

ARGENTEX GROUP PLC

# Order Execution Policy

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## 1 Introduction

Argentex LLP (“**Argentex**”) is a MiFID investment firm, authorised by the Financial Conduct Authority (FCA) to transact foreign exchange (“FX”) financial instruments with professional clients and eligible counterparties. As such, Argentex must meet its requirements under MiFID II and the applicable UK rules, to put in place an Order Execution Policy (“Policy”) which details its steps to execute orders on terms that are most favourable to the client.

## 2 Scope

This policy outlines the principles Argentex follows when a professional client trades a ‘financial instrument’ and is designed to ensure the firm meets its best execution requirements.

Financial instruments are defined within MiFID II <sup>1</sup>and include, but are not limited to, trades involving FX Forwards, FX Non-Deliverable Forwards and FX Options. It does not include FX spot trades or FX Forwards which are exempt due to means of payment.

This policy applies to all Argentex entities within the scope of MiFID, subject to the approval of the respective entities’ Board or management body.

## 3 Best Execution Requirements

Under MiFID II and the relevant FCA rules<sup>2</sup>, Argentex is required to take all sufficient steps to obtain the best possible result for its clients when executing orders, considering execution factors. This is known as “best execution” and the general obligation to achieve this is referred to in this document as the “best execution requirement”. Best execution is not solely based on achieving the best price for its customers, but considers additional factors (which are covered in section 4) depending on the criteria, characteristics and circumstances of the trade that a client may wish to meet.

Argentex is required to establish and implement these effective arrangements within a clear and accessible policy and must be able to demonstrate that client orders have been actioned in accordance with the policy.

Argentex takes several steps to ensure the best possible result for clients is obtained. These include:

- Having a detailed Order Execution policy, which is up to date, compliant and followed;
- Monitoring the effectiveness of our Order Execution policy and arrangements, reviewing outcomes with expectations; and
- Identifying any failings or areas for improvement and implementing corrective actions.

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<sup>1</sup> Markets in Financial Instruments Directive 2014/65/EU (“MiFID II”)

<sup>2</sup> COBS11.2A - MiFID investment firms

## 4 Execution Factors

When seeking to obtain the best possible result for the client, we take into account the following execution factors:

- **Price:** This is central to achieving the best result for our clients. Although we offer clients a price before ourselves matching off with an execution in the market, the price offered is based on prevailing market rates at the time of quoting.
- **Costs:** Cost does not tend to come into the equation on a trade-by-trade basis, with similar costs charged across the board by our institutional counterparties. However, we review these on an annual basis to ensure they remain appropriate.
- **Speed of execution:** Speed of settlement to the client is a strong influencer of choice of execution venue. Through a matching-off of settlements on both sides of the market in each currency pair, proper consideration of execution venue ensures optimum liquidity management which feeds through into minimising settlement times, forming part of an optimum execution experience for the client.
- **Likelihood of execution:** The reliability of order execution and timely settlement are a crucial factor when choosing an execution venue to minimise the risk of delays or failed settlements, especially when the order type is uncommon or exotic.
- **Size of order:** Although it is uncommon for the size of an order to play a central role in the execution process, there is the risk of a worse price for orders of a particular size (e.g. >£30m). Accordingly, we will often work larger orders at a specific rate, rather than 'hitting the market'.
- **Collateral:** In certain circumstances, execution venues may be chosen based on favourable collateral terms. This can occur where one venue requires a higher initial collateral to be placed for a more exotic currency. Minimising collateral requirements allows us to offer tighter pricing to our clients on an ongoing basis. Taking the overall net position of Argentex's market-side book with each institutional counterparty also serves to reduce liquidity risk and counterparty risk.

## 5 Execution Criteria

In deciding the importance of the above execution factors, we will consider the characteristics of the:

- **Client (including their categorisation as Non-MiFID or MiFID):** Different clients will have different priorities. For example, while a Non-MiFID client might place a premium on the price achieved, a professional (MiFID) client could be more concerned with finding the requisite liquidity.
- **Order type:** How we characterise Best Execution will vary in accordance with the type of order in question. Larger orders will increase the importance of liquidity, while smaller orders will generally prompt our dealers to focus on the price offered.
- **Nature of the Forward or Option contract required:** As a rule, levels of liquidity vary by currency pair. Where we are dealing in a particularly liquid market, this will enable us to

focus on offering clients a tight spread. Where the market is illiquid, the priority can become filling the order in the first instance.

- **Execution venue (see Section 6)**

## 6 Execution Venues

We deal on a riskless principal basis. We make a price, based on the current market position and incorporating costs and revenue, which we offer to clients. As a result, Argentex is the venue of execution for client trades.

However, our market side executions that back-up each client trade are central to our being able to offer clients a tight spread. The venues and entities below are selected with a view to achieving this. Appropriate selection is also central to ensuring we have access to sufficient liquidity.

