

Banorte Securities International, Ltd.
Brokerage Services Guide and Important Disclosures
November 27, 2023

Introduction

Welcome to Banorte Securities International, Ltd. This guide provides an overview of our brokerage services, fees, and other important information to help you make informed decisions about your investments and our relationship. Banorte Securities International, Ltd. (“BSI”) Member [FINRA](#) and [SIPC](#) is registered with the U.S. Securities and Exchange Commission (SEC) as a broker-dealer. BSI is an ultimate subsidiary of Grupo Financiero Banorte S.A.B. de C.V. The primary brokerage service we offer to investors is the buying and selling of securities. Securities are custodied with Pershing LLC (“Pershing”) division of Bank of New York, BSI’s third-party brokerage clearing firm. Free and simple tools are available for you to research firms and financial professionals at [Investor.gov/CRS](#), which also provides educational materials about broker- dealers, investment advisors, and investing.

Our Capacity:

All recommendations made by your financial professional regarding your broker-dealer accounts, as well as any investment fund, will be made in a broker-dealer capacity unless otherwise disclosed.

Broker-Dealer Capacity:

As a broker-dealer, we can recommend and effect securities transactions for you, including buying and selling securities, including investment funds. We offer many different options or account types, including accounts held with Pershing LLC (“Pershing”) division of Bank of New, our brokerage clearing firm; and certain specialty accounts (e.g., margin accounts)

In addition, in the case of accounts held at Pershing, we offer the option to hold cash in either money market mutual funds (non-insured) or a bank account insured by the Federal Deposit Insurance Corporation (a “cash sweep vehicle”).

We provide a number of services related to investments in securities, including taking customer orders, executing securities transactions, and providing general information regarding your investments. Our financial professionals also provide recommendations concerning whether to buy, sell, or hold certain types of investment products, subject to the material limitations discussed below in the section: **Key Aspects of our Service.**

Our financial professionals do not make investment decisions for you or manage your broker-dealer account on a discretionary basis. Because our financial professionals do not have discretionary investment authority, this means that we cannot buy or sell investments in your broker-dealer account without first obtaining your consent. Our financial professionals may recommend investments to you, but you are responsible for making the decision whether to purchase or sell investments, and we will



only purchase or sell investments when specifically directed by you. Our financial professionals do not monitor your account after a securities transaction is effected for you, including those investments they recommend for you.

When we act in our capacity as a broker-dealer, we are subject to the Securities Act of 1933, the Securities Exchange Act of 1934, as amended, the rules of self-regulatory organizations, such as the Financial Industry Regulatory Authority, Inc. (FINRA), and applicable state laws.

Type and Scope of Services

Our Investment Philosophy

While we will take reasonable care in developing and making recommendations to you, securities involve risk, and you may lose money. There is no guarantee that you will meet your investment goals, or that our recommended investment strategy will perform as anticipated. Please consult any available offering documents for any security we recommend for a discussion of risks associated with the product. We can provide those documents to you or help you to find them.

BSI's investment philosophy is based upon the investment objectives, risk tolerance, time horizon, goals and preferences of each customer as determined by the financial professional during the initial meeting(s) with the customer and documented on the New Account Form paperwork. BSI offers an array of account types intended to address the different needs and objectives of its retail customers.

Regulation Best Interest Standard of Conduct

Regulation Best Interest requires us and our financial professionals to have a reasonable basis, taking into account the potential risks, rewards, and costs associated with a recommendation, to believe that each recommendation made to a retail customer is in the retail customer's best interest, and does not place the financial or other interest of us or our financial professional ahead of the interest of the retail customer at the time the recommendation is made. In determining whether our financial professional's recommendation is in the retail customer's best interest, we consider the retail customer's individual investment profile. The information in the retail customer's investment profile includes, but is not limited to, the retail customer's age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, risk tolerance, and other information that the retail customer may disclose to us or the financial professional in connection with a recommendation. We encourage you to let us know if any of the information you provide changes.

Account Types

In order to receive any of our broker-dealer services described above, you must first open an account with us. We offer an array of account types with different features and benefits that are intended to address different needs and objectives of our retail customers. When opening an account with us, you may choose between many different options or account types for your brokerage account held with our clearing firm; and certain specialty accounts (e.g., margin accounts). In addition, accounts held at Pershing, our clearing firm, offer certain cash management features, including the option to hold cash

in a cash sweep vehicle. Our cash sweep vehicles allow you to hold your cash in interest-bearing money market funds (non-insured) or bank accounts insured by the Federal Deposit Insurance Corporation. We also offer margin accounts. In addition, before deciding whether to open an account with us, you will want to discuss our account options with your financial professional to decide which account type best fits your financial goals.

