



**Grupo Financiero Banorte, S.A.B. de C.V.**

**§165(d) Tailored Resolution Plan  
for  
United States Operations**

**Public Section**

*Submission Date: December 19, 2016*

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## **SECTION I: INTRODUCTION**

### **Section 165(d) and the Joint Rule**

Section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (“Section 165(d)”)¹ requires that certain nonbank financial companies and bank holding companies (the “Covered Companies”) periodically report to the Board of Governors of the Federal Reserve System (“FRB”) and the Federal Deposit Insurance Corporation (“FDIC”) their plans for rapid and orderly resolution in the event of material financial distress or failure. These plans are generally referred to as ‘resolution plans’ or ‘living wills’.

On November 1, 2011, the FRB and FDIC jointly issued a Final Rule implementing Section 165(d), codified at 12 CFR 381 (FDIC) and 12 CFR 243 (FRB)(“Regulation QQ”)(hereafter, the "Joint Rule"). 12 CFR 243.2 defines a Foreign Banking Organization covered company generally as one that (i) is a bank holding company and (ii) has USD \$50 billion or more in total consolidated assets.

### **GFNorte Overview**

Grupo Financiero Banorte, S.A.B. de C.V. (hereafter, “GFNorte” or the “Covered Company”) is a bank holding company domiciled in Monterrey, Nuevo León, México with approximately USD \$69.5 billion in total assets as of December 31, 2015.² Accordingly, GFNorte is a covered company under the Joint Rule.

GFNorte is the third largest financial services group in Mexico, providing both wholesale and retail banking products with business lines including (i) banking activities, (ii) brokerage activities (iii) long-term savings and (iv) other finance companies. GFNorte’s most significant subsidiary is Banco Mercantil del Norte, S.A. (hereafter, “Banorte Mexico”) which accounts for approximately 77% of GFNorte’s total assets.

### **Tailored Resolution Plan Requirements**

Tailored Resolution Plan informational requirements are set forth under 12 CFR 243.4. Specifically, tailored resolution plan information specified under 12 CFR 243.4 paragraphs (c) through (f) and paragraph (h) is required only with respect to the covered company’s U.S. nonbanking material entities and operations. The information specified in 12 CFR 243.4 paragraphs (g) and (i) is required for both

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¹ 12 USC 5365(d)

² As per GFNorte’s Annual Report 2015, GFNorte’s total assets were MXN \$1,198,476 million as of December 31, 2015. Based on a MXN-USD foreign-exchange spot rate of 0.0580 as of December 31, 2015, GFNorte’s total assets as of December 31, 2014 were USD \$69,482,105,898 or approximately USD \$69.5 billion.

the covered company's U.S. insured depository institution and its U.S. nonbank material entities and operations.<sup>3</sup>

Accordingly, GFNorte's submission contains its 2016 U.S. tailored resolution plan (hereafter, the "Plan") comprising strategic plans and relevant informational content for rapid and orderly resolution of the Covered Company's material nonbank United States entities, in the hypothetical event of material financial distress at or failure of the U.S. Nonbank Material Entities and/or the Covered Company itself.

## **SECTION II: THE NAMES OF MATERIAL ENTITIES**

The Covered Company has identified its U.S. material entities based on the definition of a 'Material Entity' provided in 12 CFR 243.2(l).

*"Material entity means a subsidiary or foreign office of the covered company that is significant to the activities of a critical operation or core business line (as defined in this part)." (12 CFR 243.2(l))*

Each of the three identified U.S. material entities below are significant to and directly mapped to the activities of the corresponding U.S. core business line. Accordingly, see **SECTION III** below for a description of each U.S. material entity in connection with the descriptions of GFNorte's U.S. core business lines.

### **U.S. Material Entities**

- Inter National Bank ("INB");
- UniTeller Financial Services, Inc. ("UniTeller"); and
- Banorte-IXE Securities International, Ltd. ("BISIF").

