

# Key information document

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## **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”, “we”, “us”, or “our”), regulated by the Malta Financial Services Authority. To get in touch with us, visit our [contact page](#). This document was last updated on 13 August 2021.

**You are about to purchase a product that is not simple and may be difficult to understand.**

## 3. What is this product?

**Type:** CFD on a forex pair

CFDs are a form of derivative in which you obtain an indirect exposure to an underlying asset, allowing you to speculate on a number of markets, including forex, cryptocurrencies, stocks, stock indices, and commodities. They 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 trading on margin, visit [our website](#).

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 [our website](#).

### 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 notional amount 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. 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

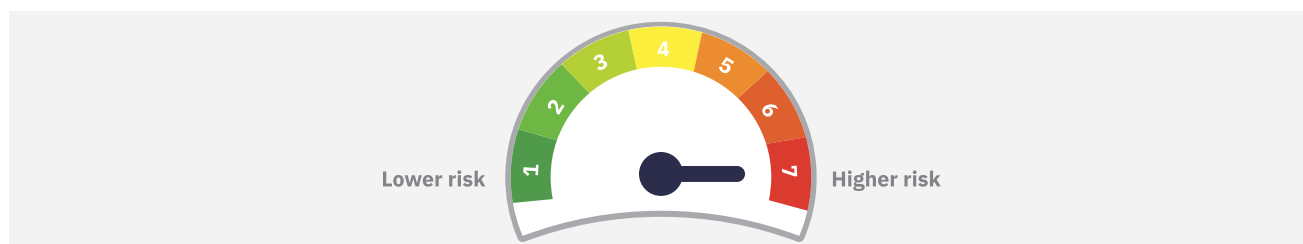
CFDs typically have no fixed term or maturity date, and there is no recommended holding period. You may open and close positions based on market movement and your individual trading strategy and objectives.

## 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 the product 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. You will receive payments in a different currency, so the final return you will get depends on the exchange rate between the two currencies. This risk is not considered in the indicator shown above. 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 recommended or minimum 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. If we are not able to pay you what is owed, you could also lose your entire investment. However, you may benefit from an investor protection scheme (see the section **'What happens if we are unable to pay out?'**).

### 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:	1.224		Margin requirement (USD):	4,081.87			
Trade size (units):	100,000		Notional value of the trade (USD):	112,456			
Margin %:	3.33%						
Long				Short			
Performance scenario	Closing price	Price change	Profit/Loss	Performance scenario	Closing price	Price change	Profit/Loss
Favourable	1.232	0.6%	\$734.736	Favourable	1.217	-0.6%	\$734.736
Moderate	1.225	0.05%	\$61.228	Moderate	1.223	-0.05%	\$61.228
Unfavourable	1.217	-0.6%	-\$734.736	Unfavourable	1.232	0.6%	-\$734.736
Stress	1.211	-1.1%	-\$1,347.016	Stress	1.238	1.10%	-\$1,347.016

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?**

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’ of our [terms of service](#).

**What are the costs?**

The table below shows the cost involved when you purchase a CFD on a forex pair.

Composition 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.</p> <p>For example:                      Suppose you buy 1 lot of EUR/USD at 1.22456. 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.                      The cost of opening the trade and holding it overnight is 0.016%.</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](mailto:complaints@deriv.com). For more information about our complaints and disputes process, kindly refer to our **complaints policy section** within our [terms of service](#).

**Other relevant information**

CFDs are available on our DMT5 platform. More information on trading on margin is available [here](#). For further information, refer to our [terms and conditions](#). For more information on costs, charges, trade requirements, and parameters, use our [traders’ tools](#).

 **DERIV**