

The ABCs of Offshore Banks



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Offshore banks continue to be a fascinating theme in global finance. The governments that charge their citizens higher taxes blame the for being key elements in tax evasion; meanwhile, the people, tired of their oppressive tax burdens, turn to these banks to better protect their assets.

One of the first questions that can arise is “what is an offshore bank?” These are banks located in a different jurisdiction from where you reside. For some, these banks are situated in Third World countries that, faced with the absence of natural resources, turn to the financial sector to maintain themselves economically; however, at present, there are dozens of countries that count on recognized offshore centers; so then, it’s not just small islands or Banana Republics.

Today, the best banks are located in the Middle East. The banks in this region usually attract much better capital than western banks, which have to face more bureaucracy.

Even though Germany is considered to be the country with the most solid banking system, there are actually better options, above all in countries with low tax loads, located in Europe, the Middle East, Asia, the Caribbean and Africa.

Today, which is the best offshore bank?

This depends on various factors; the main ones are:

1. Your nationality;
2. The amount of capital to be deposited;
3. Your activity.

In most cases you will have to reverse your thinking and ask yourself “in which offshore bank can I open an account?”

Also, you shouldn’t forget to ask “how much will it cost me to maintain my account?” Offshore banks aren’t cheap, but they give your capital the most privacy and protection.

Another point to keep in mind is: more privacy=more secure banks.

With the new international regulations, the most famous banks don’t want to risk multi-million dollar fines or worse that close their correspondence accounts, necessary to be able to operate. This is why you will notice that the smaller banks, which offer more privacy, usually

receive money in an account in another bank, making transfers more expensive (3 involved banks). ATMs, which permit receiving cash and making payments, without giving the name of the account-holder, have come about in recent years as an answer to these problems.

The Americans have been the first victims, because, for example, almost all the banks in the world have refused to open accounts for them; and not just to Americans: this also extends to residents and citizens of Europe and other Western countries. Another option for these people is Singapore, which has kept an open-door policy, or other sites in the Caribbean which work with American and other Western clients.

However, banks of “First World” countries are really impossible to deal with. If you are European, it is recommended that you not open an account on this continent, because you will run various risks, since governments in the same zone attempt to collaborate, so that they diligently share information.

So, the question still stands: “How do I choose the best offshore bank?”

In first place, you have to clarify if you are willing to travel to the place where the bank is located. At present most banks require dealing directly with the client when opening a bank account, at least the first time. Even the least complicated banks need to see the client’s face to open an account. If you aren’t willing to do this, your options for opening an account decrease; however, there are various banks that access opening an account without the person’s physical presence.

Another important factor to keep in mind at the time of selecting the bank is your citizenship. The restrictions imposed by FATCA have complicated life, especially for Americans and Europeans, whose foreign bank accounts are increasingly more controlled; nonetheless, there are at least more than 30 offshore banks that continue to accept American clients.

European citizenship creates complications for people who try to open an offshore bank account in European tax havens like Monaco, Gibraltar, San Marino, Luxemburg and Andorra.

A third essential of the equation for selecting the bank is the amount of money that you want to deposit. Offshore banks generally require greater sums than “onshore” banks to access the opening of an account. The amounts begin at 10 thousand dollars and private offshore banks take up to 10 million dollars as a minimum deposit.

Of course, it will always be easier to open an account in a multinational, but these are showing more and more a tendency to share their clients’ information with governments; meanwhile, offshore banks maintain the banking secret with greater force.

For Americans, one of the more “friendly” places in the Caribbean, in banking terms, is Belize.

At present, there are various offshore jurisdictions that are very well positioned. One of these is the Seychelles, which has achieved rapidly improving its economy. There, the banking secret is very well guarded and the privacy policies impede revealing the identity of company and corporation owners. Nevertheless, this country maintains tax information exchange treaties with another 46 countries, so as to comply with the Organization for Economic Cooperation and Development. The fact remains, however, that the majority of people don't trust an African country.

Hong Kong is another jurisdiction with various advantages. Various reasons combine to explain why this region has become one of the most important offshore centers in the world. More and more Americans and Europeans have decided to transfer their assets to Hong Kong banks because of the security that these institutions offer.

It is possible to keep funds in a wide range of currencies in Hong Kong banks, and savings accounts can also be maintained in gold. The low interest rates and favorable tax laws for foreigners are strong points in understanding Hong Kong's rise. Taxes on capital earnings, inheritance, dividends or interest deposits are not applied there. Only income generated in Hong Kong is taxed.

Singapore also stands out in Asia. This is one of the places with the quickest development in the fortune management industry, to the point that experts believe that in 2020 it will have surpassed Switzerland.