We use the following execution venues or entities:

- Barclays
- Citi
- Sudden Financial
- Macquarie
- Nomura

Note: Other execution venues or entities may be added from time to time subject to the approval of the respective entities' Board or management body

We prioritise and select execution venues that demonstrably offer best execution based on the Execution Criteria and Execution factors outlined in sections 4 & 5. In some scenarios, where there is more than one execution venue that would enable us to obtain best execution on a consistent basis, we will consider and assess the respective merits of each venue, as well as any costs to Argentex and costs of the relevant venue, to ensure the best outcome.

We regularly assess the execution venues, based on the factors we used to select them, so we can obtain, on a consistent basis, the best possible result for clients when executing orders. If we make material changes to our list of execution venues, we will update the list, re-issue this document and make staff aware.

We will not structure or charge our commissions in a way that unfairly discriminates between execution venues.

## 7 Execution Methodology

**Dealing with specific instructions from the client:** If the firm receives specific instructions, it will execute the order in line with those specific instructions, even if they contradict this policy. In this scenario, the firm can assume it has met its best execution obligation. If the instructions apply to



only part of the order, the firm must apply best execution obligations to the rest of the order not covered by the instructions.

The firm must make the client aware that, by providing specific instructions, they may not be able to provide the best possible result in relation to those instructions. The firm should not induce a client to instruct it to execute an order in a specific way.

**Execution venue selection:** a list of factors used to select an execution venue, including qualitative factors such as clearing schemes, circuit breakers, scheduled actions, or any other relevant consideration, and the relative importance of each factor; the information about the factors used to select an execution venue for execution shall be consistent with the controls used by the firm to demonstrate to clients that best execution has been achieved in a consistent basis when reviewing the adequacy of its policy and arrangements.

Client orders are executed in a riskless principal capacity on different types of venues. The venue types used by the firm include Systematic Internalisers, Broker Dealers and other market makers (which may be updated from time to time to include Multilateral Trading Facilities, Organised Trading Facilities or global equivalents). Argentex will select an execution venue based primarily on price and speed of settlement, commonly the most important factors considered when determining the venue of Argentex's market-side execution. In the majority of cases in liquid crosses, the difference in the price received by Argentex is negligible when comparing one venue with another. In such instances our selection criteria consider:

- Historic performance in speed of execution and settlement obtained over a period of time;
- the extent of any other services that may be provided to enable us to meet our obligations to our clients; and
- any other matters arising from our due diligence processes including capital adequacy and market reputation.

It may be noted that Argentex offers bespoke OTC products in order to achieve a client's budget rate in line with their investment objectives, price discovery efforts will be made using available execution venues to achieve this positive outcome for the client. As a foreign exchange provider, order aggregation will not be applicable to such products.

**Price:** For Non-MiFID clients, firms have to consider what provides the best result and this should focus on total consideration. This covers not only the price of the financial instrument but also the cost of execution including all expenses incurred by the client directly related to the execution of the order, execution venue fees, clearing and settlement fees and any other fees paid to third parties. As best execution applies to all financial instruments, regardless of whether they are traded on a trading venue or OTC, we must gather relevant market data to check if the OTC price offered for a client is fair and delivers best execution.

**Competing execution venues:** This means firms have to assess and compare the results for a client by executing the order on each of the execution venues listed in the firm's order execution policy (discount any that are not capable of executing the order). The firm's own commissions and costs

for executing the order on each of the eligible execution venues must be included in that assessment. If the firm has retail investors it is not required to compare results achieved for its client on the basis of its own execution policy and its own commissions and fees, with results that might be achieved for the same client by any other firm on the basis of a different execution policy or a different structure of commissions or fees. Nor do they need to compare the differences in its own commissions, which are attributable to differences in the nature of the services that the firm provides to clients.

**Costs:** Argentex commands comparable spreads and settlement costs between execution venues for most trades it executes. Where one venue can provide a substantially improved rate over another, this will have a strong bearing on venue choice.

**Speed of execution:** Dependent on the type of trading and instructions given to dealers. If the client wants the trade done as quickly as possible then the speed of execution may take priority over cost. Speed may be a priority for the Client.

**Likelihood of execution:** For example, it may be better to split out a large order of illiquid currency.

The firm must not structure or charge its commissions in such a way as to discriminate unfairly between execution venues.

## 8 Sales Margin

When trading with Argentex, we will provide clients with a single all-in price only. The sales margin charged by us is determined taking into consideration a variety of factors, which may include but are not limited to:

- Hedging costs
- Service level provided;
- Credit risk – reflecting the potential loss that Argentex would incur;
- Funding cost of capital we incur because of the transaction;
- Volumes traded by the client; and
- Liquidity of the relevant market place.