GFNorte does not have any critical operations for resolution planning purposes as defined by 12 CFR 243.2(g) insofar as GFNorte does not have any operations that, upon failure or discontinuance, would pose a threat to the financial stability of the United States.

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<sup>3</sup> The names of paragraphs (c) through (f) and paragraph (h) as cited above are: (c) Strategic analysis, (d) Corporate governance relating to resolution planning, (e) Organizational structure and related information, (f) Management information systems and (h) Supervisory and regulatory information. The names of paragraphs (g) and (i) are: (g) Interconnectedness and interdependencies and (i) Contact information.

## SECTION III: DESCRIPTION OF CORE BUSINESS LINES

12 CFR 243.2(d) defines ‘Core Business Line’ as meaning:

*“those business lines of the covered company, including associated operations, services, functions and support, that, in the view of the covered company, upon failure would result in a material loss of revenue, profit, or franchise value”*

Based on these criteria, GFNorte has identified three U.S. core business lines.

### U.S. Core Business Lines

- U.S. retail and commercial banking;
- U.S.-based international remittance and payment services; and
- U.S. introducing broker-dealer activities.

The following table provides a mapping of the Covered Company’s U.S. Core Business Lines to its U.S. Material Entities.

**TABLE III.1: MAPPING OF U.S. CORE BUSINESS LINES TO U.S. MATERIAL ENTITIES**

U.S. Core Business Line	U.S. Material Entity	Category
U.S. retail and commercial banking	INB	Insured depository institution
U.S.-based international remittance and payment services	UniTeller	Nonbank financial institution
U.S. introducing broker-dealer activities	BISI	Nonbank financial institution

### U.S. retail and commercial banking (INB)

Inter National Bank, headquartered in McAllen, Texas and with USD \$1.7 billion in total assets as of December 31, 2015, has been a subsidiary of GFNorte since 2006 and a wholly owned subsidiary thereof since 2009. Historically, INB has focused its credit activities and growth strategies mainly on Commercial Real Estate lending. Although deemed a U.S. Material Entity, INB is an insured depository institution, rather than a nonbank financial institution. Therefore, INB Plan information has only been provided with respect to the requirements of 12 CFR 243.4 paragraphs (g)(Interconnectedness and interdependencies) and (i)(Contact information), as discussed in section entitled **Tailored Resolution Plan Requirements** above.

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*INB exemption from CIDI Resolution Plan Rule*

Additionally, based on INB's total assets of USD \$1.7 billion as of December 31, 2015, INB is not required to submit a Covered Insured Depository Institution resolution plan under the FDIC's final rule requiring resolution plan submissions by insured depository institutions with USD \$50 billion or more in total assets.<sup>4</sup>

**U.S.-based international remittance and payment services (UniTeller)**

UniTeller is a licensed remittance company headquartered in the State of New Jersey with operations in 43 U.S. states, the District of Columbia, Canada, the Philippines and Mexico, with revenue for the year ended December 31, 2015 of USD \$33.8 million. The company's revenue is generated by processing remittance transactions to Mexico, Latin America, and Asia through a network of more than 30,000 paying locations via its paying agent partners.

**U.S. introducing broker-dealer activities (BISI)**

BISI is an introducing broker-dealer with revenue for the year ended December 31, 2015 of USD \$7.4 million that facilitates trading activity for Mexican clients seeking to access U.S. markets and introduces U.S. institutional clients seeking to execute trades in Mexican markets to Casa de Bolsa Banorte-Ixe. Because BISI acts only as an introducing broker-dealer and does not engage in proprietary trading or market making activity, the company does not hold custody of its clients' assets. Any failure of or operational interruption for BISI would set in motion various actions to ensure the continued safekeeping of its clients' assets, thereby minimizing any potential disruption to the U.S. financial markets.

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<sup>4</sup> 12 CFR 360 (Resolution and Receivership Rules)

## SECTION IV: SUMMARY FINANCIAL INFORMATION

Summary financial information disclosing assets, liabilities, capital and major funding sources for UniTeller and BISI is provided below.

