

Peter Macfarlane's

***How to Open Your Own Offshore
Bank Account for Privacy and
Security***

2009 Edition

Expat Wealth

© 2009 Noticias Globales, S.A. doing business as Expat Wealth

Offshore Banking Consultancy Service for Expat Wealth readers:

<http://www.petermacfarlane.net/offshore-consulting-by-peter-macfarlane/>

Noticias Globales, S.A.

Calle 50, Global Plaza Tower 19th floor, Financial District, Panama City, Republic of Panama
Tel 1 (206) 350 8888

IMPORTANT NOTICE:

This guide is not intended as a replacement for professional advice. Whilst every effort has been made to ensure the accuracy of the information contained herein, by nature it is a general introduction to a complex topic and should under no circumstances be construed as legal, financial or tax advice. The publishers are not able to accept responsibility for any losses incurred due to acting on the information contained within this report. International investing carries significant risks which may not be the same as those in your country of residence or citizenship. For any personal advice you may need, please be sure to consult with reputable professionals who are suitably qualified.

Contents

Welcome to my Offshore World	5	
Where and What is Offshore?	6	
Why Go Offshore?	8	
Is it Legal?	10	
Bank Secrecy and Reporting Requirements		11
Getting Started Offshore	13	
A Special Note for US Citizens and Residents		14
A Special Note for EU Citizens and Residents		15
Do You Need a Trust, Corporation or Foundation?		17
Do You Need an Intermediary to open an Offshore Account?	19	
How Peter Macfarlane Can Help You		
20		
Choosing the Right Bank for Your Offshore Account		21
Understanding the Products on Offer	26	
Opening Your Offshore Account	30	
Operating Your Offshore Account	32	
Appendix A: EU Savings Tax Directive, Table of Jurisdictions		34
Appendix B: Peter's Recommended Banks		37
Appendix C: Peter's Free Bank Referral Service		41
Personal Account Application Form		42

This page is intentionally blank ... please read on

Welcome to my Offshore World: from the desk of Peter Macfarlane

It's about a year since I produced the first edition of this guide. The year 2008 was one of great changes, and so far 2009 has shown even more change. Change creates opportunities. I consider it my job to keep my clients abreast of all these changes and opportunities. The updates to this guide for 2009 reflect a number of these changes and opportunities.

Offshore banking is my work, hobby and passion, and has been for many years. I work with day in, day out. Quite frankly I am passionate about it.

No doubt offshore has an emotional side. We've all seen the movies. Offshore banking conjures up images of touching down in light planes on remote islands rimmed by crystal clear blue seas and white sand beaches, or of driving high up into the mountains around hairpin bends. I've certainly tried both, and my career has taken me to some interesting places. But most offshore banking these days is done in far less romantic places like London, Zurich or New York.

Another important emotional factor is what people around us think. There are those who suggest that taking advantage of other legal systems is somehow wrong. Personally I believe the opposite. I believe governments are parasites. That said, of course we must respect and operate within the laws of where we choose to live. After all, if we don't like them, we can leave – right?

In the final analysis, however, I want to keep emotions out of this guide. Originally prepared exclusively for readers of a high end private newsletter, *The Q Wealth Report*, it is a purely practical roadmap for taking those first steps offshore – dipping your toes in the water. This is the how and the why – and the who.

One theme I hear frequently these days is that “tax haven jurisdictions will die out.” When? Exactly when all the Big Brother, high-tax countries embrace the basic human rights of freedom and privacy, and lower their corporate and income taxes to nil, or close to it. Or when nation states as we know them cease to become the norm. I know which I think will happen first, but that's the theme for a future article!

Despite the political and economic pressures exerted by EU, US and some of the notorious international organizations like OECD and FATF, the leading offshore financial centres have lived through, adjusted, improved and are now doing better than ever. Maybe because so many people and businesses worldwide have voted with their wallets and have chosen to do business offshore.

I do hope you find this guide extremely useful, and I welcome your feedback. Please do peruse my personal website: <http://www.petermacfarlane.net>

Kind regards

Peter Macfarlane
March 2009

Where and What is Offshore?

Nobody quite seems to agree on where the word “offshore” first came from – but it most likely developed in the UK. The Channel Islands (Jersey and Guernsey) went into the finance business soon after the end of the Second World War. Their unusual constitutional status gave them independence in all domestic affairs, including taxation and banking regulation. It didn’t take them long to realise that they could offer a safe, tax-free haven for moderately wealthy, middle class Brits who were being persecuted by successive Labour governments, desperate to pay off the debts of the Second World War.

During the 1970s, Labour governments in the United Kingdom raised taxes as high as 95% and restricted export of currency. Whilst the super rich had always looked to Switzerland, the Channel Islands provided a convenient, close, English-speaking alternative for overtaxed Brits looking to move more modest wealth “offshore.”

During the 1980s and the 1990s, dozens of Caribbean island nations renounced their status as colonies and broke away from Britain (and to a lesser extent France). On becoming independent sovereign nation states, they, too, saw financial services as a way to quick profits. Within easy reach of North America, they focused more on the US and Canadian markets, offering “no questions asked” banking services for those wishing to hide cash. We’ve all seen the movies about so called “Samsonite banking.”

Although leftist or populist politicians sometimes still try to tar the image of offshore islands with the brush of money-laundering, organized crime and tax evasion, the fact is that these economies today are generally prosperous and well regulated international financial centres that contribute in a meaningful and beneficial way to oiling the works of global commerce.

Today most offshore centres prefer to be known as **international financial centres**, avoiding the “offshore” or “tax haven” appellations which they believe have negative connotations. While that may be true, the word “offshore” lives on. Around here we don’t want to give in to political correctness and we happen to like the word “offshore.” It’s become part of the English language and we see no reason to change it. Most people know what we mean when we say “offshore banking” and people understand something specific... unlike “international finance” which could mean almost anything!

Anyway, getting back to our theme, although the word “offshore” was originally coined because of the small island nations involved in the business, today it has become generally accepted as meaning any place outside your home country. For example, to Brits the USA is offshore, and vice versa. Landlocked Switzerland, Liechtenstein and Andorra don’t have any sea shore at all, but they very much fit into our modern definition of offshore banking.