Key Aspects of Our Services

No Account Monitoring

When acting in a broker-dealer capacity, while we remain available to assist you, after effecting a securities transaction for you (including those we recommend to you), BSIS does not monitor your account. This is a material limitation on our services and the services of our financial professionals.

No Discretionary Investment Authority

No Discretionary Investment Authority: Our financial professionals do not make investment decisions for you or manage your account on a discretionary basis. Because our financial professionals do not have discretionary investment authority, this means that we cannot buy or sell investments in your account without first obtaining your consent. Our financial professionals may recommend investments to you, but you are responsible for making the decision whether to purchase or sell investments, and we will only do so when specifically directed by you. This is a material limitation on our services and the services of our financial professionals.

Offshore Nature of the Business

Due to the predominantly offshore nature of our customer base at BSI, certain broker-dealer functions might be constrained, primarily due to stringent anti-money laundering regulations and compliance requirements. BSI exercises prudence in limiting third-party asset transfers to and from accounts. This measure is a crucial part of our commitment to preventing money laundering and ensuring compliance with regulatory standards. The process of opening new accounts with BSI may be subject to delays or, in some cases, may not be feasible. This is due to the comprehensive vetting required by U.S. regulations, which is a vital step in our due diligence process.

No Tax, Accounting, or Legal Advice

BSI does not provide tax, accounting, or legal advice to retail investors.

Investment Limitations

When acting in a broker-dealer capacity, we make available a wide range of investments, including investment funds. However, there are restrictions on the types of investments we offer. The investments we make available are limited to a specific menu of investment company products and are subject to state availability. While our Firm can facilitate transactions in equity, our financial professionals may not recommend (solicit) those transactions. Our firm does not offer accounts held directly with the issuer of the securities purchased (sometimes referred to as directly held accounts); education accounts (e.g., college savings plans); Finally, our Firm does not conduct any business in non-exchange traded real estate investment trusts. Banorte's proprietary fixed income products are

available only under limited circumstances.

Account Minimums

The minimum required to open a brokerage account with BSI is \$10,000. Other requirements may apply based on the type of account and service selected.

Fees and Costs

This section provides information about the material fees and costs associated with your account, transactions, and holdings. Because these fees and costs vary depending on the specific transaction or service provided, the information below first describes the fees and costs associated with your account, and then the fees and costs associated with transactions and investment holdings that our financial professionals may recommend.

Fees and Costs Associated with Accounts

You must first open an account with us to use our broker-dealer services. We offer an array of account types with different features and benefits that are intended to address the different needs and objectives of our retail customers. When opening an account with us, you may choose between many different options or account types, including broker-dealer accounts held with our clearing firm; and certain specialty accounts (e.g., margin accounts).

If you choose to open an account that is held with Pershing, our clearing firm, you will pay certain fees and costs associated with your account and the holdings in it. Unlike the transaction-based fees described below, the fees associated with your account are typically charged quarterly, although some account-based fees are associated with specific transactions. Typically, the fees and costs associated with your account and holdings are charged by third parties, such as our clearing firm, and then deducted from your account. Charges are subject to change.

Highlighted below are the material fees and costs associated with brokerage accounts held with our clearing firm:

Wire Transfers: Outgoing Wire transfers are \$ 50.00 each.

Non-U.S. ("Foreign") Account Fee: \$50.00 per year.

Statements: For accounts not enrolled in electronic delivery, paper account statements will cost \$ 5.00 monthly. There is no charge for account statements sent via electronic delivery. Special (Forced) Statement Production will cost an additional \$1.00 each.

Trade Confirmations: All accounts will be charged \$ 2.00 for processing of trade confirmations, and an added



\$ 5.00 will be charged for paper trade confirmations for those accounts not enrolled in electronic delivery.

Margin Accounts: BSI charges interest based on the U.S. Federal Funds rate plus 2.35%. BSI reserves the right to change this amount charged at any time.

Fixed Income: BSI charges an amount for bond trades based on the prevailing market price of the bonds, plus a mark-up, in the case of a bond purchase, or a mark-down, in the case of the sale of bonds. No mark-up or mark-down will ever exceed 5%.

Reorganization Items-Voluntary: Activities that support transactions such as exercising rights or warrants, voluntary tenders, involuntary tenders, the conversion of convertible bonds or preferred stock are \$50.00 per event.

