Deriv Investments (Europe) Limited

Key Information Document

CFDs on Synthetic 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 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") licensed and regulated by the Malta Financial Services Authority. To get in touch with us, visit our contact page. This document was last updated on 23 September 2021.

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

3. What is this product?

Type: CFD on a Synthetic Index

Contracts for difference on synthetic indices are a form of derivative trading in which you obtain an indirect exposure to an underlying asset. The generation of our synthetic indices involves two steps; the generation of a random number and the generation of a market quote using that random number. Our random number generator follows a cryptographically secure methodology to generate random numbers from a uniform distribution, and each index is named according to the percentage of volatility, which is fixed for that index (e.g. Volatility 200 (1s) Index generates a fixed volatility of 200%). This means that synthetic indices will not be affected by any adverse market conditions and that you will be able to trade with a fixed volatility, ensuring a pre-set fluctuation. Therefore, no real-world event could trigger price movement in an unexpected manner due to the fixed volatility which is generated, and you will be able to identify and manage your risk in relation to your investment. For more information on contract specification and volatility thresholds 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 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 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 asset back at a lower price than sold. The difference between the closing value and the opening value of the contract multiplied by the leverage will equate to your profit or loss depending on your speculation 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. 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

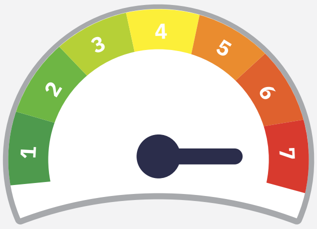
CFDs typically have no maturity date, and there is no recommended holding period. You may open and close positions based on your individual trading strategy and objectives.

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. Prices can fluctuate considerably during extreme market volatility, which 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 recommended or minimum holding period for this product. Price volatility conditions may affect your CFD trade, and it could close at an unfavourable price, which may significantly impact how much you get back. All our synthetic indices are generated with a fixed volatility and differ in terms of their specific index, e.g., Volatility 200 is generated with a 200% volatility whereas Volatility 300 is generated with a 300% volatility, thus providing an indication of the expected volatility risk for a particular synthetic index.

In the case of negative 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 scenarios shown illustrate how your investment could perform. You can compare them with the scenarios of other products. The table below takes a typical volatility index into consideration (Volatility 200 (1s) Index).

CFD (held Intraday)			
Opening price	10,000	Margin Requirement ($)	200
Trade size (Units)	0.1	Notional value of the trade ($)	1,000
Margin %	20%		

Long				**Short**			
Performance scenario	**Closing price**	**Price change**	**Profit/Loss**	**Performance scenario**	**Closing price**	**Price change**	**Profit/Loss**
Favourable	11,000	10%	$99.64	Favourable	9,000	-10%	$99.64

Moderate	10,500	5%	$49.64	Moderate	9,500	-5%	$49.64
Unfavourable	9,800	-2%	-$20.35	Unfavourable	10,200	5%	-$20.35
Stress	9,500	-5%	-$50.35	Stress	10,500	10%	-$50.35

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. What you get 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, and it does 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 in respect of investments which 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' of our terms and conditions.

What are the costs?

The table below shows the different types of costs involved when you trade a CFD on a synthetic index.

Composition of costs			
One-off costs	Entry/Exit cost	Commission	The difference between the buy price and the sell price is called the spread. This cost is realized each time you open and close a trade. Spreads vary depending on market conditions.
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: A fee will be charged every night that your position is held open. Swap rate vary depending on market conditions. For example: If you buy 1 lot of Volatility 200 (1s) Index at 10,000, the spread in USD (floating) is 3.56. The swap rate is 20%. The swap charge in USD is 5.48. The commission is 0. The total cost is 9.04. The cost for opening the trade and holding it overnight is 0.09%.

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 disputes process, kindly refer to our complaints policy section within our terms and conditions.

Other relevant information

CFDs are available on our DMT5 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.