### UniTeller

#### EXHIBIT IV.1: UNITELLER CONSOLIDATED BALANCE SHEET (UNADITED) (AS OF DECEMBER 31, 2015)

<b>UNITELLER FINANCIAL SERVICES, INC. AND SUBSIDIARIES</b>			
CONSOLIDATED BALANCE SHEET - As of December 31, 2015			
(all amounts in USD)			
<b>Assets</b>		<b>Liabilities &amp; Shareholders Equity</b>	
<b>Current Assets</b>	<b>\$</b>	<b>Current Liabilities</b>	<b>\$</b>
Cash and Cash Equivalents	23,041,883	Unsettled Wire Transactions	1,878,998
Wire Transfer Receivables	3,797,677	Due to Paying Agents	1,705,924
Other Receivables	3,215,259	Other Payables and Accruals	3,379,326
Allowance for Doubtful Accounts	(43,244)	Agent Deposits	16,834,188
Inventory	5,522	Wells Fargo - Line of Credit	3,349,740
Prepaid Taxes	22,542		
Prepaid and Other Current Assets	196,695	<b>Total Current Liabilities</b>	<b>27,148,177</b>
<b>Total Current Assets</b>	<b>30,236,334</b>	Deferred Tax Liability - L/T	1,117,134
Property and Equipment, Net	3,408,942	Notes Payable - Banorte	2,500,000
Intangible Assets	1,176,640	Others	855,352
Goodwill - SUT	19,096,788		
Other Assets	3,061,577	<b>Total Liabilities</b>	<b>31,620,663</b>
Intercompany Accounts	-		
Investment In Subsidiaries	-	<b>Shareholders Equity</b>	
		Capital Stock	36,158
<b>Total Assets</b>	<b>56,980,281</b>	Other	3,346
		Additional Paid in Capital	26,627,446
		Unrealized Transaction Adj	(116,682)
		Retained Earnings - Prior	(3,415,776)
		Retained Earnings - Current	2,625,192
		Translation Gain (Loss)	(400,066)
		<b>Total Shareholders Equity</b>	<b>25,359,618</b>
		<b>Total Liabilities &amp; Shareholders Equity</b>	<b>56,980,281</b>

**BISI**
**EXHIBIT IV.2: BISI BALANCE SHEET (AS OF DECEMBER 31, 2015)**

<b>BANORTE-IXE SECURITIES INTERNATIONAL, LTD</b>	
BALANCE SHEET - As of December 31, 2015	
(all amounts in USD)	
<b>Assets</b>	2015
<b>Current Assets</b>	<b>USD \$</b>
Cash and Cash Equivalents*	7,854,036
Securities Owned Held at Clearing Broker	136,863
Due from Clearing Broker	1,322,595
Accounts Receivable	605,625
Furniture, Equipment, Software & Leasehold Improvements, Net	2,051,809
Income Tax Prepaid	108,447
Prepaid Expenses	274,883
Security Deposits	371,707
<b>Total Assets</b>	<b><u>12,725,965</u></b>
<b>Liabilities &amp; Shareholders Equity</b>	2015
<b>Current Liabilities</b>	<b>USD \$</b>
Accrued Compensation	502,116
Accounts Payable & Accrued Exp	<u>496,598</u>
<b>Total Liabilities</b>	<b>998,714</b>
<b>Shareholders Equity</b>	
Common Stock**	500
Additional Paid-In-Capital	12,668,578
Accumulated Deficit	(941,827)
<b>Total Shareholders Equity</b>	<b>11,727,251</b>
<b>Total Liabilities &amp; Shareholders Equity</b>	<b><u>12,725,965</u></b>
*Includes \$6,809,156 invested in Money Market Accounts	
**No par value, 200 shares authorized, 50 shares issued & outstanding.	