Tax avoidance or Tax Evasion? An important difference to understand

According to a formulation by the OECD (Organisation for Economic Co-operation and Development), an offshore tax haven is a jurisdiction which actively makes itself available for the avoidance of taxes which would otherwise be paid in a higher tax jurisdiction.

The keyword here is “tax avoidance”. There is another one: “tax evasion”. Tax avoidance is legal, while tax evasion is a crime. Basically, tax avoidance is structuring ones’ business affairs in such a way that minimum possible amount of tax is payable, without breaking the law.

An offshore jurisdiction is one that offers attractive instruments or opportunities for tax avoidance, and for personal financial privacy, and for asset protection.

In a judgement that formed the basis of US tax avoidance law for decades, Judge Learned Hand famously wrote: "Any one may so arrange his affairs that his taxes shall be as low as possible; he is not bound to choose that pattern which will best pay the Treasury; there is not even a patriotic duty to increase one's taxes..." *Gregory v. Helvering*, 69 F.2d 809, 810-11 (2d Cir. 1934).

Why Go Offshore?

Every client has a slightly different motivation for going offshore. Sometimes, asset protection may not even have a tax motive, although frequently both are related. It's just safer to be offshore!

Strict banking secrecy regulations, supported by stiff criminal penalties for those who might breach them, blanket confidentiality provisions for trust and company management firms, and minimum information on public files such as credit bureaux are only some of the reasons why your assets might be better protected offshore than onshore.

Credit bureaux, in particular, have become a scourge on society. While they certainly serve a useful role in society by allowing people to qualify for credit if they want to, there is simply no option to opt out of them even if you are not interested in borrowing money. Despite unenforceable laws to the contrary, this means that basically anyone with internet access can check your bank balance at any time. Unless, of course, you only use offshore accounts – which never report to anybody.

The Offshore Safe Haven

A lot of offshore investments used to come from countries where political turmoil and civil strife threatened the wealth of productive people. For example, Miami became a major regional financial centre because it offered the security, safety and stability of the United States of America to businessmen and wealthy families from Latin America at a time when the region was characterised by devaluations, thefts and ruthless military dictatorships.

Today, however, the tables are turned and we see many Americans (besides those same wealthy Latin Americans) seeking a safe haven for their money outside the US, as they see the economy imploding and the dollar fast losing its value. Think Panama...

Smart money doesn't want to depend on the economy of just one country or indeed one currency, and small offshore havens – neutral countries with very conservative economies – offer the necessary safety and security. No Swiss bank has collapsed in centuries, whereas this year we have seen bank collapses in the USA, not to mention the Savings and Loan crisis which is still fresh in many minds. We're not saying that you will lose money in major western banks today either, but not-so-subtle hints like the sub-prime crisis, the Northern Rock problems in the UK, and the Societe Generale scandal in France, do suggest that we should be looking to invest at least part of our portfolios in small, neutral places which don't have such a high level of exposure to risky practices.

Offshore Expertise

In a global economy, you need global expertise. Where do you find it? In countries that rely on international business for their livelihoods. Would you prefer to buy a watch made in Australia, the US or Switzerland? You would probably go for the Swiss because of their worldwide reputation for "superlative" quality (to coin a phrase from Rolex).

Well, banking services are the same. Switzerland and London are much more international in their outlook than New York or Paris. The service is simply better and more sophisticated.

Most offshore banks focus their non-resident services in just one or two offices where their best people are put to work as a team. This is in contrast to retail or onshore banks who try to serve clients through hundreds or thousands of branches, and call centres in India or the Philippines. Of course they will give you advice (in return for commissions) but you cannot expect anything like the same level of expertise.

Can you imagine a banker in Philadelphia who is qualified to advise you on how you can gear your returns by taking a loan in Japanese Yen then investing the loan proceeds in Mexican Peso bonds for a higher return? There might be a few, but don't hold your breath. But this kind of expertise is routinely found in offshore private banks.

Offshore Access

You may not have realised this, but if you live in a country like the USA or UK many of the most attractive investments in the world are off-limits to you because of regulatory requirements. We're not talking about dodgy "high yield prime bank off balance sheet trading schemes" here. We are talking about mutual funds run by the investment banking divisions of big American or British banks, or smaller niche funds that allow smaller investors to participate in hugely successful investments such as Warren Buffet's Berkshire Hathaway.

Complicated regulatory approval procedures and complying with legislation such as Sarbanes-Oxley make it unattractive for many foreign businesses to do business with Americans and Brits. Foreign banks dealing with Americans must either sign up for "qualified intermediary" status with the US authorities (which means co-operating on information exchange) – or their clients must suffer punitive withholding taxes. There is plenty of smart money already floating around offshore, and it's easier for many banks simply to reserve their best investments for sophisticated offshore clients, while preparing other funds for their domestic markets.

The UK is another case in point. The "Money Laundering Regulations 2007" have driven a lot of expat and non-resident trust business offshore. London used to be a major international financial centre for the offshore world, a safe haven where wealthy foreigners knew they could rely on English common law to protect the confidentiality of their business transactions. Under the 2007 rules, however, businesses such as company formation agents, trust providers and even accommodation addresses (maildrops) are required to keep confidential information on their clients available for inspection any time – no need for warrant or even just cause – by inspectors of Her Majesty's Revenue and Customs. Due process has become a thing of the past.

The good news is that even today, it is quite simple to change the country of origin of your funds. How? By using an offshore company or trust. This makes your funds let's say Panamanian, then any international bank will be able accept your funds without regulatory problems. We'll look at this in more detail a little later in this report.

Is it Legal?

Aren't all offshore havens used by crooks and money-launderers?

Well, aren't London, New York or Miami banks used by them, too? Offshore tax havens have for decades been the target of blackmail and slander campaigns by the governments of the powerful high-tax jurisdictions. Your government would most assuredly like you to believe that offshore tax havens are only used by fraudsters and criminals – but that's completely unjustified.

While there will be a rotten apple in any basket (especially if the basket is big enough), 99% of all business transacted through offshore companies is completely legitimate. In fact, due to the inherent need to keep their reputations squeaky clean, most of the leading tax haven countries nowadays have much better systems to detect and prevent financial crime and money-laundering than the big, powerful nations who criticise them.

