

**Banorte-Ixe Securities International, Ltd.**  
**Brokerage Services Guide and Disclosures**  
**June 30, 2020**

**I. Introduction**

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

Please read the following questions which can be used as conversation starters between you and members of our firm, to help you better understand BSI’s services.

**II. “What investment services and advice can you provide me?”**

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 persons who assist their customers in meeting their stated investment objectives tailored to each client’s needs. BSI’s broker-dealer services for clients can generally be described as providing 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 deemed appropriate, BSI brokers make recommendations to clients. BSI, registered as a general securities broker-dealer, utilizes the clearing services of a custodian broker-dealer, known as APEX Clearing Corporation. 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 APEX Clearing Corporation (“APEX”). For example, certain securities, typically of a more obscure nature, simply may not be able to be custodied by APEX. BSI does offer the ability of 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, or APEX due to concerns regarding money laundering. For example, BSI and APEX do not allow 3<sup>rd</sup> 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.

**Monitoring:** BSI has a practice whereby customer accounts are monitored periodically, on at least a monthly basis, or as needed, more frequently, for supervisory purposes. This is offered as a part of BSI's standard services.

**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 regarding 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. Such 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 \$ 150,000 to open and maintain an account at BSI.

Please read the following questions which can be used as conversation starters between you and members of our firm, to help you better select among investment services and advise.

***“Given my financial situation, should I choose a brokerage service? Why or why not?”***

The determination as to whether you should choose a brokerage service depends on a variety of factors: tax situation, income needs, and the prospective frequency with which you anticipate trading or turnover within your account, to meet your investment objectives. If you and your financial advisor(s) have determined that to meet your financial objectives, frequent buying and selling of securities is the correct method of meeting those goals, then an investment advisory relationship may be your preferred style of investment account. However, if only periodic or minimal trading is anticipated for meeting your investment objectives, then you would experience greater efficiency and less cost in a brokerage account relationship.

***“How will you choose investments to recommend to me?”***

BSI brokers utilize several methods of making investment recommendations to their clients. Widely available research reports and analysis, within and across the investment industry are a constant source of reference for the brokers at BSI. Governments and Market statistics are compared with available alternatives to assess potential and access to asset classes and investment vehicles within those asset classes. Then, given the specific particulars of a given client, BSI will analyze the liquidity of the markets, cost of investments, timing of entry, and the client's capability of investing, combined with the suitability of an available investment before or at the time of making an investment recommendation.

***“What is your relevant experience, including your licenses, education and other qualifications?”***

### ***What do these qualifications mean?”***

The Head of Investments at BSI holds a Certified Financial Analyst (“CFA”) designation and regularly conveys BSI’s perspective regarding current market conditions to the investment professionals of BSI. The Supervisors at BSI hold the FINRA Series 24 license enabling them to oversee the brokers who handle customer accounts. The brokers hold the FINRA Series 7 license designating them as eligible to deal in General Securities activity on behalf of their clients. As necessary, the firm will ensure that given brokers, residing in, and/or having clients within a specific governmental jurisdiction, requiring specific licensing, will be fully licensed to operate within that jurisdiction. As an example, most states of the United States require at least the Series 63 Uniform Securities license for conducting securities activity within their state jurisdiction.

### **III. Fees, Costs, Conflicts, and Standard of Conduct**

Please read the questions below which may be used as conversation starters between you and members of our firm, to help you better understand BSI’s fees and conflicts of interest.

#### **A. “What fees will I pay?”**

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

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 account will be charged \$ 2.00 for delivery of trade confirmations. There is no charge for statements or confirms sent via electronic delivery.

Margin Accounts: Certain fees applicable to margin accounts to charge interest for the margin loans provided to clients who opt for this type of account. 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. The amount of the mark-up or mark down varies, based on a variety of factors pertaining to the particular transaction. No mark-up or mark-down will ever exceed 5%.

Equities, Options, Mutual Funds, Maintenance Fees:

<b>Equity Fee Schedule</b>	
<b>Equity Price</b>	<b>Commission</b>
\$ 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	
Total Investment in Mutual Funds per Account	Sales Charge
\$0 to \$349,999	3.00%
\$350,000 to \$499,999	2.50%
More than \$500,000	1.50%

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

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

Fee costs are reflected on 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 obligated 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, purchased 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.