## **SECTION V: DESCRIPTION OF DERIVATIVE AND HEDGING ACTIVITIES**

UniTeller does not engage in any trading or derivative activities.

BISI's trading activity is limited to agency trades and riskless principal trades executed for customers. BISI does not engage in proprietary trading; accordingly, BISI does not hold any positions on its balance sheet. All customer executions are completed through BISI's clearing firm. Therefore, a description of trading and derivatives activities is not applicable for the purposes of the BISI Plan.

## **SECTION VI: MEMBERSHIPS IN MATERIAL PAYMENT, CLEARING AND SETTLEMENT SYSTEMS**

### **UniTeller**

#### *Payment Systems*

UniTeller utilizes its own proprietary payment systems for transactions it processes in the normal course of business.

With respect to foreign exchange (FX) trading activities necessary for non-USD transactions, UniTeller currently performs such trades with the paying agents through which it ultimately makes payment to the beneficiaries. Additionally, as a backup option for FX trading of Mexican Pesos (which account for the largest transaction and dollar volume of UniTeller's transactions), UniTeller has an agreement in place with one of its banking institution business partners in the United States.

#### *Clearing and Settlement Systems*

UniTeller conducts the majority of its clearing and settlement activities through the Automated Clearing House of one of its banking institution business partners in the United States.

### **BISI**

BISI contracts with a United States clearing broker for correspondent clearing. BISI also utilizes Bloomberg for the execution of fixed income riskless matched principal trades on behalf of customers.

## **SECTION VII: DESCRIPTION OF FOREIGN OPERATIONS**

### **UniTeller**

UniTeller has wholly owned affiliates in Mexico (UniTeller Mexico, S.A. de C.V.), the Philippines (UniTeller Filipino, Inc.) and Canada (UniTeller Canada ULC). These affiliates are generally responsible for managing the paying agents in their respective countries.

### **BISI**

BISI does not have any operations outside of the U.S. However, BISI is indirectly owned by Casa de Bolsa Banorte-Ixe, S.A. de C.V. (“Casa de Bolsa Banorte-Ixe”), which constitutes the majority of GFNorte’s Brokerage business. For certain trades transacted in the Mexican securities markets, BISI engages with Casa de Bolsa Banorte-Ixe to facilitate the transaction.

## **SECTION VIII: MATERIAL SUPERVISORY AUTHORITIES**

The principal authorities that regulate and supervise the Covered Company in Mexico are the Mexican Central Bank, the SHCP, the CNBV, the CONSAR, the CNSF, the IPAB and the CONDUSEF. These authorities are subject to a number of organic laws and other administrative regulations that govern their regulatory, supervisory and other powers. Also, these entities continually enact administrative regulations within the scope of their respective authority for the regulation of the corresponding financial entities, as further mentioned below. Since GFNorte is a financial services holding company, its primary supervisor and regulator is the CNBV. In addition, its financial subsidiaries are subject to the supervision and regulation of corresponding financial authorities, and are in constant interaction with such authorities during their normal course of business.

**TABLE VIII.1: GFNORTE’S SUPERVISORY AUTHORITIES**

<b>Agency</b>	<b>Website</b>
Mexican Central Bank	<a href="http://www.banxico.org.mx">www.banxico.org.mx</a>
Ministry of Finance and Public Credit (“SHCP”)	<a href="http://www.shcp.gob.mx/">www.shcp.gob.mx/</a>
Mexico’s National Banking and Securities Commission (“CNBV”)	<a href="http://www.cnbv.gob.mx">www.cnbv.gob.mx</a>
Mexico’s National Retirement Savings System Commission (“CONSAR”)	<a href="http://www.consar.gob.mx">www.consar.gob.mx</a>
Mexico’s National Insurance and Bonding Commission (“CNSF”)	<a href="http://www.cnsf.gob.mx">www.cnsf.gob.mx</a>
Mexico’s International Association of Deposit Insurers (“IPAB”)	<a href="http://www.ipab.org.mx">www.ipab.org.mx</a>
Mexico’s National Commission for the Protection of Users of Financial Services (“CONDUSEF”)	<a href="http://www.condusef.gob.mx">www.condusef.gob.mx</a>