Bank Secrecy and Reporting Requirements

Some people ask “*will my new offshore bank be required to report that I have an account with them?*” Although there is a lot of variation between countries, the usual answer will be “no.” If you follow the basic advice in this report, in particular taking care to avoid the effects of the EU Savings Tax Directive, banks will not *automatically report* anything about your account to anybody.

The more important question is this: will they give up every bit of information they have if asked about the account? Obviously, if someone just walks in off the street to ask about your account, they’ll be given a cold shoulder. But nobody serious will waste their time doing that. If anyone ever asks your offshore bank about you, the person doing the asking will almost certainly be a representative of the local government in the offshore haven, who has been persuaded to do so by some foreign authority.

You can search around to open your account in the jurisdiction with the strictest privacy laws. However, if someone with official authority is on the warpath against a specific name or account number, it really doesn’t make a lot of difference. Any bank, anywhere in the world, will co-operate. *Get that: nowhere in the world has privacy laws that will protect you against enquiries from a major western government.* But, they will need to know that the account exists, under what name, and in which bank. Without that information, investigators can do very little.

Banks might claim that they will respect your confidentiality. They might even hold out for a while. If you have taken the time and trouble to maintain an excellent relationship with your bank, they might tip you off that someone was asking questions... but in the end, they will reveal all. I promise you.

I thought Liechtenstein had some of the strictest privacy laws. In fact it did, and still does. But, if someone breaks those laws, the fact that they are wanted for a criminal offence in Liechtenstein probably won’t be of much comfort to you. That’s exactly what happened when a former bank employee allegedly sold a list of account holders to German and British tax authorities for five million euros just recently.

In another recent UK case, it was shown that it was actually *easier* for the British police to obtain information on a bank account on the offshore island of Guernsey, than it was from a bank in the mainland UK! Guernsey (after a few scandals) now bends over backwards to appear co-operative. Local courts there will just rubber stamp any application for co-operation they get from places like the UK or the USA without giving them serious attention, because to refuse co-operation in a money laundering investigation would be political suicide. Whereas in the mainland UK, judges still sometimes actually ask some questions and demand to see real evidence of a crime before allowing the police to conduct a fishing expedition into a suspect’s banking records. So much for offshore confidentiality!

For the reasons mentioned above, it is well worth considering keeping your money in a more low-profile country, a place where nobody would think of buying stolen bank records for millions of euros. Remember that everything outside the borders of your own home country is *offshore* to you. All banks, especially the offshore variety, offer some degree of privacy. Exactly how much privacy you get these days depends not so much on the law, but on you!

You must verify that there are no routine reporting requirements between the bank where you opened your account and any tax authority that has any possible interest in you. If they do not file any reports, the bank will not be a source of any leaks – until and unless somebody asks them directly about your account. If that happens, you should always assume the worst case scenario – that they will spill the beans immediately.

It is up to you to **tell absolutely no one about your offshore account**. Jealous ex-spouses and business partners are a major source of information on offshore accounts – and every other kind of damaging information on you. Everything may be fine now, but who knows what will happen to your relationships over the next few years. *If you want to keep your account secret, you have to keep your mouth shut.* Never leave any records of your secret accounts where others can access them.

We repeat: the only real way to keep a bank account private is to tell absolutely no one about it. Keep any electronic records encrypted.

The best banking jurisdiction for you will be determined by the type of bank you need and the services you require. The rest of this report will help you make the right decision. You should read this in conjunction with personalised advice from a competent professional who is familiar with your situation.

Getting Started Offshore

Opening a bank account offshore may appear, at first glance, to be a very paperwork-intensive process. It's no longer just a matter of filling out a form on the internet then mailing off a copy of your passport.

But don't despair. You'll need a good dose of patience, and you will need to follow step-by-step instructions precisely. If you can do that, and your money is clean, you are in.

People sometimes forget that banks are in business to receive deposits. The main thing constraining them from doing business with you is bureaucracy and reputational risk. Banks want clients and they *will* look for ways take your deposit if they possibly can do so, within the regulatory framework they have to abide by.

The more substantial your business, of course, the more accommodating they will be. By this I don't mean that banks are corrupt. I mean that if you want to invest a thousand dollars, bankers naturally have to apply a systematic, cookie-cutter approach administered by low-level personnel – and if you don't fit in to that, they will just refuse your business.

On the other hand if you have a hundred thousand or a few million to invest, they will take the time to look more fully at your personal circumstances and can afford to dedicate more high level staff time to dealing with you. Your account application will be reviewed directly by the people who have the power to make decisions and the will to accommodate you as best they can.

It's worth mentioning that some readers have wanted to open an account with the minimum balance, with a view to making a much larger deposit later if they are satisfied with the service. While that might make sense in most business relationships, in offshore banking it is probably not a good strategy. If the banks see serious money you will get better service from the start.

A Special Note for U.S. Citizens and Residents

The USA is the *only* country in the world to tax its people based upon their citizenship rather than their “residency”. Therefore while a US person is abroad, they continue to be subject to US taxation in addition to being taxed by their new country of residence.

US ‘persons’, as they are called in tax jargon, are therefore a very special case. US ‘person’ refers to all citizens and green card holders (also US resident aliens... even illegal aliens). They are subject to US Federal Taxation on their worldwide income for life, regardless of where their income is earned, what currency it is in or where the income is deposited to. The only way to escape this liability is by renouncing the citizenship or green card as the case may be, and of course physically departing from US territory.

Even then, there is much talk of an “exit tax” for Americans who exercise their constitutional right to renounce citizenship. Such a statute does exist on the books, but we believe it is more for show than something that is routinely enforced. But you can never be too careful, right?

This report is about banking not tax planning, so we won’t go into depth here; suffice to say there are certain exemptions, deductions and the like which make this situation not quite as bad as it sounds. All of them require work in terms of filing papers and making claims.

What does this mean in concrete terms when it comes to offshore banking?

First of all, many offshore banks simply *will not deal with US citizens*. It’s nothing personal! The paperwork and hassles they get from the IRS are just too hard to deal with so it is just not worthwhile from a business point of view to deal with Americans. Of course, that is exactly what the American government wanted in the first place.

Other banks will accept US citizens but on less attractive terms – for example demanding that they voluntarily waive bank secrecy, or severely restricting the products they can choose. They might be allowed to hold just CDs rather than mutual funds.

