Key Information Document: CFDs on Derived Indices (Drift Switch 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, 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 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 — Drift Switch Indices (DSI)

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 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 Drift Switch Indices (DSI) simulate real-world market cycles, where asset prices transition through various economic phases or regimes. These indices are designed to mimic a classic economic cycle of growth, consolidation, and recession, while excluding rare, extreme risk events. The DSI alternate between three trends: a Positive Drift Regime (Growth Phase) representing a bullish trend, a Negative Drift Regime (Recession Phase) representing a bearish trend, and a Driftless Regime (Consolidation Phase) representing a sideways trend. The number in each index name (e.g. DSI10) represents the average interval, in minutes, between trend shifts. For example, DSI10 typically changes trends every 10 minutes on average.

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 later stage, 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 underlying 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 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 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. Combined 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 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 deriv.com/eu/trade/cfds. Derived Indices are not real-world market indices; there is no market liquidity risk, and we will always be the counterparty for all contracts.

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 DSI10 with the following trade parameters into consideration.

CFD (held Intraday)							
Opening price:	5,130.50			Margin requirement (USD)	1,026.10		
Trade size (Units):	1			Notional value of the trade (USD):	5,130.50		
Margin %:	20%						
Long				**Short**			
Performance scenario	**Closing price**	**Price change**	**Profit/Loss**	**Performance scenario**	**Closing price**	**Price change**	**Profit/Loss**
Favourable	5,803.21	13.11%	USD 672.71	Favorable	4,457.79	-13.11%	USD 672.71
Moderate	5,166.41	0.70%	USD 35.91	Moderate	5,094.59	-0.70%	USD 35.91
Unfavourable	4,457.79	-13.11%	USD -672.71	Unfavourable	5,803.21	13.11%	USD -672.71
Stress	3,697.66	-27.93%	USD -1,432.84	Stress	6,563.34	27.93%	USD -1,432.84

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?

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

What are the costs?

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

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. 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 5,119.62, the current spread is 0.0197% of the price, leading to USD 1.01. The swap rate is -7.5%. The swap charge is 5,119.62 * 7.5%/360 = USD 1.067. The commission is 0. The total cost is USD 2.077. The cost for opening the trade and holding it overnight is 0.04057%.

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.