### **UniTeller**

UniTeller is subject to regulation and supervision by each of the state regulatory agencies in which it operates, as well as U.S. federal and foreign agencies with supervisory authority. Federal and foreign agencies with supervisory authority over UniTeller include the Federal Reserve Bank (“FRB”), U.S. Financial Crimes Enforcement Agency (“FinCEN”), U.S. Office of Foreign Assets Control (“OFAC”),

U.S. Consumer Financial Protection Bureau (“CFPB”), Canadian Financial Transactions and Reports Analysis Centre of Canada (“FinTRAC”), Autorités des marchés financiers de Québec (“AMFQ”), Mexico’s National Banking and Securities Commission (“CNBV”), Mexico’s State Administration of Taxation (“SAT”), Mexico’s Ministry of Finance and Public Credit (“SHCP”) and the Philippine’s Bangko Sentral ng Philipinas.

## **BISI**

As a Securities and Exchange Commission (“SEC”) registrant, BISI is subject to applicable SEC regulations, financial reporting, and filing requirements. BISI adheres to all Financial Industry Regulatory Authority (“FINRA”) requirements and is a member of the Securities Investor Protection Corporation (“SIPC”).

## **SECTION IX: PRINCIPAL OFFICERS**

Principal Officers for GFNorte, INB, UniTeller and BISI are as follows.

*TABLE IX.1: PRINCIPAL OFFICERS*

Entity	Title	Name
GFNorte	Chief Executive Officer	José Marcos Ramírez Miguel
Banorte USA <sup>5</sup>	President / Chief Executive Officer	Ricardo Velázquez Rodríguez
INB	President / Chief Executive Officer	Sam J. Munafo
	Executive Vice President / Chief Financial Officer	Amy Birt
UniTeller	President/Chief Executive Officer	Alberto Raul Guerra Rodriguez
	Chief Operating Officer and Secretary	Ronald Schwartzman
	Chief Financial Officer and Treasurer	William Kalaf
BISI	Chief Executive Officer	Carlos Mena
	Chief Financial Officer	Jose Saa
	Chief Compliance Officer	Justin Chen

<sup>5</sup> Banorte USA Corporation is the holding company for both INB and UniTeller.

## **SECTION X: RESOLUTION PLANNING CORPORATE GOVERNANCE**

### **Annual Review**

UniTeller and BISI have instituted respective corporate policies requiring the annual review, at a minimum, of the Plan by UniTeller's and BISI's respective Boards of Directors. The 2016 resolution plan submission has been reviewed and approved by the Board of Directors of UniTeller and BISI.

### **Resolution Plan Development and Maintenance**

UniTeller and BISI senior management comprising the following members of UniTeller and BISI senior management (hereafter, "UniTeller Senior Management" or "BISI Senior Management" respectively) are responsible for developing and maintaining the UniTeller and BISI informational content and strategic analysis within the Plan (the "UniTeller Plan" or "BISI Plan" respectively).

#### *UniTeller Senior Management*

- Alberto Guerra, UniTeller Chief Executive Officer and President;
- Ronald Schwartzman, UniTeller Chief Legal and Compliance Officer and Secretary; and
- William Kalaf, UniTeller Chief Financial Officer and Treasurer.

#### *BISI Senior Management*

- Carlos Mena, BISI Chief Executive Officer;
- Jose Saa, BISI Chief Financial Officer; and
- Justin Chen, BISI Chief Compliance Officer.

Each year, UniTeller and BISI Senior Management updates the Plan to reflect macroeconomic, industry, or UniTeller and BISI operational or financial changes, as necessary, that may impact the Plan. During each annual UniTeller and BISI Board review, the respective Boards vote to confirm the ongoing viability of the Plan.