There is, however, some good news: there exists a quick, easy and totally legal way to bypass all this. The bad news is that like anything else, it costs money. But what price your privacy?

The solution is simply to use a foreign corporate entity, such as a corporation or foundation, or an offshore trust. In that way, the US citizen is not the legal owner of the account, even though they might control the entity and be the beneficial owner.

We should stress again that we are not giving tax advice here. Holding a foreign account through a corporate entity won’t necessarily make any difference to your tax obligations if you remain beneficial owner. As a US person, you are still required to declare your income and gains, even if they are obtained through a company you control.

What it will do, however, is add a strong layer of privacy to your financial affairs. The offshore bank will no longer be required to treat you as a US person. Instead you will be, say, a Panamanian corporation, and the whole range of investment opportunities will be open to you, without any requirement to waive your right to banking secrecy. Your name will be in the bank’s internal files, of course, but it will be subject to local bank secrecy laws

which you won't have to waive, and on all transactions only the company name need appear.

A Special Note for European Union (including U.K.) Citizens and Residents

Have you heard of the European Union Savings Tax Directive?

You certainly should be familiar with this directive, which reaches far beyond European Union borders, before you open any offshore bank account anywhere in the world. Traditional bank secrecy jurisdictions such as Switzerland, Andorra, the Cayman Islands or the Turks and Caicos are all affected by this legislation. *A full list of all the countries and territories affected by this directive is included in Appendix A at the end of this report.*

If you as an individual are a citizen or resident of an EU Member State, and earn bank interest or other savings income on deposits or investments held in your own name in one of the signatories to this treaty, then it is likely that you will be affected by the Savings Tax directive and your account may be subject to reports sent to your home country.

One thing to be clear about is that Europeans, in stark contrast to Americans, are only in principle taxed on residence. If you live *outside* the European Union, even though you are an EU citizen, you can hold bank accounts anywhere and they will *not* be reported to your home country.

There is however a big caveat that you must be extremely careful of. And this is a nasty principle which shows European governments are keen to follow the American example, taxing based on citizenship not just residence.

For purposes of the EU Savings Tax Directive, the offshore bank must be very sure that for tax purposes you are resident outside the EU, and in these matters the standard of proof is quite high. For example, not just a utility bill is enough to prove your residence abroad, but a certificate from the tax authorities where you live is required. If the bank is in any doubt about your official tax residence, they must legally report your account by default to your country of *citizenship* rather than residence.

So, without making things too complicated, if you are a citizen of the European Union and you want to ensure that your privacy is respected and your offshore account is not reported to any foreign authorities, you have two alternatives:

- Open your account in a jurisdiction *not* subject to the EU Savings Tax directive – that is, one not listed on the Table in Appendix A.
- Open your account using a corporate entity such as a company or foundation, or a trust.

Fortunately, the Savings Tax Directive only applies to individuals, not to companies. I doubt this will last much longer, as regular company accounts will be brought under the scope of the Directive soon. Foundations, however, are a different animal. This is not a legal textbook, suffice to say that as things pan out, I will post blog entries at www.petermacfarlane.net explaining the unique benefits of Panama Private Interest Foundations. They are one of my favourite banking and asset protection vehicles, with good reason!

The bad news, of course, is that companies and foundations – like anything else – cost money. ***But what price your privacy?***

By using a foreign corporate entity, such as a corporation or foundation, or an offshore trust, you as the EU citizen are not the legal owner of the account, even though you might control the entity and be the beneficial owner. This is an important distinction.

Just as for the US persons, we should stress that we are not giving tax advice here. Holding a foreign account through a corporate entity *probably won't make any difference to your tax obligations*. Tax laws vary depending on the country you live in, but as a rule of thumb you will still be required to declare your income and gains, even if they are obtained through a company you control rather than directly in your name.

What it will do, however, is add a strong layer of privacy to your financial affairs. The offshore bank will no longer be required to treat you as a person from your country of citizenship. Instead you will be, say, a Panamanian corporation, and the whole range of investment opportunities will be open to you, without any requirement to waive your right to banking secrecy. Your name will be in the bank's internal files, of course, but it will be subject to local bank secrecy laws which you won't have to waive, and on all transactions only the company name will appear.

You'll find more information on corporate accounts in the next section.

Do you need a Trust, Corporation or Foundation?

As mentioned in the preceding pages, it may be especially attractive for citizens of the USA and the European Union (including the UK of course) to form a separate corporation, trust, foundation etc and to hold their offshore accounts in that name, rather than their personal individual name. We will collectively refer to these arrangements as **corporate entities** or **structures**.

Indeed, citizens of any country might appreciate the extra privacy to be gained.

A Simple Example of Enhanced Privacy through a Corporate Structure

How about a concrete example? Let's say you are wiring money in or out of your offshore account. Fairly obviously, on money transfers the names of both the sender and the receiver must be shown. There is no magic machine that allows banks can wire money directly to each other, even though money wire transfers might appear that way to you the customer.

This name and address information will be passed around various banks and clearing houses in different countries as the money finds its way from source to destination. All of them will keep copies for ever and ever. If you hold the account in your personal name, then your own personal name will show up as the sender or beneficiary, as the case may be.

If on the other hand a company owns the account, then the company name, which is not directly linked to you, will appear instead. *This is a very simple way of achieving a much higher level of privacy than personal accounts offer.*

Costs of Offshore Structures

What about the cost? For the purposes of holding a bank account privately, you don't need a sophisticated structure. Let's assume for the moment you are not seeking any specific tax advantages, just the privacy involved and access to the full range of investments your bank can offer to sophisticated offshore investors. A low cost, off-the-shelf corporation will suffice for this. Depending on the jurisdiction you choose, a ball park figure for this would be in the region of EUR 2,500 to set up, then EUR 1,000 per year running costs.

Fairly obviously, if you decide to go this route and hold your account through an offshore corporation, you will need to get that organised as a first step, before opening the bank account. The lawyers who help you set up the corporation should be able to supply you with a complete set of documents to meet the requirements of the bank where you wish to open the account.

