entire investment.

Term

CFDs typically have no fixed term or maturity date, and there is no recommended holding period. You may open and close positions based on market movement and your individual trading strategy and objectives.

What are the risks, and what could I get in return?

Summary risk indicator ('SRI')

The SRI is a guide to this product's level of risk compared to other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are not able to pay you.

We have classified this product as 7 out of 7, which is the highest risk class. This is due to the fact that there is a very high chance you could lose more than your initial investment. CFDs are complex products. Combined with the relatively higher volatility of the synthetic indices, this can adversely affect your return, and you may potentially lose your entire balance.

Be aware of currency risk. You will receive payments in a different currency, so the final return you will get depends on the exchange rate between the two currencies. This risk is not considered in the indicator shown above. In some circumstances, you may be required to make further payments to pay for losses. The total loss you may incur may significantly exceed the amount invested.

There is no minimum or recommended holding period for this product. Price movement may affect your CFDs trade, and it could close at an unfavourable price, which may significantly impact how much you get back. This risk is not considered in the SRI shown above.

In the case of unfavourable price movement, if additional funds are not deposited, the CFD may be stopped out (closed automatically). This may diminish your entire investment. More information about the stop-out level and how it is applied may be found on our website. Synthetic indices are not real-world market indices; there is no market liquidity risk, and we will always be the counterparty for all contracts. If we are not able to pay you what is owed, you could also lose your entire investment. However, you may benefit from a consumer protection scheme (see the section '**What happens if DIEL is unable to pay out?**').

Performance scenarios

The following scenarios illustrate how your investment could perform. You can compare them with the scenarios for other products. The table below takes the synthetic index DSI10 with the following trade parameters into consideration.

CFD (held Intraday)							
Opening price:	13,145.35			Margin requirement ($)		2,629.07	
Trade size (Units):	1			Notional value of the trade ($):		13,145.35	
Margin %:	20%						
Long				**Short**			
Performance scenario	Closing price	Price change	Profit/Loss	Performance scenario	Closing price	Price change	Profit/Loss
Favourable	14,867.39	13.10%	1,722.04 USD	Favorable	11,423.31	-13.10%	1,722.04 USD
Moderate	13,237.37	0.70%	92.02 USD	Moderate	13,053.33	-0.70%	92.02 USD
Unfavourable	11,423.31	-13.10%	-1,722.04 USD	Unfavourable	14,867.39	13.10%	-1,722.04 USD
Stress	9,477.80	-27.90%	-3,667.55 USD	Stress	16,812.90	27.90%	-3,667.55 USD

CFDs, in general, do not have a recommended holding period. Each individual investor determines the most appropriate holding period based on their own individual trading strategy and objectives.

The scenarios presented are only indicative; your return will vary depending on how the index performs and how long you hold the CFD. These figures do not take into account your personal tax situation, which may also affect your return.

These performance scenarios assume you only have one position open and do not take into account any other positions. If you have multiple positions with us, your risk may be cumulative and not limited to one position.

The stress scenarios above show what you might get back in extreme volatility circumstances. They do not take into account a situation where we are not able to pay you.

What happens if Deriv Investments (Europe) Limited is unable to pay out?

If we are unable to pay you what is owed, you could lose your entire investment.

DIEL participates in the Investor Compensation Scheme, which covers 90% of our net liability to a client with respect to investments that qualify for compensation under the Investment Services Act subject to a maximum payment of €20,000 to any one person. Learn more about the Investor Compensation Scheme by reading the section entitled 'Protection of your funds' in our terms and conditions.

What are the costs?

The table below shows the cost involved when you trade a CFD on a synthetic index:

Composition of costs			
One-off costs	Entry/Exit Cost	Spread	The difference between the buy price and the sell price is called the spread. This cost is realised each time you open and close a trade. These indices have a dynamic spread that widens as the certainty of an upcoming transition increases.
Ongoing costs	Overnight holding costs	Swaps	A fee will be charged every night that your position is held open. Swap rates vary depending on market conditions. For example: If you buy 1 lot of DSI10 when it is trading at 13,131.30, the current spread is 0.0147% of the price, leading to USD 1.93. The swap rate is -7.5%. The swap charge is 13,131.30 * 7.5% / 360 = USD 2.74. The commission is 0. The total cost is USD 4.67. The cost for opening the trade and holding it overnight is 0.0356%.

How long should I hold it, and can I take money out early?

CFDs are intended for short-term trading and are generally not suitable for long-term investments. There is no recommended holding period and no cancellation fees. You can open and close a CFD at any time during market hours.

How can I complain?

Complaints may be submitted to complaints@deriv.com. For more information about our complaints and dispute process, kindly refer to our *complaints policy* section within our supplementary terms and conditions.

Other relevant information

CFDs are available on our Deriv MT5 platform. More information on trading on margin is available here. For further information, refer to our terms and conditions. For more information on costs, charges, trade requirements, and parameters, use our traders' tools.