



COMMONWEALTH OF
PUERTO RICO

Office of the Commissioner of
Financial Institutions

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January 4, 2017

Myrna I. Lozada-Guzmán, Esq.
Goldman Antonetti y Córdova, LLC
American International Plaza, 14th Floor
250 Muñoz Rivera Avenue
San Juan, Puerto Rico 00918

**RE: EURO PACIFIC BANK, LTD.; PERMIT TO DOMESTICATE AS AN ENTITY ORGANIZED IN
PUERTO RICO AND TO OPERATE AS AN INTERNATIONAL FINANCIAL ENTITY**

Dear Ms. Lozada:

We are in receipt of your letter of December 14, 2016 (the "Letter") submitted on behalf of your client Euro Pacific Bank, Ltd. ("Euro Pacific") and its wholly owned subsidiary Euro Pacific Intl. Bank, LLC (the "Subsidiary"). In the Letter, as further explained below, Euro Pacific and the Subsidiary jointly request that the Office of the Commissioner of Financial Institutions (the "Office" or "OCIF") issue a ruling authorizing Euro Pacific, once it has been domesticated as an entity organized under the laws of Puerto Rico, to become the holder of the License that it originally requested be issued to its wholly owned subsidiary.

FACTUAL REPRESENTATIONS

The following facts are represented in the Letter:

Euro Pacific Bank, Ltd. is a limited company organized according to the St. Vincent and the Grenadines International Business Companies Act of 2007 (as amended and consolidated) and registered to operate a business dedicated to banking services in such jurisdiction on February 23, 2011.

The banking services that Euro Pacific offers in St. Vincent and the Grenadines are the following:

1. Bank Accounts.

- a. Offshore bank accounts with debit card Multiple Currency Accounts, Euro Pacific holds funds in USD, EUR, CAD, GBP, AUD, JPY, NZD, CHF and PLN;



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- b. Secured Remote Banking;
- c. Offshore online banking with dedicated banking representatives;
- d. Prepaid multi-currency cards for bank clients only;
- e. Foreign currency exchange facilities

2. Gold/Silver backed accounts.

3. Brokerage, through a wholly owned subsidiary - Global Trading Ltd.

Euro Pacific has an ongoing presence and operation in the Caribbean area with 24 full time positions in the Caribbean and 26 additional employees globally, for a total of 50 employees; approximately 13,000 customer accounts and over \$168,000,000 in deposits.

Euro Pacific filed an Application for a Permit to organize a wholly owned subsidiary in Puerto Rico (the "Application") to render banking services. As submitted in the Letter, the intention was to create a Puerto Rico subsidiary bank that would capture and appropriate all of Euro Pacific's operations in the Caribbean region, organized as an international financial entity under Puerto Rico Act No. 273-2012, as amended ("Act 273-2012" or "the IFE Act"), known as the International Financial Center Regulatory Act, and Regulation 5653¹ issued by the Office pursuant to Puerto Rico Act No. 52 of August 11, 1989, as amended, ("Act 52"), known as the International Banking Center Regulatory Act.

On February 26, 2016, OCIF granted Euro Pacific a permit under the IFE Act to organize a wholly owned subsidiary (the "Permit") under the name Euro Pacific Intl. Bank, LLC (the "Subsidiary"). The Subsidiary was organized in Puerto Rico on June 6, 2016. Mr. Mark D. Anderson is its sole Manager.

On October 20, 2016, OCIF granted the Subsidiary a license to operate as an international financial entity to render banking services (the "License"). The services that the Subsidiary was allowed to render under the IFE License are the following:

- 1. Deposit taking;
- 2. International payments;

¹ Article 27 of Act 273-2012 provides that regulations enacted under Act 52 shall apply to the organization and governance of IFEs until such a time as regulations are enacted under Act 273-2012.



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3. Foreign exchange;
4. Debit/Prepaid card services;
5. Correspondent banking.

All the banking services of the Subsidiary are specifically covered under the License and allowed under the IFE Act, Section 12(a) (1), (5), (6), (7), (8), (11), (13), (15), (16), and (17) of the IFE Act. In addition, the Subsidiary was authorized to render services under Section 12 (a) (9), (22) and 23) of the IFE Act with OCIF's prior approval. In the Letter it is also submitted that these services are identical to the banking services provided by Euro Pacific and which would be covered by the IFE Act upon authorization to domesticate said entity and assume the IFE Act license previously issued to the Subsidiary.