Editor's note: Setting up corporate entities is not within the scope of this report, but if you would like to know more you will find plenty of articles and more details on this topic on the Peter Macfarlane blog archives at www.petermacfarlane.net

Let's stress once again: we do not encourage or recommend tax evasion. It is too risky these days! We frequently recommend using an offshore entity for the additional privacy it offers, but not because it will reduce your tax bill nor as a means of evading fiscal

obligations. You should be sure to comply with local tax laws and declare all income as required by law. There are plenty of ways to minimize your tax bill completely legally.

Do you need an intermediary to open an Offshore Account?

If you search on Google, “bank introductions” have become quite an industry these days. Dr W.G. Hill, a famous offshore guru back in the 1980s, once wrote sarcastically about this that he “would be happy to sell introductions to Sears and Roebuck.” For our British readers, that might be more like offering to sell introductions to Marks and Sparks.

The point, of course, is that in theory – to this day – you can just walk in to a bank, or even contact them over the internet, and open your account directly. No need to pay any “consulting fees” to intermediaries.

The reality these days, however, is that opening true private accounts just by walking in off the street (or off the internet) has become very difficult. Banks are running scared of governments and regulators. They feel more comfortable with an introduction from a professional who is known to them, such as a lawyer, accountant or company formation agent.

The banks particularly like these introductions because then if anything goes wrong – the client turns out to be a criminal – the bank can pass the buck to the professional who made the introduction. It’s called “Cover Your Ass” or CYA for short, and is an important motivation behind KYC or “Know Your Customer”.

Of course, professionals don’t work for free – especially knowing that they are taking that kind of risk.

Probably the biggest advantage of going through a good financial intermediary is the time-saving aspect. Time is money. The professionals are already familiar with how the banks work – not just the written rules, but the unwritten ones too. You can ask an intermediary theoretical questions that you might well *not* want to ask an unknown banker directly for fear that the banker might be obliged to file a Suspicious Activity Report. The intermediary is your personal confidant.

There are, of course, good intermediaries and bad ones. An advantage of going through a good, reputable consultant is that they will also have done due diligence on the banks first. To give you an example, I never ever recommend a bank to a client if I have not sat in the bank’s offices, talked to senior management there, studied their annual report in depth, and used my gut feeling to test them out. Fortunately after so many years flying around the world visiting banks, my gut feeling is quite well honed.

The bottom line is *you do not need an intermediary to open an account.* You can make direct contact with the banks listed in this report, or other banks, specifying that you are a Peter Macfarlane reader, and that already serves as some form of introduction. Be prepared, however, for some toing and froing. If this is your first time opening an offshore account you might be surprised at some of the documents the bank requests of you.

There is a third option, however: as an Expat Wealth client, **you are entitled to use my firm’s free bank introduction service...** this offers you the best of both worlds. Read on for more information.

How Peter Macfarlane and Associates Can Help You

As a service to readers which we believe is unique in the field we do business in, I have made special arrangements to offer a **free bank referral service** to our readers.

This means that a qualified and licensed professional intermediary will review your requirements, recommend the most suitable bank to you, help you put together the complete file of documentation required, and then introduce you to the bank. The introduction will consist of either setting up a personal meeting, or arranging the whole account opening process by e-mail and post.

This is, in effect, a free consultation with non-resident banking expert, Peter Macfarlane or one of his trusted aides. If you would like to take advantage of this service as a paid up member, all you need do is fill out the simple contact form in Appendix C, and then email it direct to Peter. Naturally, all information will be held in the strictest confidence, and will be destroyed once the account is opened.

Of course, this free service is intended for personal accounts only. If you are investing a more substantial sum and would like the added security of holding your account in a corporate name, then Peter's normal (but reasonable) consultation fee is chargeable, as the work is substantial.

In making this offer, we would like to be very specific about what's included "free" and what's not included, so everything is clear and transparent from the beginning.

The bank introduction and Peter's services are free, provided your requirements are normal. Peter will however need to pass on to you any out-of-pocket expenses he must incur on your behalf. Typical examples are notary and apostille fees, certified copies, express courier fees and so on. These fees if any will be notified and agreed in advance.

Banks also typically charge fees for their services. Some charge for account opening, some don't. Some charge for internet banking, some don't. All banks make charges for issuing plastic cards, for sending documents by registered mail or courier etc. These costs are of course also responsibility of the client and should either be paid up front or can be deducted from the account once it is opened, depending on the individual bank's policy.

Editor's note: We sincerely hope you will find this bank referral service very useful. Please use the form in the Appendix C initially so Peter will have the necessary information to hand when he starts to work on your file. If you have any questions in advance, of course Peter will be happy to help you. He can be contacted via his assistant, info@petermacfarlane.net

Choosing the Right Bank for Your Offshore Account

Your Offshore Banking Profile

In choosing a suitable bank (or in some cases even two or three banks) to work with, a lot depends on your own profile as the client. Some of the things that effect the decision are:

- Your citizenship, residence and domicile.
- The proposed investment or business activities
- Bank charges and interest rates
- Bank's expertise in geographic regions and types of business
- Languages in common – for example does the bank speak good English?
- Preferences of the client: for example to do most business online or for a more personal service
- Amount of funds client expects to deposit with the bank

You should think about all these factors one by one, and take them into consideration as you review different banks.

Peter's Recommended Banks

I have more than a decade of experience in dealing with banks – so we know the good, the bad and the ugly. We typically like to work with several internationally-recognised and highly respected banks. They are based in Europe, in the Caribbean and in Latin America. In the majority cases, when clients wish to use our free bank referral service, we can recommend one of these banks as being the most suitable. All of these banks have the following features in common:

- accounts can be opened in all major currencies
- all have secure and comprehensive internet banking facilities (including the possibility to send international payments in various currencies through the online interface)
- all offer credit and/or debit cards to their offshore clients
- all are familiar with our documents of major offshore jurisdictions
- all are familiar with offshore and international business in general
- all routinely offer service in multiple languages
- these banks are familiar with and supportive of *Expat Wealth* and its philosophy

It is usually possible to open accounts without visiting the bank. The different banks have different procedures for this.

Our advice, however, is that clients *should* visit their banks if and when they have the opportunity. Regular readers will know that I call this the "KYB" policy (*Know Your Banker*) Good KYB makes for an easier and smoother long term banking relationship. If you can't visit your bank, you may find it is possible to arrange for bank officers to visit you, or to meet you when they are in a convenient city nearby. Private bankers tend to travel extensively,

and often banks will assign certain staff to deal with clients from specific countries, to which they travel frequently.

