

Banorte Securities International, Ltd.

Brokerage Services Guide and Important Disclosures

November 30, 2022

Introduction

Banorte Securities International, Ltd. (“BSI”) is a broker-dealer registered with the U.S. Securities and Exchange Commission and is a member of the U.S. Financial Industry Regulatory Authority (“FINRA”). BSI is also a member of the Securities Investor Protection Corporation (“SIPC”). It is important for you, as a customer who may be a retail investor, to understand that fees are different for broker-dealers than for investment advisers.

For more information about investment firms and financial professionals, you may obtain free, and publicly available information, at sites such as Investor.gov/CRS, which also supplies educational materials about broker-dealers, investment advisers, and investing.

BSI General Investment Services

BSI offers broker-dealer services to companies, corporations, and to retail investors which allows investors to effect securities transactions, through their BSI broker. BSI brokers are registered people who aid their customers in meeting their stated investment objectives tailored to each client’s needs. BSI’s broker-dealer services for clients can be described as supplying access to liquid and illiquid securities markets, which are typically markets represented by major securities exchanges around the world. As such, BSI allows investors to invest in multiple asset classes, represented by investment vehicles which may be stocks, fixed income securities, mutual funds, ETFs, or other products. BSI offers securities transactions brokerage to its clients on an unsolicited basis and also, where considered proper, BSI brokers make recommendations to clients. BSI, registered as a general securities broker-dealer, uses the clearing services of two custodian broker-dealers. BSI has contracted to custody client assets in this way at two custodians, clearing broker-dealers, APEX Clearing Corporation and Pershing LLC division of Bank of New York.

BSI also offers brokerage accounts which are cash or margin. Limitations which may prevent BSI from holding or transacting securities in a customer’s account, may in turn, be associated with certain limited capabilities of Pershing, LLC, or APEX Clearing Corporation (“APEX”). For example, certain securities, typically of a more obscure nature, simply may not be able to be custodied by Pershing or APEX. BSI does offer the ability to have debit/ATM cards associated with customer accounts. Given the majority offshore nature of customer relationships for BSI, many BSI broker-dealer functions may be limited with respect to that which is allowed by BSI, Pershing, or APEX due to concerns about money laundering. For example, BSI limits 3rd party asset transfers, to or from an account.

New Account opening may not be granted, or may experience extended time duration, due to the necessary vetting required by U.S. regulation.

BSI Client Investments

BSI does not undertake any obligation to check its brokerage customers’ investments in a routine, on-going manner. In addition, BSI does not offer retail investors any tax, accounting, or legal advice.

Limited Investment Offerings: BSI does not, itself, originate or not make available to its client’s products which would be considered proprietary to its broker-dealer. BSI will make available, from-time-to-time, Bonds that are issued by an affiliate, based in Mexico. At the time any such bonds are made available to clients, disclosures are made about the bonds and their availability. BSI will, from time to time, work with a sponsoring originator, to structure a unique product offering, specifically for suitable clients. Structured products would not be considered proprietary to BSI, though uniquely offered, and made available by BSI.

Account Minimums and Other Requirements: Generally, BSI requires that clients have \$ 50,000.00 to open and keep an account at BSI.

Description of Principal Fees and Costs: BSI’s principal fees and costs that you will incur for our brokerage services are as follows:

APEX

Wire Transfers: Wire transfers are \$ 50.00 each. For accounts that do not have electronic delivery selected, paper account statements sent to a client will be charged \$ 5.00. Also, such an account will be charged \$ 2.00 for delivery of trade confirmations. There is no charge for statements or confirmations sent via electronic delivery.

Margin Accounts: BSI charges interest based on the U.S. Federal Funds rate plus 1.695%. BSI reserves the right to change this amount 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%.

