Key Information Document: CFDs on Exchange-Traded Funds (ETFs)

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"), located at W Business Centre, Level 3, Triq Dun Karm, Birkirkara BKR 9033, Malta (Contact us page: deriv.com/eu/contact-us, phone: +356 2131 5791), is regulated by the Malta Financial Services Authority. This document was last updated on 6 June 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 exchange-traded funds (ETFs)

CFDs are a form of derivative in which you obtain indirect exposure to an underlying asset, allowing you to speculate on a number of markets, including forex, stocks, stock indices, ETFs, cryptocurrencies, and commodities. They are leveraged products 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 trading on margin, visit deriv.com/eu/trade/cfds.

For more information on contract specifications and CFDs offered on ETFs, refer to deriv.com/eu/markets/etfs.

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 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 trade size (units) 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. 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 you 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 the investor can lose up to the initial investment amount. Volatility conditions may affect your trade, and it could close at an unfavourable price, which may significantly impact your payout.

Be aware of currency risk. If you receive payments in a different currency, the final return you will get depends on the exchange rate between the two currencies. 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.

CFDs on ETFs, in general, do not have a recommended holding period, and there is no capital protection against market risk, credit risk, or liquidity risk. Market conditions may affect your 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.

You must maintain a sufficient margin in your account to keep your positions open. In the case of negative price movement, if additional funds are not deposited, the CFD may be stopped out (closed automatically), which could diminish your entire investment. More information about the stop-out level and how it is applied may be found on deriv.com/eu/trade/cfds.

Performance scenarios

The following scenarios illustrate how your investment can perform. You can compare them with the scenarios for other products. The table below shows an example of the iShares Core U.S. Aggregate Bond ETF (AGG.US) as the underlying asset with the following trade parameters. The below scenarios are indicative and should be considered separately.

CFD on ETFs (Held Intraday)			
Opening Price	100	Margin Requirement (USD)	20
Trade Size (Units)	1	Notional Value of trade (USD)	100
Margin	20%		

Long			
Closing price	**Price change**	**Payout (Profit/Loss) (USD)**	**Scenario description**
110	10%	10 USD	**Favorable scenario**: The price movement of the market exhibits a strong bullish direction from market entry. The investor closes the position manually or hits the take profit at a higher market price and makes a profit of $10.
100.1	0.10%	0.1 USD	**Moderate scenario**: The price movement of the market exhibits a bullish direction from market entry. The investor closes the position manually or hits the take profits at a higher market price and makes a profit of $0.10.
99.9	-0.10%	-0.1 USD	**Unfavorable scenario**: The price movement of the market exhibits a bearish direction from the market entry. The investor closes the position manually or hits the stop loss at a lower market price, making a loss of $0.10.
90	-10%	-10 USD	**Stress scenario**: The price movement of the market exhibits a strong bearish direction from market entry. The investor closes the position manually or hits the stop loss at a lower market price and makes a loss of $10.

Short			
Closing price	**Price change**	**Payout (Profit/Loss) (USD)**	**Scenario description**
90	-10%	10 USD	**Favorable scenario**: The price movement of the market exhibits a strong bearish direction from market entry. The investor closes the position manually or hits the take profit at a lower market price and makes a profit of $10.
99.9	-0.10%	0.1 USD	**Moderate scenario**: The price movement of the market exhibits a bearish direction from market entry. The investor closes the position manually or hits the take profit at a lower market price and makes a profit of $0.10.
100.1	0.10%	-0.1 USD	**Unfavourable scenario**: The price movement of the market exhibits a bullish direction from market entry. The investor closes the position manually or hits the stop loss at a higher market price and makes a loss of $0.10.
110	10%	-10 USD	**Stress scenario**: The price movement of the market exhibits a strong bullish direction from market entry. The investor closes the position manually or hits the stop loss at a higher market price and makes a loss

			of $10.

The performance scenarios displayed represent what you could get depending on the price movement. The scenarios presented are only indicative; your return will vary depending on how the market performs and how long you hold the contract. 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.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 stress scenarios above show what you might get back in extreme market 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?

In the event that DIEL is unable to fulfil its financial obligations, you may lose your entire investment.

DIEL participates in the *Investor Compensation Scheme*, which covers 90% of our net liability to a clientin respect of 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 docs.deriv.com/tnc/eu/general-terms.pdf.

What are the costs?

The table below shows the cost involved when you purchase a CFD on an ETF:

Breakdown of costs			
One-off costs	Entry 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. Spreads vary depending on market conditions.
Ongoing costs	Overnight holding costs	Swaps	Swaps are a fee that is charged every night that your position is held open. Swap rates vary depending on market conditions. For example: If you enter a buy contract of 1 Lot of ARK.US at 36 USD. Floating spread is 0.1 USD. The swap rate in points is -1.0. The swap charge for 1 lot is 0.01 USD. The commission is 0. The total cost is 0.11 USD.

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 in docs.deriv.com/tnc/eu/general-terms.pdf.

Other relevant information

CFDs are available on our Deriv MT5 platform. More information on trading on margin is available at deriv.com/eu/trade/cfds. For further information, refer to deriv.com/eu/terms-and-conditions.

You may print out this information for your reference or request a paper copy free of charge by emailing compliance@deriv.com.