Three Distinct Types of Offshore Bank

In general the banks we work with, like all offshore banks, specialise in some or all of these three distinct offshore market segments:

- Private banking: catering to rich individuals, including their personal investment companies, foundations etc
- Small commercial/retail offshore business: for those who don't have sufficient balances to qualify for private banking
- International commercial banking: for international businesses requiring trading services

Allow me to explain in more detail...

Private Banking

Although private banking is not a simple business, there is a very simple model to keep in mind: "keeping rich people happy". The definition of private banking varies but is generally understood as investment management offered on a personal basis by a bank to an individual with disposable wealth of more than, let's say, \$1,000,000.

Private banks were originally so called because they were owned by wealthy private individuals. Under Swiss law these bankers were personally liable for the obligations of the bank. If a bank failed, bankruptcy was not an option. It was disgrace and jail. As a result, no old line private banks ever failed.

With globalization and the need to serve customers abroad, almost all the old 'private banks' have now been bought out and are subsidiaries of bigger international banks. Though, if you have the cash and the desire, there are a few true private banks remaining. Some of them are so discreet that they don't even have a nameplate outside their offices.

Anyone can get a personal private banker assigned in an elite private bank with about €300,000 opening deposit. When we say walk in, you will of course need an introduction, identification and references.

Private banks offer all kinds of accounts, from simple cheque and deposit accounts to complicated commodity and swap operations, and even – yes – investments in sub-prime mortgage-backed securities.

For a complete list of all Swiss and Liechtenstein banks, see www.swconsult.ch
--

Private bankers normally prefer to be approached and considered as objective financial advisers or family confidants rather than as an investment salesman. They are wealth managers, accustomed to dealing with the wealthy, and their services don't come cheap.

Consequently private banks may *not* be the most effective choice for a reasonably sophisticated investor who wants to play an active role in the management of his investments. However, if you just want to stick a million in a safe haven, visit once a year on

vacation and follow your portfolio on a monthly basis, then private banking is just what you need. You can expect and demand above-average returns and an extremely high level of personal service.

Family Office Services

A **family office** is a typically a private company or foundation that manages investments for a single wealthy family. The company's financial capital is the family's own wealth, often accumulated over many generations. Traditional family offices provide personal services, like managing household staff and making travel arrangements. Other services typically handled by the traditional family office include property management, day-to-day accounting and payroll activities, and management of legal affairs.

More recently the term "family office" or multifamily office is used to refer primarily to financial services for relatively wealthy families. Family office services are an extension of private banking. More and more private banks are offering what are, effectively, outsourced family offices. If you have a few million upwards to invest, you might want to ask about family office services offered by your offshore bank. Who knows, you could find such services very useful.

Small Offshore Commercial Business

Numerous offshore banks offer services to expatriates as they perceive such business to be relatively risk free, easy to manage, and profitable. In essence, expatriate services encompass managing accounts for people resident outside their home countries who may be employed, self-employed or retired. The focus of expatriate banking providers is online banking, call centres, and the provision of "packaged" investment products.

Although the service offered should be professional and online banking excellent, the relationship between the bank and client could not be characterised as personal or in any way similar to the relationship between a client and a top-flight private bank.

International Commercial Activities

Many of our readers are interested not just in investing, but in doing active business offshore. In such circumstances an offshore bank that specialises in private banking or expatriates will not be suitable. Our commercial clients seek similar services to an onshore commercial bank and will require access to some or all of the following services:

- Cash management
- Foreign exchange and treasury services
- International trade - letters of credit, documentary collections, cross-border guarantees and global correspondents
- Bulk cheque clearing
- Risk management tools to cover foreign exchange risks, interest rate risk etc
- Financing
- Payment, receivables and payroll solutions
- Selling solutions: e-commerce and merchant services

- Expertise in specific fields such as energy, aviation, shipping, aircraft financing or real estate.

The Selection Process

OK, time for the next step. You have done your research and have found some banking ‘possibilities.’ They look fine to you, and you appear to be acceptable to them. With that first hurdle over, you need to apply some more selection criteria. When choosing an offshore bank, there are two main factors you must take into account (besides of course privacy which we have already covered):

Stability – is it a well established, solvent bank?

Quality of Service – are they fast and efficient?

Stability

Due diligence and KYB (“Know Your Banker”) is essential. There’s no point in jumping out of the frying pan into the fire.

There is no reason to save your hard-earned cash from your taxman or ex-spouse or other leeching types, only to have it disappear into a virtual black hole when your offshore bank closes its doors. Neither do you want your investment manager to churn away your money on “hot” deals that never pan out, but that bring him fat commissions.

These days with the internet, it is relatively easy for anyone to set up a bank. You need a licence, but jurisdictions you barely knew existed, like Montenegro or Somalia, will for a fee, provide all comers with a valid government-issued banking licence. Try to avoid banking in these high-risk areas as they attract far too many con artists and dreamers. Before investing any money, make sure the bank you are investing in is run by professional bankers and by some Eastern European teenager with good web programming and design skills, who just decided last month that it would be profitable to be a bank president.

Most financial houses seem solid until they collapse unexpectedly. The Marc Harris Organisation in Panama attracted many clients. Marc Harris is currently serving a long jail sentence in Florida. Swedish-run Bank Crozier of Grenada and St Lucia also seemed highly professional. Paritate Bank in Latvia impressed a lot of people with innovative products, flexibility and good customer service. Now they are all defunct. They all sank, taking with them their clients’ money. (Actually Paritate is back up and running again, but the old investors never did get their money back).

Another thing to consider when reviewing internet sites of banks in exotic locales: *Any bank anywhere that appeals to shady characters will be (sooner, rather than later) shut down by regulators.* You don’t want your hard earned money to get mixed up in such ugly messes. So stay away from banks that explicitly encourage you to hide your money.

It is almost unheard of for big banks in civilized, well-regulated first world countries, like the UK or Luxembourg, to be corrupt from top to bottom. But, of course, even the unlikely can happen! That is exactly what did happen not so many years ago with the Bank of Credit and Commerce International (BCCI) which was registered in the UK and Luxembourg.