### **Resolution Plan Initiation**

In the event of material financial distress or failure at UniTeller or BISI, Senior Management for the distressed company would be responsible for initiating the Plan, with oversight provided by the UniTeller or BISI Board of Directors (as applicable) and GFNorte Management and Board of Directors.

## **SECTION XI: DESCRIPTION OF MATERIAL MANAGEMENT INFORMATION SYSTEMS**

### **UniTeller**

UniTeller’s management information systems are broadly categorized as (i) UniTeller proprietary applications that reside within the UniTeller production servers and (ii) UniTeller third-party office support applications which are solely administrative in nature.

With respect to the former, all of UniTeller’s proprietary applications were developed and are supported within the company. Their functionality is broad; however, each application can generally be categorized as (i) administrative, (ii) financial management and reporting, (iii) regulatory/compliance and (iv) transaction processing. Detail regarding UniTeller’s proprietary application capabilities based on these categories is provided in the following table.

**TABLE XI.1: UNITELLER PROPRIETARY APPLICATION CAPABILITIES**

<b>Application Category</b>	<b>Capabilities Description</b>
Administrative	<ul style="list-style-type: none"> <li>▪ Track contact information of selling agents and account details</li> <li>▪ Provide transaction information to beneficiaries and track contact with them, including transaction history, invoices, paying locations, volume reports, etc.</li> <li>▪ Track inventory of cards used in money transfers</li> <li>▪ Call center support</li> <li>▪ Facilitate paying agent recordkeeping of money transfers</li> <li>▪ Manage user account permissions</li> </ul>
Financial Management/Reporting	<ul style="list-style-type: none"> <li>▪ Reconcile daily financial activity</li> <li>▪ Track company performance</li> <li>▪ Sales, accounting and operational data maintenance and reporting</li> </ul>
Regulatory/Compliance	<ul style="list-style-type: none"> <li>▪ Compliance with Bank Secrecy Act and other applicable laws and regulations</li> <li>▪ Transaction screening</li> </ul>
Transaction Processing	<ul style="list-style-type: none"> <li>▪ Data capture and money transfer initiation</li> <li>▪ Exchange rate, agent fee and interest rate parameter setting</li> <li>▪ Processing of licensed remittance company transactions</li> <li>▪ Process void transactions and stop payments</li> </ul>

### **BISI**

Based on BISI’s streamlined operating model, BISI has two key management information systems composed of its (i) accounting and financial reporting suite and (ii) compliance monitoring applications.

## **SECTION XII: HIGH-LEVEL RESOLUTION STRATEGY**

As required by the Joint Rule, the Plan assumes that an idiosyncratic and adverse event occurs that causes failure of the covered company and its Material Entities at a time when the U.S. and global financial systems are not experiencing a systemic financial panic or crisis.

The Plan describes a strategy for resolving GFNorte's U.S. nonbanking material entities as identified in **TABLE III.1** above (UniTeller and BISI) in such a way that would substantially mitigate the risks that the resolutions would have serious adverse effects on U.S. or global financial stability. The strategic analysis has been developed under the assumptions required by the U.S. regulators. By incorporating these assumptions, GFNorte is not representing or warranting that the assumed events would happen or follow in the sequence assumed in this Plan.

### **UniTeller Resolution**

Should management decide to execute this Plan due to material financial distress or failure at UniTeller, the sale of UniTeller to a third party as a going concern would be pursued as the primary resolution option.

In the event that UniTeller is unable to be sold to a third party in a resolution scenario, UniTeller's less preferred resolution option would involve reorganization or liquidation under Chapter 11 of the U.S. Bankruptcy Code.

### **BISI Resolution**

Should management decide to execute this Plan due to material financial distress or failure at BISI, the sale of BISI to a third party as a going concern would be pursued as the primary resolution option. In the event that BISI is unable to be sold to a third party, BISI's less preferred resolution option would be orderly liquidation under applicable SIPA (Securities Investor Protection Act of 1970) and FINRA.