Equities, Options, Mutual Funds, Maintenance Fees:

Equity Fee Schedule
.5% of trade amount + \$15.00
Equity Dividend Reinvestment fee of \$1.00 per item
Mutual Fund Fees Schedule-Class A Shares
Sales charge up to 5%

Account Maintenance Fees	
Average Balance	Quarterly Fee
< = \$100K	Up to \$200.00 per quarter
\$100K < Avg. Bal. < \$250K	Up to \$150.00 per quarter
Average Balance > \$250K	Up to \$50.00 per quarter
Fees Related to Options Accounts	
\$5.00 per/contract + \$15.00	

You typically are charged a fee each time you trade in your broker-dealer account or make a new investment. This fee is typically called a “commission,” but it may also be called a “sales charge” or a “markup.” You are also typically charged a ticket charge on equity trades and certain asset transactions as an administrative fee for each trade. These kinds of payments present a conflict for us because it creates an incentive to encourage you to trade more and make additional investments. The commission rate or amount varies depending on the investment and the size or amount of the transaction.

In addition, investments that are interests in investment funds, such as mutual funds bear ongoing

fees and expenses that are embedded into the cost of the investment holding. You pay these ongoing fees and expenses indirectly because they are factored into the cost of the investment. These fees present a conflict in so much as they are remunerated to BSI, do not appear in any specific record delivered to you, the end client, and are a conflict because such fee payments may be an incentive to recommend a specific fund family, or particular class of shares of a mutual fund, over another, because of the fees involved. Additionally, for some mutual fund share class holdings, if a client wishes to redeem their shares, they may be bound to pay a fee, upon redemption, if a required holding period has not been met. These mutual fund share transactions create a conflict of interest to the extent that BSI would encourage frequent mutual fund share redemptions and purchases.

If BSI chooses to work with an originator of a structured product, resulting in a Structured Product offering, specifically for suitable clients, then the sponsor of such structured products may remunerate a concession fee to BSI, based on sales amounts of the structured product, bought by clients.

Additional Information: You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying.

A fixed income bond transaction is not a commission fee investment but involves a ticket charge (a nominal amount assessed by the clearing broker or custodian) and an amount by which BSI makes money, known as a 'mark-up' (in the case of a purchase), and a 'mark-down' (in the case of a sale). The mark-up or mark-down is an amount in addition to the quote of the prevailing market price. This mark-up/mark-down amount, typically 2% or less, is a standard way in the industry for brokers to make their money on fixed income bond trades since commissions do not apply to bond transactions.

Some mutual fund share classes are those in which a broker is allowed to charge an upfront fee when

a client buys that particular share class (typically “A” shares of mutual funds). If you buy a mutual fund share class that charges an upfront fee, or “front-end sales load,” then your first investment will at once be reduced by the percentage of the sales load, prior to being distributed to the mutual fund portfolio.

Conflicts of Interest

BSI recognizes that its business model presents actual and potential conflicts of interest associated with recommendations to retail customers. A conflict arises when an economic benefit incentivizes either us or a financial professional to put our interests and/or the interests of the financial professional ahead of the interests of a retail customer. Some conflicts exist between retail customers and both our Firm and financial professionals, while others exist between retail customers and our Firm alone or between retail customers and financial professionals alone. The section below discloses material facts relating to these conflicts so that you are able to make an informed decision regarding any recommendation a financial professional provides you.

Conflicts between retail customers and both our Firm and financial professionals may be caused by a variety of arrangements, including the role we play in a transaction, compensation arrangements, or trading arrangements. The material facts relating to these conflicts are as follows:

Proprietary Products

We offer selected Banorte fixed income “proprietary” products (i.e., products issued, sponsored, or managed by affiliates) to customers under limited circumstances. When we sell you a proprietary product, BSI and our financial professionals do not receive additional compensation or other types of financial benefits. BSI receives the standard mark-up or sales credit, which is, in our assessment, comparable to similar non-proprietary products.

Securities sponsored or managed by a BSI affiliate

Since BSI is a subsidiary of Grupo Financiero Banorte S.A.B. de C.V., there may be an incentive to recommend any securities designed or originated by a particular Banorte affiliate of BSI. Notwithstanding, BSI brokers have an obligation to ensure investments are suitable for their investing clients.

Third-Party Payments

When BSI sells an investment fund or product to you as a broker-dealer, BSI receives additional compensation from the issuer or their affiliates, on a recurring, ongoing basis such as “trail” commissions, 12b-1 fees, distribution fees, shareholder servicing fees, account maintenance fees, and similar fees. This compensation is paid, at least in part, as an incentive for us to sell their products. This creates an incentive for us to offer and recommend products that pay us additional compensation instead of products that do not pay such additional compensation or that offer lower amounts of additional compensation.