The bottom line is that due diligence is important. Most offshore banks are highly reputable, stable, well managed and professional. It's the ones that are not who grab the headlines. But it's important to ask questions until you are entirely comfortable, and to ask for second opinions (from people who know what they are talking about) if you don't feel totally confident in your own offshore knowledge. Don't believe everything you read on the net or in a glossy brochure.

Quality of Service

"Different strokes for different folks," they call it. You would be surprised how quality service means such different things to different people. To some, it might be a friendly old Swiss banker who will buy you lunch, give you a nice golf umbrella and chat for a few hours. He will want to learn all about your financial, business and social situation.

Other people may prefer a banker who just does as he is told and never suggests that you have any personal meetings. You may prefer it if your banker doesn't even know what you look like. Maybe all you want is a good internet interface so you can wire money in or out in the middle of the night if you want to, with super smooth technological efficiency.

Some people love it that their personal banker knows and trusts them enough to move six or seven figures based on a single phone call or email. This would shock other of my clients who want to log in first through a five step encrypted security system with three passwords plus a one-time code generator operated by a 6-digit PIN in order to give instructions!

Buying banking services is like buying any other services. You can look at websites and brochures, talk to the people. How fast and efficiently do they respond to phone calls and emails? That is always a good indicator. I have dealt with banks who will reply to emails in a foreign language within five minutes if you e-mail them in the middle of the night, and others who simply absolutely never reply to email, or who specify on their websites that they will respond "within five business days."

Then, too, nothing is forever. If you receive poor service or hear any rumours you don't like, you can pull out immediately. At least you should be able to. That's something worth checking too!

Understanding the Products on Offer

Products offered by banks around the world are broadly the same, though they often go under different names. However, there are products you might come across in the offshore arena that you may not be entirely familiar with, or you may not have known that such wondrous possibilities existed!

Here are a few definitions and explanations:

Safe Deposit Boxes

A safe deposit box is a locked box reserved for you in the vault of your bank. It's a place where you can keep small, high-value items. People typically use safe deposit boxes for documents such as physical stocks or bonds, or for small, high value goods that they want to keep safe... like valuable coins, jewellery or a stash of microchips. You might keep these items for pure investment purposes – say gold bullion or uncut diamonds – or for more sentimental reasons (your great-grandmother's wedding jewellery for example).

Typically you will keep the keys to the box, while the bank controls access to the vault where all the boxes are located. Normally the bank does *not* keep a duplicate key... so if you lose the key you will have to pay for a specialist locksmith to come in and break open the box, then you'll have to buy the bank a new box too. Needless to say this is expensive, so do take care of your keys!

Multi-Currency Accounts vs. Multiple Currency Accounts

Different banks (and different countries) maintain different accounting systems.

Multi-currency accounts are quite common in offshore banks. These are very flexible in that they allow you to keep many different currencies in the same account. You have just one account number, but when you look at your statement on the internet you will see different balances... X amount of US dollars, Y amount of Euros etc. If you send a transfer to a multi-currency account, the bank will typically keep the deposit in the currency received, rather than converting it to any particular default currency.

Other banks also allow you to hold balances in different currencies, but operate on a different system – a separate account number for each currency. This means that, if you wish to operate in a number of different currencies, you need to maintain *multiple* accounts. The net result is basically the same, but you will have a series of account numbers and you must take care not to confuse them. For example, if you send US dollars to the Euro account number, the bank will assume you want to convert that balance to Euros and will do so without informing you.

Precious Metals Storage

Many readers and clients have invested in assets like gold and silver and have made huge returns on their money over the past few years as commodity prices have shot through the roof. Perhaps strangely, however, if you ask the average banker how to buy gold, they don't know – so they will tell you it is not a good investment. You have to be insistent.

Some banks offer a basic service where you can buy gold and simply store it in your safe deposit box. This certainly works, but may not be the most practical way of handling it. Why? Because each time you want to buy or sell, you have to visit the bank personally. Only you have access to your box. Fine if it's around the corner, but not if it's around the world.

There are various other practical ways of buying gold which are the subject of other articles (please refer to the archives at www.petermacfarlane.net) such as Perth Mint Certificates or Exchange Traded Funds.

However for the purposes of this report and understanding offshore banking products generally, suffice to say it's important to understand the difference between **allocated** storage, and **unallocated** – also known as **pooled** storage. Both these systems are used by private offshore banks.

“Allocated” means that a certain piece of metal (specific gold bars, coins or whatever) belongs to you. The metals are stored in the bank's general vault, rather than in a specific safe deposit boxes, but they are specifically allocated as your assets. For practical purposes, therefore, you can instruct the bank to buy and sell on your behalf without you having to travel there.

“Unallocated” or “pooled” storage means that the bank simply has X amount of gold in its vault, and allocates so many grams, ounces or kilos to your account as part of a book-keeping exercise. But the banker cannot in this case take you down to the vault and point out your specific gold bar. Again you can instruct the bank to buy and sell on your behalf.

Allocated storage of course is better, but pooled storage tends to work out a lot cheaper in terms of the actual fees the bank charges for taking care of the metals in its vault.

Numbered Accounts

Numbered accounts (or pseudonymous accounts, which are the same but are known by code words instead of numbers) are not all that different from normal bank accounts. The usual account records, such as statements and what regular bank staff can see in their computers, omit reference to the customer's name or other identifying information, replacing it with a code number or the pseudonym. The relationship between the code number or pseudonym and the actual customer is known only to a few senior managers within the bank.

It is important to emphasize that the bank has an obligation to know the true identity of both the account holder and its beneficial owner. There is no such thing as an anonymous account.

Typically the way numbered accounts work these days is that you will have a numbered account and a regular account in the same bank. Numbered accounts cannot be used for regular transactions such as wire transfers or checking. So when you want to make a deposit or withdrawal, your private banker will personally carry out a cash transaction at the counter between the two accounts. In the accounting records, the transaction will appear on

your personal account as a cash deposit or withdrawal, so there will be no direct link to your numbered account.

Of course, within reason and subject to normal limits, you can carry out cash transactions directly on the numbered account.