In contrast with what is happening in Hong Kong, which many fear is influenced by Beijing, Singapore has a stable government and the country's economy benefits from a low tax of interest; in addition, account holders can maintain their account in various currencies and even in gold.

Switzerland

For a long time, it was the tax haven dreamed of by everyone. It's a neutral country, in which the bank secret predominated. This image has fallen by its own weight even though, in some form, Switzerland continues to be a serious banking system; in addition, it's a stable nation and maintains its neutral status.

Because of all these advantages, the Swiss banks guard assets estimated at 829% of the country's GDP. Switzerland is also the leader in technological innovation, since the transfer of funds, digital signatures and secure encryption are highly developed.

United Arab Emirates

In contrast to other zones in United Arab Emirates, Dubai doesn't possess large reserves of petroleum and gas. This made it look for an alternative for survival; it found that focusing on the ample money flow from its petroleum rich neighbors was feasible. And so, Dubai became one of the most important financial centers of the world.

Dubai is situated in an excellent strategic position: in the commercial route from the West to the East. Dubai's banks benefit from low taxes, an ample amount of tax-free zones, as well as a high level of privacy, which competes with that of the Swiss banks. Many of the funds that enter these banks arrive in the form of cash or gold.

Cayman Islands

The Cayman Islands count on a decisive political and economic autonomy; however, they continue to be part of the United Kingdom. As with many of the Caribbean islands, the Caymans offer a number of tax-free incentives and few financial regulations.

At present, the Caymans are the fifth largest financial center in the world and the planet's largest banks and corporations have headquarters there. There are more than 10 thousand mutual funds, more than 200 banks, and more than 90 thousand corporations and 140 trust companies.

Lebanon

Not just a few call this country the "Switzerland of the Middle East" because of its stable bank system and its rigid norms on the bank secret. Violating this secret is heavily punished there.

Foreigners don't pay taxes on local income or earnings obtained from Lebanese banks. In addition there are no taxes on inheritance, stamp duties on contracts, taxes on corporate income or taxes on the distribution of dividends or capital gain.

Luxemburg

Luxemburg is another important player in the global finance sector, to the point of counting in 12% of the world market of offshore banking. It is a very stable jurisdiction, due to its political neutrality; it's a founding member of the European Union and this gives it better access to the European and international markets.

Its strict norms on bank secrecy are based on the professional client-lawyer relationship. In addition, this country is also famous for having empowered various installations where the clients can guard assets like paintings and gold, without fearing that these possessions will be reported to finance officials in their residential countries.

Belize

Ever since it appeared on the scene in the offshore financial sector during the 1990s, Belize has stood out because of its strict compliance to the bank secrecy and the wide variety of products and services it offers to foreign investors.

This jurisdiction is on the favorites for Americans, because of its geographical vicinity and because it is an English-speaking country, modeled according to British law. It's not complicated to establish an offshore company, a trust or a Limited Liability Company there.

Where shouldn't I open an offshore bank account?

The first thing to keep in mind is to avoid, at all costs, any bank that has a branch in the United States or the European Community. There is no real difference in terms of privacy and bank secrecy between a domestic American or European bank and their foreign branches.

Tax officials can access any account in a branch of an American or European bank, without any greater efforts and without needing a judicial order.

Nonetheless, it's important that we mention that all offshore banks with American and European tax officials; however, these officials will find it very difficult to deal with tracking down accounts opened in an offshore bank.

It's also important to explain that some offshore banks have offices in the United States and Europe; however, this doesn't mean that they are branches and therefore, there are no problems with these banks.

Another detail to pay attention to is that before choosing an offshore bank, it's important to look into it and to check on its official site that it doesn't have any American or European permits. This Internet investigation will also help determine whether this bank has been placed as a "blank" by certain tax officials. If it is, forget it and search for another, because if you don't, you could run the risk of seeing all of your bank data being exposed.

Now what do I do?

Keep in mind that when opening a bank account, offshore or onshore, you have the option of opening it in the name of a physical person (meaning that the account will have your full name) or in the name of a business, (the best is an offshore company). In both cases, the bank will know who the final beneficiary is, unless you use a name-loaner, with all the risks that your money can disappear. But, keep in mind that while with a personal account the name of the account holder is public with each transaction, in the case of a business account only the name of the business will appear when you send or receive funds.

That said, there's nothing left but to arm yourself with a hefty dose of patience and begin the process for opening your offshore bank account, keeping in mind that, depending on the bank, this can take from 30 days to 6 months.

To open an offshore bank account, you have two options: access an offshore bank directory such www.offshorebanksdirectory.com to select your bank candidates and begin to call, fill in forms and try to open an offshore bank account by yourself, or request the services of experts who face the networks every day to open your offshore bank account.

[Contact the experts](#) or write to us at info@offshorebanksdirectory.com