

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2008015429401**

TO: Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

RE: Euro Pacific Capital, Inc., Respondent
CRD No. 8361

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against Respondent alleging violations based on the same factual findings described herein.

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ACCEPTANCE AND CONSENT

- A. Respondent hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

Euro Pacific Capital, Inc. ("EPC" or the "firm") (CRD No. 8361), located in Westport, Connecticut, has been a member of FINRA since October 7, 1980. EPC is a full service broker-dealer that specializes in foreign markets and securities and also offers access to U.S. stocks and bonds. The firm employs approximately 87 registered persons and operates from six Offices of Supervisory Jurisdiction, including its main branch office.

RELEVANT DISCIPLINARY HISTORY

In December 2008, EPC entered into an AWC with FINRA that imposed a censure and a \$37,500 fine for violations of NASD Conduct Rules 3010, 3011 and 2110 and NASD Membership and Registration Rule 1017. ("Rule 1017") The Rule 1017 violation was based on the EPC's failure, from October 13, 2001 through November 28, 2005, to file an application to obtain approval from

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FINRA for a material change in its business operations. Specifically, EPC received customer checks throughout that period, thereby increasing the firm's minimum net capital requirement. This increase constituted a material change in business requiring the firm to file a continuing member application with FINRA. For this Rule 1017 violation, EPC paid a \$5,000 fine. The firm has no other relevant disciplinary history.

OVERVIEW

Between May 2008 and February 2009, EPC implemented a material change in its business operations by increasing its staff of "associated persons involved in sales," as that term is defined in FINRA Interpretive Material 1011-1¹ ("IM-1011-1"), beyond the "safe harbor" limitations set forth in IM-1011-1 without first obtaining approval from FINRA as required by Rule 1017.

FACTS AND VIOLATIVE CONDUCT

Rule 1017 requires member firms who wish to effect a material change in their business operations to follow the application process set forth in subsection (b) of the rule. Under certain circumstances, Rule 1017 applies to business operations changes that involve the hiring of "associated persons involved in sales," as defined in IM-1011-1. That provision sets forth "safe harbors" that allow firms to add a limited number of sales personnel without having to file an application under Rule 1017. The IM-1011-1 safe harbors allow firms with 11 or more sales personnel to add 10 more such persons or to increase such persons by 30%, whichever number is greater, over a year's time. IM-1011-1 provides that such personnel expansions are measured on a "12 month rolling basis," meaning that the number of sales personnel that a firm is allowed to add is based on the number it had 12 months earlier.

In May 2007, EPC had 29 sales personnel. By May 2008, the firm had increased this number to 59, which reflected an expansion of 103.4%. In July 2008, EPC's number of sales personnel expanded to 63, which represented a 110% increase from the previous July. By September 2008, EPC had expanded by 125.8% from the previous year, to 70 sales personnel. By February 2009, the firm's number of sales personnel peaked at 87, which constituted a 107.1% increase from February 2008, when EPC had 42 sales personnel.

EPC failed to obtain FINRA's approval before initiating these increases in sales personnel as required by Rule 1017. EPC did not file an application under Rule 1017 until October 2008, by which time it had exceeded the IM-1011-1 safe harbors for five months. During the application process, before FINRA had the

¹ IM-1011-1 states that this term "includes all Associated Persons, whether or not registered, who are involved in sales activities with public customers, including sales assistants and cold callers, but excludes clerical, back office, and trading personnel who are not involved in sales activities." For ease of reference, this term will be shortened, where appropriate to "sales personnel" in this AWC.

opportunity to render a decision on EPC's proposed expansion, EPC continued to add sales personnel, as described above, until February 2009, when FINRA alerted the firm to its failure to comply with Rule 1017. By failing to obtain FINRA approval of the material change in its business operations, EPC violated NASD Membership and Registration Rule 1017, NASD Conduct Rule 2110 and FINRA Rule 2010.¹

OTHER FACTORS

B. Respondent also consents to the imposition of the following sanctions:

- A censure; and
- A fine of \$15,000.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against it;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and

¹ On December 15, 2008, NASD Conduct Rule 2110 was replaced by FINRA Rule 2010. Because the misconduct described above occurred before and after this rule change, this AWC cites both of these rules.

- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

Respondent further specifically and voluntarily waives any right to claim that a person violated the *ex parte* prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

Respondent understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; and
- C. If accepted:
 - 1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Respondent;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondent's disciplinary record;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and

4. Respondent may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Respondent may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

- D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that Respondent has agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the Firm to submit it.

7/8/10
Date

Peter D. Schiff
Respondent

Euro Pacific Capital, Inc.

By: [Signature]
Peter Schiff, President

Reviewed by:

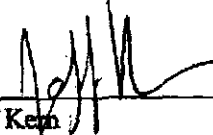
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Accepted by FINRA:

July 28, 2010

Date

Signed on behalf of the
Director of ODA, by delegated authority



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