

# Key Information Document: Vanilla Options on Derived 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:** Vanilla Options

**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](https://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:** Vanilla Options on Derived Indices

A Vanilla Option is a standard financial agreement that gives the holder the right to buy or sell an underlying asset at a predetermined price within a specific time frame, with the potential loss being limited to the initial investment. The profit is defined as the absolute difference between the final price of the underlying asset and the strike price (a predetermined price), provided that the price of the underlying asset moves in favour of the contract, less the initial investment. There are two primary types: Vanilla Calls, allowing participation in upward movements above the strike price, and Vanilla Puts, allowing participation in downward movements below the strike price. For more information on contract specifications on Vanilla Options, visit <https://deriv.com/eu/trade/options/vanilla-options/>.

Options are products that allow you to predict the market movement and participate in the performance of the underlying assets without needing to buy them. You only need to open a position that reflects your view on how the asset will move over a period of time. For more information on Options, refer to <http://deriv.com/eu/trade/options/>.

### Objectives

This product allows the investor to express a bullish or bearish view on underlying assets.

If an investor selects "Call", the trade will lead to a profit if the payout exceeds the initial investment. Otherwise, it results in a loss. There will be a payout only if the underlying asset's price at expiry is above the strike price (selected before the trade starts). The loss is limited to the initial investment that is paid upfront when the contract is opened.

If an investor selects "Put", the trade will lead to a profit if the payout exceeds the initial investment. Otherwise, it results in a loss. There will be a payout only if the underlying asset's price at expiry is below the strike price. The loss is limited to the initial investment that is paid upfront when the contract is opened.

The profit is the payout less the initial investment. The payout is equal to the payout per point times the distance between the underlying asset price at the expiry time and the strike price. Payout per point indicates the payout you will receive for each point above or below the strike price within the contract period for Call and Put, respectively. This amount will depend on your initial investment, the underlying asset, the duration, the strike price, the entry price, and the discount rate we use. For more details, please refer to the 'What are the costs?' section.

### Intended retail investor

Vanilla Options are intended for investors who have knowledge of and experience with trading complex financial instruments such as Options. The likely investors will comprehend key concepts of trading derivatives. They will also have the ability to bear the loss of their entire investment.

### Term

Vanilla Options have an expiry date. The trade must specify the duration, in minutes, hours, and up to 365 days, and there is no recommended holding period. You may open positions based on market movement and your individual trading strategy and objectives. If the duration is specified in days, the option contract would be closed at 23:59:59 GMT on the same expiry date, regardless of the opening time.

## 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.**

There is no minimum or recommended holding period for this product. Price movement may affect the investor's return. There is no capital protection against market risk, credit risk, counterparty risk, or liquidity risk. Market conditions may affect the investor's trade, and it could close at an unfavourable price, which may significantly impact how much they get back.

This product does not include any protection from future market performance.

### Performance scenarios

The following scenarios illustrate how the investment can perform. They can be compared with the scenarios for other products. The table below shows an example of Volatility 250 (1s) Index as the underlying asset with the following trade parameters.

Vanilla Call Options trade parameters			
Stake (USD)	500	Duration	1 hour
Entry price	209,975.77	Strike	206,299.87
Payout per point (USD)	0.10884		

Vanilla Call Options outcome scenarios				
Performance scenario	Final price	Price change	Profit/Loss	Scenario description
Favourable scenario	220,474.56	5%	USD 1,042.77	The closing price is higher than the strike price; the option expires in the money.
Moderate scenario	212,075.53	1%	USD 128.62	The closing price is higher than the strike price but close to the entry price; the option expires in the money.
Unfavourable scenario	206,299.87	-1.75%	USD -500	The closing price is equal to the strike price; the option expires at the money.
Stress scenario	199,476.98	-5%	USD -500	The closing price is lower than the strike price; the option expires out of the money.

Vanilla Put Options trade parameters			
Stake (USD)	500	Duration	1 hour
Entry price	209,976.10	Strike	206,051.00
Payout per point (USD)	0.21648		

Vanilla Put Options outcome scenarios				
Performance scenario	Final price	Price change	Profit/Loss	Scenario description
Favourable scenario	195,677.30	-5%	USD 2,745.70	The closing price is lower than the strike price; the option expires in the money.
Moderate scenario	203,916.34	-1%	USD 962.11	The closing price is lower than the strike price but close to the entry price; the option expires in the money.
Unfavourable scenario	206,051.00	1%	USD -500	The closing price is equal to the strike price; the option expires at the money.

Stress scenario	216,274.91	5%	USD -500	The closing price is higher than the strike price; the option expires out of the money.
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The performance scenarios displayed represent what the investor could receive depending on the price movement and the stake. In the stress scenario, when the price moves against prediction, the investor will not lose more than their initial investment, which is the stake.

The scenarios presented are only indicative; the return will vary depending on how the market performs and how long they hold the contract. **The commission has been included in the above scenarios.** These figures do not take into account personal tax situations, which may also affect the return. These performance scenarios assume only having one position open and do not take into account any other positions. In the case of holding multiple positions with us, the risk may be cumulative and not limited to one position.

The scenarios above show what the payout may be under different market circumstances, and it does not take into account a situation where we are not able to pay back the investors.

### 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 an investor 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 <https://eu.deriv.com/tnc/general-terms.pdf>.

### What are the costs?

The table below shows the different types of costs involved when you trade Vanilla Options on Derived Indices.

Breakdown of costs			
One-off costs	Entry/Exit cost	Spread	<p>For every trade on Vanilla Options, the client is charged a spread (entry and exit cost). Spreads vary depending on underlying asset and market conditions and may change over time. All potential costs have been incorporated into the spread.</p> <p>To clarify, here is the breakdown:</p> <ol style="list-style-type: none"> <li><b>If the contract is held until expiry:</b> Only the entry fee applies at the time of entering the trade (entry cost).</li> <li><b>If the contract is sold before expiry:</b> An entry fee is applied at the time of entering the contract, and an exit fee will be charged at the time of selling the contract before expiry (entry cost and exit cost).</li> </ol> <p>There are no costs over time other than entry and exit costs for a Vanilla Option. There is no risk of incurring additional financial commitments or obligations with this product.</p>

### How long should I hold it, and can I take money out early?

There is no recommended holding period. You can open a Vanilla Option trade at any time during market hours, but you cannot close it if there are less than 60 seconds remaining. This is subject to change depending on the market conditions.

### How can I complain?

Complaints may be submitted to [complaints@deriv.com](mailto:complaints@deriv.com). For more information about our complaints and dispute process, kindly refer to the Complaints section in <https://eu.deriv.com/tnc/general-terms.pdf>.

### Other relevant information

Vanilla Options are available on our Deriv Trader platform. For more information on trading on Options, visit <http://deriv.com/eu/trade/options/>. For further information, refer to [deriv.com/eu/terms-and-conditions](http://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](mailto:compliance@deriv.com).