It is also specifically represented that as of this day, the Subsidiary has not commenced operations as an international financial entity.

It is stated that Euro Pacific has reevaluated its business operations in St. Vincent and the Grenadines and believes that its clients will be better served if it offers banking services from a U.S. jurisdiction, such as Puerto Rico. Euro Pacific believes that the operational, financial and tax advantages in re-domiciling to Puerto Rico as an international financial entity and transferring its existing operations to Puerto Rico will substantially enhance the success and continued growth of its St. Vincent operations, including the ability to develop stable and long lasting relationships with other counterparts. It also believes that re-domiciling to Puerto Rico will be an opportunity to diversify operations from a larger, financially secure and more notable center. As part of such re-domicile, Euro Pacific represents that it intends to create approximately 20 full-time Puerto Rico positions within the next 36 months and probably, an additional 5 full time positions once Euro Pacific becomes an affiliate member of MasterCard.

Euro Pacific has determined that it is of no use that the IFE commences operations at all and, in lieu thereof, it has thoroughly evaluated the transfer of its operations from St. Vincent to Puerto Rico under the name currently held by the IFE.

RULING REQUESTED

In light of the above and, since the Subsidiary will not engage in operations as an international financial entity and will not use the License, Euro Pacific and the Subsidiary jointly request that OCIF



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issue a Ruling authorizing Euro Pacific to become the holder of the License that it originally requested be issued to the wholly owned subsidiary.

In support of such said requests, applicants have submitted, among others, the following documents, some in draft form, as they would be submitted to the Puerto Rico Department of State and the Registrar of the International Business Company in St. Vincent and the Grenadines:

1. Opinion of St. Vincent Counsel to the effect that Euro Pacific Bank, Ltd. may freely seek domestication in another jurisdiction, in accordance with St. Vincent and the Grenadines International Business Act of 2007, including the draft of the Certificate of Departure to be filed in St. Vincent and the Grenadines once and if OCIF grants the authorization to reissue the License to Euro Pacific (Exhibit C to the Letter);
2. Certificate of Resolution of the Subsidiary authorizing reissuance of the License to Euro Pacific Bank, Ltd. since it will not engage in banking business and will be dissolved (Exhibit D to the Letter);
3. Proposed Certificate of Conversion to be filed with the Puerto Rico Department of State authorizing the re-domicile of Euro Pacific Bank, Ltd. into Puerto Rico (Exhibit E to the Letter);
4. Proposed Certificate of Incorporation of Euro Pacific Bank, Ltd. renamed as "Euro Pacific Intl. Bank, Inc." to be filed with the Puerto Rico Department of State upon conversion and re-domicile into Puerto Rico (Exhibit F to the Letter);
5. Proposed By-laws of Euro Pacific Bank, Ltd. renamed as "Euro Pacific Intl. Bank, Inc." to be filed with the Puerto Rico Department of State upon conversion and re-domicile into Puerto Rico (Exhibit G to the Letter);
6. Letter of Euro Pacific Asset Management, LLC authorizing Euro Pacific Bank, Ltd. (to be renamed "Euro Pacific Intl. Bank, Inc.") to use the name "Euro Pacific" as part of its corporate name and authorizing it to register using such name with the Puerto Rico Department of State (Exhibit H to the Letter).

LEGAL ARGUMENTS AND ANALYSIS



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In support of your request you submit that Article 7 of the IFE Act (7 L.P.R.A., Section 3086) provides that any person may request an authorization to operate an international financial entity by filing an Application Form. The Application must include the identity and business history of the applicant or any person that intends to possess or control, directly or indirectly, 10% or more of the capital of the international financial entity. Article 7 also requires the applicant to include its financial statements for the 3 years preceding the Application Form, identity and prior history of the proposed direct or indirect owners, directors, officers and managers of the international financial entity, among other documents.

In connection with the above mentioned requirements you submit that Euro Pacific, the Applicant, submitted to OCIF all the corporate, information on financial condition, its financial statements, and projected income and expenses as well as information on its then sole owner, Mr. Peter D. Schiff and then President and current minority owner, Mr. Mark D. Anderson². As informed in the Application Form, Mr. Anderson is the sole Manager of the Subsidiary and would remain its sole Manager upon the reissuance of the License to Euro Pacific.

