


BORDER BANKING
Opportunities & Challenges

San Antonio, Texas
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Wells Fargo's Border Strategy



- Wells Fargo developed its Border Banking Strategy over 12 years ago to capitalize on the unique market along the US-Mexico border that arises from cross-border movement of people, goods and services.
- Currently we have five business banking units in key border cities and eight patrimonial banking units

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Border Presence

WELLS
FARGO



Wells Fargo's Strategy

WELLS
FARGO

- Retail Banking
- Patrimonial Banking
- Correspondent Banking
- Corporate Banking
- Winter Produce Segment
- Maquiladora Segment
- Structured Trade Segment

Border Banking - Opportunities



- Stable economy in Mexico and improved country ratings make Mexico a more attractive loan market
- Investments by U.S. companies and individuals in Mexico (and vice versa) provide financing opportunities for banks, in addition to treasury management/payment services
- Despite improved economic conditions in Mexico, individuals and companies continue to maintain a portion of their savings/liquidity in dollars.

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Border Banking - Opportunities



Border Banking opportunities arise from the cross border movement of individuals and goods:

- Deposits/investments— corporate and individual
- Payment services – wires, checks, remittances, bill pay services
- Foreign exchange
- Loans – to finance consumer purchases, inventory, accounts receivable, etc.

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Border Banking – Challenges



- Political/Legal actions that limit flows of people, goods or capital across our border with Mexico
- Compliance with laws and regulations (i.e. Patriot Act) have increased both the cost of doing business with Mexican companies and individuals as well as the risks associated with non-compliance

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Border Banking - Challenges



- Different legal system in Mexico – i.e. perfection of liens is more cumbersome than in U.S.
- Different accounting standards makes underwriting credits more difficult
- Corporate structures tend to be more complex than what we see in U.S.

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Border Banking - Challenges



- Developing sufficient market and customer knowledge from a distance is challenging when trying to:
 - ◆ Underwrite credits
 - ◆ Monitor risks in order to minimize losses
 - ◆ Ensure that the bank is dealing with the “right” customers – especially when targeting middle market

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Overcoming Challenges



Know Your Customer

- Site Visits – minimum once annually for established relationships
- Background Investigations:
 - ◆ International D&B/Veritas
 - ◆ OFAC check: company, owners, signers
 - ◆ Crime Bureau checks (international & Mexican)
 - ◆ Court record search for pending/closed suits
 - ◆ Mexican Attorney General lists
- Check names with market reference points (i.e. attorneys, bankers, accountants, customers)
- Monitor actual activity vs. expected activity

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Overcoming Challenges



- Frequent calling trips into market
- Careful selection of bankers to call in market
 - ◆ Bilingual/Bicultural
 - ◆ Prior experience as calling/lending officer in Mexico
 - ◆ Preference for bankers formerly employed in Mexican banking system
- Careful selection of legal counsel to ensure enforceability of loan documents
- Focus on the quality of financial statements to ensure their reliability

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Overcoming Challenges



- Mitigate commercial and country risks via insurance products:
 - ◆ United States Export Import Bank
 - ◆ Private insurers

When using insurance products to mitigate risk, it is necessary to fully understand and comply with policy to ensure successful claim – it is especially important to ensure documentation supporting transactions complies with policy

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