

Key Information Document: CFDs on Forex

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 Forex

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, cryptocurrencies, stocks, stock indices, derived indices, 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.

Trading CFDs on forex means the underlying investment option is a forex pair; this involves buying one currency and selling another. For example, the forex pair EUR/USD means buying the EURO (‘base’ currency) and selling the US Dollar (‘quote’ currency). For forex pairs available on CFDs, please refer to deriv.com/eu/markets/forex.

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 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. 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.

There is no minimum or recommended holding period for this product, 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 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.

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 the forex pair, Euro vs US dollar (EUR/USD) into consideration.

CFD (held intraday)							
Opening price:		1.12888		Margin requirement (USD):		3,762.93	
Trade size (units):		100,000		Notional value of the trade (USD):		112,888.00	
Margin %:		3.33%					
Long				Short			
Performance scenario	Closing price	Price change	Profit/Loss	Performance scenario	Closing price	Price change	Profit/Loss
Favourable	1.13340	0.40%	451.55 USD	Favourable	1.12436	-0.40%	451.55 USD
Moderate	1.12908	0.02%	20.44 USD	Moderate	1.12868	-0.02%	20.44 USD
Unfavourable	1.12436	-0.40%	-451.55 USD	Unfavourable	1.13340	0.40%	-451.55 USD
Stress	1.12103	-0.70%	-785.01 USD	Stress	1.13673	0.70%	-785.01 USD

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.

The stress scenarios above show what you might get back in extreme market circumstances, and 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 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 cost involved when you purchase a CFD on forex.

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:</p> <p>Suppose you buy 1 lot of EUR/USD at 1.12879. The spread in USD (floating) is 15. The swap rate in points is -4.3. The swap charge in USD is 4.30. The commission is 0. The total cost in USD is 19.30.</p> <p>The cost of opening the trade and holding it overnight is 0.017%.</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.