Although Article 11 of the IFE Act (7 L.P.R.A., Section 3091) prohibits the sale, assignment, transfer, pledge, security or encumbrance of a license issued in accordance with law, you submit that such provision was drafted to prohibit the transfer or assignment between unrelated parties in order to avoid issues affecting the public interest. You thus contend that it should not be interpreted that the restriction established under Article 11 affects the right of the sole parent entity of the licensee to become the holder of the license that it requested for its own subsidiary, as the subsidiary should be deemed as one and the same person as its parent entity. In addition, you also argue that the restriction established under Article 11 does not affect the parent company to hold the license if its 100% owned subsidiary, the licensee, will not render services under it and will dissolve.

You are of the opinion that Section 8(a) (8) of Law No. 4 of October 11, 1985, as amended (7 L.P.R.A., Section 2010 (a) (8)), and otherwise identified as OCIF Act, grants the Commissioner the faculty to perform any acts necessary to carry on its duties for the efficient pursuit of its obligations. In addition, Section 3(a) (12) of the IFE Act (31 L.P.R.A., Section 3082 (a) (12)) grants the Commissioner the faculty to carry on or establish those procedures that may be incidental in the performance of his/her duties under the IFE Act. You further submit that one of such powers is the Commissioner's discretion in granting licenses under the terms and conditions that she/he deems necessary and

² This information was submitted in the Application Form and ancillary documents filed with OCIF on January 28, 2016.



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convenient, through administrative ruling, as well as the powers to make modifications to such licenses (Section 8 (a); 7 L.P.R.A., Section 3087 (a)).

CONCLUSION

After having analyzed your arguments in support of your request, we find no reasons to object or disagree with your legal opinion. In this case we are particularly persuaded by the argument that neither third parties nor the public interest will be affected because the Subsidiary has not commenced operation and has not rendered any services under the License. We are also persuaded by the fact that the Subsidiary is wholly owned by the entity now seeking to hold the IFE License and, therefore, the assumption of the License by the holding company does not involve new owners or a different business plan.

ADMINISTRATIVE DETERMINATION

In view of all of the above, the OCIF has no-objections to the proposed domestication of Euro Pacific. We thus confirm to the Puerto Rico State Department of our concurrence with the proposed domestication of Euro Pacific Bank, Ltd. and to rename itself as "Euro Pacific Intl. Bank, Inc.", as part of the legal process necessary to enable this entity to assume the IFE License granted to its Subsidiary.

In order to provide for a normal course for the licensing of the entity which will assume the license previously issued to its wholly owned Subsidiary, we now reissue the permit to organize the IFE in the name of the new entity and under its proposed new name. Once the domestication process has been completed and its registration consummated with the Puerto Rico State Department, we will reissue the IFE License as part of the permit authorizing the newly domesticated entity to commence operations under the IFE Act.

PERMIT TO ORGANIZE AS AN IFE

Thus, in the exercise of the faculties granted by Puerto Rico Act No. 4 of October 11, 1985, as amended, which created the Office of the Commissioner of Financial Institutions Puerto Rico Act No. 273-2012, and Regulation 5653, subject to its domestication and change of name, as submitted in the Letter, this Office hereby grants a permit to Euro Pacific Intl. Bank, Inc. (the "IFE"), to organize as an international financial entity under Act 273-2012, subject to the conditions and limitations set forth below.



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LIMITED ACTIVITIES

The authorization granted for the organization of the IFE is limited to the following activities:

1. With the prior specific approval of the Commissioner, accept deposits, from foreign persons in checking account as well as deposit accounts or time deposits, including demand deposits and deposits of funds between banks, or otherwise borrow from other international financial entities and any foreign person as defined in the Act and in Regulation 5653, as authorized in Article 12(a)(1) of the IFE Act;
2. Issue, confirm, give notice, negotiate, or refinance letters of credit, provided that the client and the beneficiary requesting the letter of credit is not a domestic person, or issue, confirm, give notice, negotiate or refinance letters of credit in transactions for the financing of exports, even if the beneficiary is a domestic person, as authorized in Article 12(a)(5) of the IFE Act;
3. Discount, rediscount, deal or otherwise trade in money orders, bills of exchange and similar instruments, provided that the drawer and the original debtor, is not a domestic person; as authorized in Article 12(a)(6) of the IFE Act;
4. Invest in securities, stocks, notes and bonds of the Government of Puerto Rico exempt from contributions in Puerto Rico; as authorized in Article 12(a)(7) of the IFE Act;
5. Carry out any banking transactions finally permitted to the Company (the IFE) in the currency of any country, or in gold or silver, and participate in foreign currency trade; as authorized in Article 12(a)(8) of the IFE Act;
6. After obtaining a special permit from the Commissioner, Underwrite, distribute and otherwise trade in securities, notes, debt instruments, money orders and bills of exchange issued by a foreign person for final purchase outside of Puerto Rico, as authorized in Article 12(a)(9) of the IFE Act;
7. Engage in any activity of a financial nature outside of Puerto Rico, which would be allowed to be done, directly or indirectly, by a bank holding company or by a foreign office or



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subsidiary of a United States bank under applicable United States law, as authorized in Article 12(a)(11) of the IFE Act;

8. Acquire and lease personal property at the request of a lessee who is a foreign person, pursuant to a financial lease agreement, which complies with the Regulations of the Commissioner, as authorized in Article 12(a)(13) of the IFE Act;
9. Act as a clearinghouse in relation to financial contract or instruments of foreign persons, as authorized by Regulations adopted by the Commissioner, as authorized in Article 12(a)(15) of the IFE Act;
10. Organize, manage and provide management services to international financial entities and other financial entities located outside of Puerto Rico, such as investment companies and mutual fund, provided that the stock and participation in the capital of such companies is not distributed directly by the international financial entity to domestic persons, as authorized in Article 12(a)(16) of the IFE Act;
11. Engage in such other activities as are expressly authorized by the regulations or order of the Commissioner, or are incidental to the execution of the services authorized by this Act and the Regulations of the Commissioner, except activities expressly prohibited by this Act, as authorized in Article 12(a)(17) of the IFE Act;
12. Establish, with the Commissioner's previous authorization, branches within and outside of Puerto Rico, in the United States mainland and its possessions or in other foreign countries, provided that branches outside of Puerto Rico will not accept any kind of deposits, and to establish a service unit or office in Puerto Rico, as authorized in Article 12(a)(22) of the IFE Act;
13. With the prior authorization of the Commissioner, provide to other international financial entities or to foreign persons outside of Puerto Rico, those services of financial nature, as these are defined and generally accepted in the banking industry of the United States and Puerto Rico and which are not listed in this Section; as authorized in Article 12(a)(11) and (23) of the IFE Act.

AUTHORIZED CAPITAL AND INITIAL CAPITALIZATION



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As submitted in your application, the proposed capitalization of the IFE will be five million dollars (\$5,000,000.00). We also understand that at least two hundred and fifty thousand dollars (\$250,000.00) shall be fully paid-in at the time the license to operate as an international financial entity is issued by the Commissioner.

We thus authorize the IFE to organize itself with an authorized minimum capital of five million dollars (\$5,000,000), of which the amount of \$250,000 shall be fully paid in at the time of commencement of operations.

Please note that increases and decreases in the IFE's authorized capital are governed by the Act and the Regulation.

UNENCUMBERED ASSETS

In addition, as represented in the application, the IFE shall also purchase a certificate of deposit or pledge unencumbered assets in the amount of \$300,000.00, which shall be pledged in favor of and for the benefit of the Commissioner, to comply with the unencumbered assets requirement established in Section 8(a)(7) of the IFE Act.³

RESERVE REQUIREMENTS

The IFE shall comply with the reserve requirements established in Article 4 of the Act or as otherwise subsequently agreed with the Commissioner as a condition precedent for the issuance of the license.