## 9 Monitoring and Review

We will assess the effectiveness of these procedures annually or where there are material changes that could affect our ability to achieve best execution for our clients. In particular, we will review the execution venues and entities used for execution to ensure they continue to provide the best possible outcomes for our clients.

We undertake the following front office monitoring on an ongoing basis:

- comparing similar transactions on the same execution venue/execution entity to test if the firm's judgement on how orders are executed is correct;

- comparing similar transactions on different execution venues/execution entity to test if the best execution venue is being chosen for specific transactions;
- reviewing the price obtained for a selection of trades against the market price.

Sample size will depend on trading volumes.

We will consider on an ongoing basis additional/different execution venues/execution entities and review the basis on which the execution factors are considered. This will occur at a monthly meeting, in which we discuss the output from our monitoring and any changes required to our approach to Best Execution.

If we make any material changes to this procedure and subsequent changes to information made available to clients, we will notify our clients and employees.

## 10 Client Information and Consent

We must make appropriate information available to our clients on our Order Execution Policy before we execute any orders for them.

We will provide our clients with a copy of our policy in the following forms:

- Email (where the client is able to save a copy)
- On our website (but only where the following conditions have been met):
  - the provision of information on a website must be appropriate to the context in which the business between the firm and the client is, or is to be, carried on. We must have evidence the client has regular access to the internet. For example, an email address for the purposes of the carrying on business with us;
  - the client must specifically consent to the provision of information on the website;
  - the client must be notified electronically of the website address and where the information is on the website;
  - the information must be up to date; and
  - the information must remain available on the website for the period of time the client might reasonably need to access it.

### 10.1 Client Consent

We must obtain client consent to our order execution policy before we execute orders for them. We provide new clients with our order execution policy by sending a link to its location on our website, or in written form on request, and provide updates, when there are material changes, to existing clients by email, or in writing (by post) on request.

We are able to infer that consent has been provided by a client when, after we have provided them with our order execution policy, we receive an instruction to deal.

As we execute transactions outside of regulated markets and MTFs, we must obtain explicit consent from the client. Consent can be obtained either in the form of a general agreement or in respect of individual transactions. Consent can be provided orally if appropriate records are kept.

## 11 Publishing Information on Our Top Five Execution Venues

As we execute orders for Non-MiFID and MiFID clients, we must publish an annual summary, for each class of financial instruments, of our top five execution venues. The report should be according to trading volumes, where we executed client orders in the preceding year, along with information on the quality of execution we obtained.

However, as we deal on a riskless principal basis, Argentex is the entity where all client trades are executed. Our reports will reflect this accordingly.

Under MiFID RTS 28 disclosure the information we publish, and the format is in Appendix 2.

Along with the above information, we must also publish a summary analysis, based on our detailed monitoring and conclusions, of the quality of execution we have obtained on the execution venues. We need to provide a separate summary for each class of financial instrument although we can provide consolidated information if it is common to several or all of our classes of financial instruments.

Our summary analyses must include:

- an explanation of the relative importance we gave to the execution factors of price, costs, speed, likelihood of execution or any other consideration including qualitative factors;
- a description of any close links, conflicts of interests, and common ownerships relating to the market side firms we use;
- a description of any specific arrangements we have with market side firms regarding payments made or received, discounts, rebates or non-monetary benefits received;
- an explanation of the factors that led to a change in the list of our market side firms;
- an explanation of how our order execution differs according to client categorisation, if we treat categories of clients differently;
- an explanation of other criteria we gave precedence to over immediate price and cost for client orders and how the criteria delivered the best possible result for the client;
- an explanation of how we have used any data or tools relating to the quality of execution;
- If applicable, an explanation of how we used any information from a consolidated tape provider.

We will publish all the above summary information on our website in a readable format in a location that is easily identified and accessible. The information will be kept in the public domain, updated annually.



## 12 General Dealing Arrangements

### 12.1 Derivatives

Trades are executed by Argentex's staff on an OTC basis, using online single-dealer platforms, and voice-broking lines when deemed by the Argentex dealers to provide a tangible benefit in pricing or settlement, for example where orders are considered to be large in size with respect to prevailing market liquidity. Argentex do not aggregate or cross Client Orders. Where Argentex has multiple Client Orders, Argentex will execute all orders fairly and sequentially, without showing preference to one client over another.

For further information relating to Argentex's policy in relation to the identification, prevention and management of conflicts of interest, please refer to our Conflicts of Interest Policy.

## 13 Disclosure to Clients

Whilst this policy should be read in conjunction with our general terms and conditions, it is not intended to be contractually binding. Therefore, it does not impose or seek to impose any obligations on Argentex over and above our regulatory obligations via FCA rules or to clients.

## 14 Contact Details

If you have any questions regarding this policy, please contact your sales contact, designated dealer or email [connect@argentex.com](mailto:connect@argentex.com).



[www.argentex.com](http://www.argentex.com)