

Key Information Document: CFDs on Derived Indices (Step Indices)

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, and potential gains and losses of trading this product, enabling you to make effective comparisons 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 19 November 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 Derived Indices — Step Indices

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 <http://deriv.com/eu/trade/cfds>.

CFDs are a form of derivative in which you obtain indirect exposure to an underlying asset. The generation of our Derived 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 Derived 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 instruments available on Derived Indices, visit deriv.com/eu/markets/derived-indices/synthetic-indices.

The Step Indices are Derived Indices designed to offer steady, incremental price movements without unpredictable fluctuations or complex trends. Each price movement, or "step," has an equal 50% probability of moving up or down, creating a simple and consistent trading environment. The number in each index name (e.g. Step 300) represents the size of each step in the price tick. For example, a Step 300 Index will move by increments of 0.3 with each tick, either up or down, based on probability, maintaining a straightforward, steady progression.

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 will 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 will sell a CFD (referred to as 'going short') with the intention of buying the asset back at a lower price than sold.

Your profit or loss on a trade is determined by the difference in contract value between opening and closing times depending on whether you were long or short, less 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 terms or 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 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 you could lose more than your initial investment. CFDs are complex products. Mixed with the relatively higher volatility of the Derived Indices, this can adversely affect your return, and you may potentially lose your entire balance.



In some circumstances, you may need to make additional payments beyond your initial investment to meet margin requirements and keep the position open. You may lose some or all of the money you invest.

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 is not considered in the SRI shown above.

There is no capital protection against market risk, credit risk, or liquidity risk. Volatility conditions may affect your trade, and it could close at an unfavourable price, which may significantly impact how much you get back. This product does not include any protection from future market performance. Derived Indices are not real-world market indices; there is no market liquidity risk, and we will always be the counterparty for all contracts.

In the case of unfavorable 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 deriv.com/eu/trade/cfds.

Performance scenarios

The following scenarios illustrate how your investment could perform. You can compare them with the scenarios of other products. The table below takes Step 500 Index with the following trade parameters into consideration.

CFD (held intraday)							
Opening price:		6,480		Margin requirement (USD):		1,296	
Trade size (Units):		1		Notional value of the trade (USD):		6,480	
Margin %:		20%					
Long				Short			
Performance scenario	Closing price	Price change	Profit/Loss	Performance scenario	Closing price	Price change	Profit/Loss
Favourable	6,600	1.85%	USD 120	Favourable	6,360	-1.85%	USD 120
Moderate	6,500	0.31%	USD 20	Moderate	6,460	-0.31%	USD 20
Unfavourable	6,460	-0.31%	USD -20	Unfavourable	6,500	0.31%	USD -20
Stress	6,360	-1.85%	USD -120	Stress	6,600	1.85%	USD -120

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 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?

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

What are the costs?

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

Breakdown 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. Spreads vary depending on market conditions.
Ongoing costs	Overnight holding costs	Swaps	<p>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 Step 500 Index, the cost of opening the trade would be USD 5. For each lot, the contract size is 10.</p> <p>The current price of the index is 6,500, and the swap rate is -2.75%. The swap charge would be $6,500 * 2.75\% / 360 * 1 * 10 = \text{USD } 4.97$. The commission is 0. The total cost of opening a trade and keeping it overnight will be USD 9.97.</p>

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.