In the absence of an additional subsequent determination on this matter in the permit to commence operations, the reserve to be maintained by the IFE in no case shall be less than twenty percent (20%) of the total demand deposits maintained by the international financial entity (except the

³ For the purposes of a permit from the Office to organize an international financial entity and, ultimately, for the purpose of authorizing such entity to commence operations, the unencumbered assets required by the IFE Act do not constitute "capital" to the extent such unencumbered assets are pledged in favor of the Commissioner and may not be used in the operations of the entity nor to pay a shareholder's interest in the entity during the life of the entity. Whether the \$300,000 in assets pledged to the Commissioner may be reported as additional capital for accounting purposes is not passed upon in this permit to organize. Such accounting treatment depends on applicable accounting principles.



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demand deposits maintained from the Government Development Bank for Puerto Rico and the Economic Development Bank of Puerto Rico duly secured with acceptable collateral).

BUSINESS PLAN

We have examined a draft of the document titled "Business Plan" which was submitted with the Application to organize the IFE. Please be advised that the Office does not pass upon the sufficiency or legality of such Business Plan, and that the same shall at all times be ultimately governed by the permits to be issued by the Office.

OPERATING AGREEMENT

We have examined a draft of the document titled "Operating Agreement of Euro Pacific Intl. Bank, LLC" which was submitted with the Application to organize the IFE. In the enclosed attachment we identify and mark the changes we deem necessary in order to conform such document to the IFE Act. However, please be advised that the Office does not pass upon the sufficiency or legality of such Operating Agreement, and that the same shall at all times be ultimately governed by the permits to be issued by the Office.

PERMIT TO ORGANIZE AS AN INTERNATIONAL FINANCIAL ENTITY

Subject to the conditions set forth below, this Office hereby grants a permit to Euro Pacific Intl. Bank, Inc. to organize as an international financial entity under Act 273-2012.

CONDITIONS AND SPECIFICATIONS TO THE PERMIT TO ORGANIZE

The validity and effectiveness of the authorization granted herein to organize the IFE is subject to compliance by the IFE of all applicable laws and regulations. Our permit is subject also to the following conditions:

1. Reliance on representations

Please be advised that for purposes of the permit to organize hereby granted this Office has relied on the representations contained in the Application and to the supplementary documents filed on behalf of the IFE. Any material change in the information contained in the Application or in any of the documents submitted in support of the Application must be expressly notified to the Office.



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2. Concurrent filings

Applicant must concurrently file with this Office copies, if any, of all pertinent requests submitted to, and authorizations, rulings or approvals issued by, any other State or Federal agency.

3. Limited activities

Once this Office issues the license to commence operations as required by Act 273-2012, the proposed IFE may only engage in those activities finally approved and specifically listed in the license.

4. Locale

Once this Office issues the license to commence operations as required by Act 273-2012, the proposed IFE will be authorized to operate an office to be determined at a later date.

5. Employees.

The IFE organized pursuant to the provisions of this permit shall comply with the employment requirement of Article 13 of Act 273-2012. The IFE is hereby granted a period of 18 months from the date of the permit to commence operations to fully comply with the mentioned employment requirements.

6. Changes required

As an essential condition for the validity of this permit to organize the proposed IFE, the IFE must agree to request, notify and effect the changes and/or pertinent substitutions in the event any adverse information is reported in regard to the applicant, the proposed IFE or any Member, director or officer of the IFE. The term "negative information" means any information received from, or issued by, any federal or local agency, including any federal or local court, or any private entity, or any other information developed by the Office, when said information or indication, when verified, tends to show that the IFE, or any of the Members, directors, officers or employees has violated or is violating any law applicable to said entity, or has incurred in questionable practices in the management of the business or matters related with the proposed IFE or has in any manner



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infringed the fiduciary duty imposed by law or by the position, function or task performed in connection with the proposed IFE.

7. This permit is limited to the organization of the IFE

The permit herein issued is limited to the organization of the IFE as an international financial entity and does not extend to such matters as the establishment of branches or other matters which under Act 273-2012 require specific and separate permits.

8. Effective period

This permit shall be in effect for a period of six (6) months from the date of this letter, unless an extension is requested and written confirmation of the concession is obtained from this Office before the end of the six-month period.

9. Additional requirements

The final approval of the application and the issuance of the license to commence operations are subject to the fulfillment by the IFE of the above requirements and of all other requirements for organization of international financial entities established under Act 273-2012.

Please do not hesitate to contact the undersigned should you need additional information on this matter.

Cordially,

Iris Nereida Jiménez
Assistant Commissioner
Permits and Licensing Division



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