



GOVERNMENT OF PUERTO RICO
OFFICE OF THE COMMISSIONER OF FINANCIAL INSTITUTIONS
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PRESS RELEASE

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COMMISSIONER OF FINANCIAL INSTITUTIONS ISSUES COMPLAINT AND ORDERS SUSPENSION OF EURO PACIFIC'S BANKING OPERATIONS

Charges insufficient capital, violations to Consent Order, insolvency and other violations to the local International Financial Center Regulatory Act; issues Temporary Order Designating Trustee

San Juan, P.R., June 30, 2022 —The Office of the Commissioner of Financial Institutions (“OCIF”, by its Spanish acronym), through its Commissioner, Natalia Zequeira Díaz, today issued a Complaint and Cease and Desist Order (the “Order”) and a Temporary Order Designating Trustee (the “Temporary Order”) against Euro Pacific Intl. Bank, Inc. (“Euro Pacific”) an International Financial Entity (“EFI”, by its Spanish acronym) organized and doing business under the Puerto Rico International Financial Center Regulatory Act (Act 273-2012, or the “Act”).

The Order mandates the suspension of Euro Pacific’s operations as an EFI due to its crass non-compliance with the minimum capital requirements set for in both the Act and the Consent Order issued by OCIF in October 2021. Further, the Order imposes on Euro Pacific administrative fines totaling \$765,000.00 for various violations to the laws and regulations administered by OCIF.

Euro Pacific’s serious insolvency situation constitutes sufficient legal justification for OCIF to undertake the administrative action announced today in order to avoid irreparable harm to the interests of the international financial entity and/or the persons or entities that own funds or assets in the institution. To safeguard adequately the rights of all interested parties, OCIF designated attorney and CPA Wigberto Lugo Mender, a professional with vast experience in these processes, to serve as Euro Pacific Trustee effective immediately.

Likewise, Euro Pacific was ordered, under penalty of severe sanctions, to take the strictest security measures to ensure, guarantee, conserve and maintain whole, in a secure location, all of the documents, reports, books, records, registries, accounting records, papers and all other documents and evidence of its operations

Furthermore, Euro Pacific is summoned to a hearing at OCIF within ten (10) days to determine whether the Temporary Order is to be made permanent or be lifted. If it is made permanent, the trusteeship might end at such point as the entity's operations might permit, in the opinion of the Commissioner, that the entity's administration be returned to its duly elected and appointed officers and directors or, to the contrary, might end with the total liquidation of the financial institution, should that be necessary.

"The actions we have taken today in the Euro Pacific matter are in full compliance with our duty as regulator, pursuant to OCIF's laws and regulations, to protect against irreparable damage the interests of the entity and/or the persons or entities that own funds or assets in the institution and, ultimately, to protect also the solidity and reputation of Puerto Rico's financial system. Although OCIF has guaranteed the entity's due process under law and regulation, including giving it multiple opportunities to undertake corrective actions, unfortunately, Euro Pacific has a long history of non-compliance with the Law and regulations that govern the Puerto Rico International Financial Center. OCIF will not allow or tolerate any financial entity with a license issued by the Government of Puerto Rico to operate outside the law or ignore the clear mandates of applicable laws and regulations," said Commissioner Zequeira.

Euro Pacific started operations as an EFI in October, 2017. In October, 2020, OCIF started an examination of its operations from October, 2017 through June, 2020, to evaluate them under applicable solidity and solvency guidelines as well as its compliance with local and federal laws. The examination, concluded on June 25, 2021, revealed a series of deficiencies set forth in an OCIF Examination Report, a confidential document that OCIF discussed with the entity's management and Board of Directors so that it would implement the necessary corrective actions.

As a result of that examination, in October, 2021, OCIF issued a Consent Order in which Euro Pacific consented, among other things, to undertake certain changes to its Board of Directors and articulate and implement a Capital Plan that would ensure capitalization levels consistent with those of a "well capitalized" institution. The Consent Order further specifies that, if unable to comply with such capitalization requirements, the entity would have to take actions to (a) obtain the necessary capital; (b) sell the entity or merge with another; or (c) liquidate voluntarily.

In addition to the Capital Plan, the Consent Order required from Euro Pacific a Strategic and Budget Plan and a Liquidity Policy and Contingency Plan. After evaluating those documents and in view of Euro Pacific's failure to produce other documents required by OCIF, the regulator determined that Euro Pacific did not comply with the Consent Order and is insolvent.



In her announcement, Commissioner Zequeira was accompanied by Jim Lee, Chief of Internal Revenue Service (“IRS”) Criminal Investigation in Washington, D.C., with whom OCIF has a collaboration and resource exchange agreement to assist the local regulator in its investigation efforts, particularly in instances like Euro Pacific’s in which the entity has operations and/or holds assets outside the local jurisdiction.

“On behalf of the IRS, I would like to commend Commissioner Zequeira and her team for the action taken today. There is no doubt that OCIF’s work sends a strong message to others that the Puerto Rican financial industry will not be a haven for tax evaders or illegal conduct. We stand here together today to display the strong partnership we have with OCIF and to commend their leadership for taking decisive action,” said Lee. “The independent actions taken by OCIF today represent an all-inclusive compliance effort that the J5 chiefs are committed to furthering in an effort to assist bringing to justice those who avoid paying taxes or commit other financial crimes,” Lee said.