Equities, Options, Mutual Funds, Maintenance Fees:

Equity Fee Schedule	
Equity Price	Commission
\$ 0 to \$ 3.99	4 cents per share+ \$50
\$4 to \$39.99	6 cents per share + \$75
\$40 to \$ 79.00	10 cents per share + 100
\$80 to \$149.99	15 cents per share + \$ 125
\$150 to \$249.99	20 cents per share + 150
\$ 250 & above	25 cents per share + \$ 200

Mutual Fund Fees Schedule-Class A Shares
Sales charge up to 5%

Account Maintenance Fees		
Average Balance	Annual Fee	Quarterly Fee
< = \$100,000	\$400 per year	\$100 per quarter
\$100 K < Avg. Bal. < \$250K	\$300 per year	\$75 per quarter
Average Balance > \$250K	\$100 per year	\$25 per quarter

Fees Related to Options Accounts	
Price Per Contract	Charge
< = .75 price per contract	\$2.00 per/contract + \$30
.75 price per contract <= 1.24	\$2.50 per/contract + \$30
1.24 price per contract <=4.00	\$3.50 per/contract + \$30
> 4.00	\$4.00 per/contract + \$30

Pershing

Wire Transfers: Wire transfers are \$ 50.00 each for all accounts.

Statements: For accounts not enrolled in electronic delivery, paper account statements will cost \$ 5.00 monthly, billed quarterly. There is no charge for account statements sent via electronic delivery.

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 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%.

Equities, Options, Mutual Funds, Maintenance Fees:

Equity Fee Schedule
.5% of amount + \$15

Mutual Fund Fees Schedule-Class A Shares
Sales charge up to 5%

Account Maintenance Fees	
Average Balance	Quarterly Fee
< = \$100,000	Up to \$200 per quarter
\$100 K < Avg. Bal. < \$250K	Up to \$150 per quarter
Average Balance > \$250K	Up to \$50 per quarter
Fees Related to Options Accounts	
\$5.00 per/contract + \$15	

Fee costs are reflected in the brokerage confirmations produced for each trade. Commission fee charges represented above, and as charged to you for your particular account, could create a conflict of interest because you, as an investor, would be charged more when there are more trades in your account. Therefore, BSI may have an incentive to encourage an investor to trade often.

You, as an investor, will also pay fees indirectly to the extent that BSI has an arrangement with a mutual fund company whereby BSI receives a fee for the type and quantity of mutual fund shares bought by a client. 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 would 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.

STANDARD OF CONDUCT

When we provide you with a recommendation, we have to act in your best interest and not put our interest ahead of yours. At the same time, it is possible that the way we make money creates some conflicts with your interests. You should understand and ask us about these conflicts because they can affect the recommendations, we provide you with. Here are some examples to help you understand what this means.

1. Proprietary Products: BSI does not underwrite or sponsor proprietary products on a regular basis. However, as mentioned above, from time to time, BSI may combine with a structured note sponsor (a third-party entity) to aid in specifically designing a hybrid security (“structured note”) with particular feature that are believed to meet the needs of certain BSI customers. If believed to be suitable for specific clients, those clients would pay a fee, indirectly, to BSI, and in turn to the broker managing their account, since such an arrangement has been designed in advance, to promote the product. In this instance a conflict would exist to the extent that a broker may be incentivized to recommend the structured note, over other products.
2. 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.
3. Third-Party Payments: As noted above BSI has entered into select dealer agreements with various mutual fund companies whereby, based on amounts of mutual funds sold, and held by BSI clients, the mutual fund companies will remunerate a fee, on a regular basis, back to BSI to compensate BSI for the distribution and maintenance of fund shares of the mutual fund family in view. Also, as noted above, were BSI to arrange a sponsor of a structured note product, such sponsor would be a third party to BSI, and would remunerate fees to BSI as compensation for distribution and maintenance of the structured note product.
4. Revenue Sharing: BSI has an agreement in place with an affiliate of its parent company in Mexico, supporting a sharing of commission dollars based on clients that are referred to BSI by such affiliate. An incentive exists therefore for such an affiliate to refer clients to BSI. It is believed that this arrangement is not a direct conflict of interest in so much way as BSI is able to offer such referred clients, products and services that would not otherwise be available to such clients.

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

You as a *retail investor* can find more information about BSI's brokerage services and request a copy of the *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 representative agent of BSI. He or she may incidentally also be an investment advisor representative of BSI's affiliate, Banorte Asset Management, Inc. ("BAM"). BAM is an investment adviser registered with the U.S. Securities and Exchange Commission ("SEC").

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.