***“Help me understand how these fees and costs might affect my investments. If I give you \$10,000 to invest, how much will go to fees and costs, and how much will be invested for me?”***

An investment of \$ 10,000 would be allocated to the investment recommended by the broker or as requested by you on an unsolicited basis, and less applicable commissions and fees, would go directly to such investment. The fee amounts deducted, prior to the remainder portion going toward your investment, depend on the type of security selected. According to the chart given above commissions amounts would be withheld, prior to the allocation of the remaining portion of the \$ 10,000 to the targeted investment(s).

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 \$10,000 will immediately be reduced by the percentage of the sales load, prior to being allocated to the mutual fund portfolio.

***“What are your legal obligations to me when providing recommendations?”***

BSI is obligated to communicate all necessary information, for you to make an informed decision, including all potential risks to be incurred, and including offering documents (when necessary) as well as other forms of disclosure, when recommending securities for you to purchase in your account. Further, BSI is obligated not to omit the communication of particular material facts that are needed to make a recommendation clear to its clients, before or at the time of a transaction.

**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, 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. 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 assist in specifically designing a hybrid security (“structured note”) with particular features that are believed to meet the needs of certain BSI customers. If deemed to be suitable for specific clients, those clients would pay a fee, indirectly, to BSI, and

in turn to the broker handling their account, since such 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, ultimately, 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, providing for a sharing of commission dollars based on clients that are referred to BSI by such affiliate. An incentive exists therefore for such affiliate to refer clients to BSI. It is believed that this arrangement is not a direct conflict of interest in so much as BSI is able to offer such referred clients, products and services that would not otherwise be available to such clients.

***“How might your conflicts of interest affect me, and how will you address them?”***

The conflicts of interest referred to herein may affect clients of BSI to the extent that BSI brokers may be incentivized to act, or make recommendations that benefit them, or the firm more than if the BSI broker were to choose another course of action or recommendation. BSI seeks 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 seeks to accomplish this by regularly reviewing the investment recommendations of its brokers, and monitoring the suitability of investment portfolios of its clients’ accounts.

***“How do your financial professionals make money?”***

BSI brokers are considered financial professionals who are compensated in line with industry standards. Generally, 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 maintaining 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 on additional clients.

**Item 4. Disciplinary History**

***“Do you or your financial professionals have legal or disciplinary history?”***

“Yes”

On **06/20/2006** the National Association of Securities Dealers (“NASD”) initiated 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 pertaining to 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 failing to notify 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 pertaining to mutual fund sales were deficient and that there was not a written policy and Supervisory procedure established 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 failed to enforce its procedures as outlined in its AML Program. Further FINRA indicated that BSI violated Rules 2011(A) and 2110, because BSI failed to monitor for, detect, and investigate certain suspicious activity. The Censure resulted in the 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.

**Item 5. Additional Information**

You as a *retail investor* can find additional 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](mailto:Compliance@banortesecurities.com). Also, you may call: 713-680-4600, or write to:

Attn: Office of Compliance

Banorte-Ixe Securities International Ltd.  
5075 Westheimer, Suite 975W  
Houston, Texas 77056

You can request up-to-date information and request a copy of the *relationship summary*, at any time by contacting BSI's Office of Compliance, as indicated above.

***Who is my primary contact person?***

Your primary contact person at BSI is your broker, specifically designated as the person responsible for assisting you with your account needs and investments. BSI refers to its brokers, as Financial Advisors.

***A. Is he or she a representative of an investment adviser or a broker-dealer?***

Your primary contact is a broker, 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 affiliate of BSI and is an investment adviser registered with the U.S. Securities and Exchange Commission ("SEC").

***B. Who can I talk to if I have concerns about how this person is treating me?***

You may discuss any concerns you may have with the Chief Compliance Officer of BSI, William Cathriner, at any time. Feel free to contact him, using the contact information listed above, for the BSI Office of Compliance.