Revenue-Sharing and Similar Payments

We receive various forms of “third-party payments” in the form of revenue-sharing, marketing support, cost-sharing, meeting support and similar payments or benefits from the providers of many of the mutual funds and structured products that we sell. Typically, third-party compensation is paid by the product provider from the revenues it earns from its products and based on the amount our customers invest in their products. This creates an incentive for us to promote the products of providers who provide third-party payments or provide increased levels of third-party payments.

Principal Trading

On fixed income trades, we engage in riskless principal trading. This means that when you place an order with us to buy or sell a security, we buy (sell) the security at the same price, as principal, in order to satisfy the order to buy (sell). In this case, the trades must be executed at the "same price" (exclusive of a Markup or Markdown, commission equivalent, or other fee). On equity trades, we act as your broker and charge a commission for arranging the trade, but do not profit from the spread between buying and selling prices.

In General

The conflicts of interest referred to here may affect clients of BSI to the extent that BSI brokers may be incentivized to act, or make recommendations that help them, or the firm more than if the BSI broker were to choose another course of action or recommendation. BSI looks to mitigate these conflicts by insisting that brokers always act in the best interest of their clients, choosing investment options that are cost efficient, suitable and in the best interest of the client so as to best meet their investment objectives.

BSI brokers are considered financial professionals who are compensated in line with industry standards. Brokers are paid a percentage of the total amount generated by the various client accounts which they oversee. Their prorated proportion of commission compensation is a standard rate across our firm. Brokers are remunerated their proportionate share of third-party payments, if their clients have invested in particular products that pay BSI a remunerated interest as a concession for distributing and keeping their product in our clients' accounts.

BSI does not engage in sales contests or non-cash methods of incentive, as differential compensation for encouraging brokers to make sales or bring in more clients.

DISCIPLINARY HISTORY

The following descriptions supply information on the disciplinary history for BSI:

On **06/20/2006** the National Association of Securities Dealers (“NASD”) started a Censure against BSI for not first requesting NASD approval for certain municipal securities activity including a change to its Membership Agreement with the NASD. Also cited were failures to properly mark municipal securities order tickets appropriately as well as enforcing Written Supervisory Procedures of obligations of the Municipal Securities Rulemaking Board (“MSRB”). The Censure resulted in a



fine to BSI of \$ 17,500.

On **07/20/2007** the Insurance Department of the State of New York cited BSI for not notifying the Insurance Department of the fines imposed by the NASD within 30 days as required by the applicable State law, under section 2010(I). BSI was assessed a fine of \$ 250.

On **10/16/2008** the Financial Institution Regulatory Authority (“FINRA”) censured BSI for violating NASD Rules 2110, 2310, and 3010 for recommending Class B shares of certain offshore mutual funds, when the clients would have been financially better off by purchasing Class A shares of the same fund, which would have resulted in a lower front-end sales charge and lower on-going expenses. The Censure included FINRA’s citation that the firm’s procedures about mutual fund sales were deficient and that there was not a written policy and Supervisory procedure proven and enforced.

On **01/29/2014** FINRA censured BSI for violating NASD Rule 3011(A) and (B) and 2110 for failing to tailor BSI’s Program with respect to Anti-Money Laundering (“AML Program”) to the business model used by BSI. Included in the Censure was a citation that BSI did not enforce its procedures as outlined in its AML Program. Further FINRA indicated that BSI violated Rules 2011(A) and 2110, because BSI did not check for, detect, and investigate certain suspicious activity. The Censure resulted in a fine for BSI of \$ 475,000.

Search Tool: You may wish to visit <https://Investor.gov/CRS> for a free and simple search tool to research BSI and the financial professional associated with our firm.

ADDITIONAL INFORMATION

More information about BSI’s brokerage services information is available on our Customer Relationship Summary [Form CRS](#). You may also request a copy of the Customer Relationship Summary, by contacting the BSI Office of Compliance, at Compliance@banortesecurities.com. Also, you may call: 713-980-4600, or write to:

Attn: Office of Compliance
Banorte Securities International Ltd.
5075 Westheimer Rd, Suite 975W
Houston, Texas 77056

Your primary contact person at BSI is your broker, specifically appointed as the person responsible for aiding you with your account needs and investments.

Your primary contact broker is a registered representative of BSI. He or she may incidentally also be an Investment Advisor Representative of BSI’s affiliate, Banorte Asset Management, Inc. (“BAM”). BAM is registered with the Securities and Exchange Commission (SEC) as an investment advisor. Registration as an investment advisor does not imply any level of skill or training. You may discuss any concerns you may have with the Chief Compliance Officer of BSI at any time. Feel free to contact us, using the contact information listed above, for the BSI Office of Compliance.