Brokerage Accounts

A regular bank or 'cash' account is simply used for depositing and transacting in a currency such as pounds, dollars or francs. Your brokerage account, however, can be used for buying stocks, funds and other investments on the world markets. The brokerage account may be stand-alone, or may be linked to your offshore bank account in the same institution. Either way, you will typically have to transfer funds from the cash account to the brokerage account before you can buy stocks.

Plastic Cards

Almost all offshore banks will offer you the option of linking some kind of plastic payment card to your account. This may be anything from a hole-in-the-wall cash card through to a premium travel and entertainment card like the Platinum American Express or Diners Club. The most common brands, of course, are Visa and MasterCard, and there are even more variations on these cards than there are banks.

You personal banker will be happy to explain the range of cards available and what are the principal differences between products like debit cards, deferred debit cards, secured credit cards and so on.

What your banker will *not* explain, however, is that you may well be able to enhance your privacy by obtaining a card from a completely different bank.

Why? Because the moment you use a card issued in your name by your principal offshore bank, you are creating a permanent electronic trail in the systems of the card network operator (for example Visa). So your banking records are no longer exclusively held by your offshore bank. The card networks typically process data all over the world, exposing it to numerous jurisdictions where investigators might be tempted to go on fishing trips.

You'll find in previous articles available on the internet some more detailed tips for enhancing privacy while using payment cards, but probably the best tip of all is to obtain one or more anonymous cash cards...

Anonymous Cash Cards

Like numbered accounts, anonymous cash cards do still exist, but there is a lot of hearsay and legend surrounding them. Here are the facts.

By anonymous cash card we refer to a plastic card which, together with a PIN code, can be used for withdrawing cash in automated teller machines around the world. It can also be used sometimes in merchants such as supermarkets, but acceptance is generally limited to certain locations. **It's anonymous because, unlike normal credit and debit cards, there is no name printed on the card nor encoded on the magnetic strip.**

It is not 100% anonymous, however. You do have to show ID to obtain such a card in the first place, and you also have to comply with all regular know your customer and due diligence rules. There are also strict withdrawal limits. These restrictions are necessary to make sure the card issuing bank operates legally and to ensure that the cards are not abused by money launderers.

There is one very, very big advantage to the anonymous cash card. That is when you use it internationally, the transaction is processed only based on the card number. The card network operator does not know who you are. The due diligence information (like passport copy) that you have provided is stored safely offshore in the card issuer's office, away from prying eyes and protected by strict banking privacy laws. *This is in stark contrast to regular international debit cards which have names not just printed on the card but also embedded in the magnetic strip so the name can be captured electronically.*

Another advantage of the anonymous cash card is that should it fall into the wrong hands, the loss is minimal. Without the PIN (which hopefully you have stored only in your head) the card is useless. There is no chance somebody could empty out your offshore account before you notice the card is missing. And, because it's a stand-alone card, there is no chance that somebody could find out even the country, let alone the actual bank, where your principal offshore account is held. All you have to do is make one phone call and the card can be cancelled and replaced.

Finally, another advantage is legally avoiding reporting requirements. Anonymous cash cards do not class as a bank account. They are regarded as pre-paid products, something between the electronic equivalent of a traveller's cheque and a pre-paid phone card. So if your country requires you to report offshore accounts, you don't need necessarily need to report an offshore anonymous cash card. *Note: this report is prepared for a global readership. Some countries may have differing rules in this regard. If you are not sure about the reporting requirements in your country of residence, please check with your local tax authorities or a professional qualified in your jurisdiction.*

You might be wondering how, if the card is not linked to your principal bank account, you can withdraw money from it? Simple: it is a prepaid product. You prepay, by means of an offshore wire transfer, an amount you are likely need over the period you determine. You can keep these transfer amounts relatively low so they remain under the radar.

<i>Editor's note: If you wish to acquire an anonymous cash card, you can contact Peter directly. Just email info@petermacfarlane.net</i>
--

Opening Your Offshore Account

Back to banking. Now, having analysed your requirements, and found a bank you feel comfortable working with, how do you go about actually establishing the business relationship?

Requirements to Open Accounts

Banks are under enormous pressure to conduct detailed and ongoing due diligence on offshore clients. Typically to open the account you will need:

- A reference from your existing bankers
- Certified copy of passports of all signatories
- Proof of residential address (typically a utility bill)
- Letter stating expected activity, with supporting documentation if available
- Documentary evidence of source of funds to be deposited

The letter stating expected activity is especially important. The bank can be expected to verify this and will then monitor your account on an ongoing basis, to ensure that the activity on the account is consistent with the profile. If your estimate proves wildly inaccurate, your bank will be worried and will most likely close your account.

Documentary evidence of specific transactions (for example copies of invoices or contracts) may be requested, especially in the case of large transactions like real estate business. It is always advisable to notify the bank in advance of out-of-the-ordinary transactions coming in (like if you just sold a house), or sudden changes in volume. In the case of corporate accounts, also keep your bank notified of changes to the core business which may occur over time as part of the natural process of business development.

Please understand that due diligence procedures are part of global business today. If your banker sees a well administered account and has a good two-way channel of communication with you, that will build the foundations of an excellent and flexible business relationship with your bank.

What if you can't provide the documents they ask for?

While we don't wish to work with banks that cut corners in due diligence procedures, it's worth mentioning that the banks we work with tend to take an overall 'big picture' view of the proposal in front of them. This means that it is sometimes possible to open accounts if you don't have all the required documents.

For example your existing bank won't give you a reference (some banks simply have a policy of not writing references), or you don't have any utilities in your name because you are living as an expat in accommodation provided by your employer. Provided you can offer alternative documentation that logically proves your bona fides, or a good and verifiable explanation, then you are in.

If you haven't travelled much, you might not have a passport. Up until recently Americans could travel widely without the need for a passport. Europeans still can, using national ID cards. It is sometimes possible to open accounts with drivers' licences or national ID cards, but it is strongly recommended that if you don't have a current passport you should immediately order one from the issuing authorities in your country of citizenship. Passports can take some time to obtain. *A passport is always the preferred identity document for international transactions.*

In case of clients in businesses considered as "high risk" (including businesses handling third party funds, doing business with certain high risk countries, credit card merchant accounts, internet gaming...) enhanced due diligence procedures are necessary and it can become very difficult to find a bank that will accept the business. Please contact me, via my consulting office, for further information in this regard if necessary.

Having chosen your bank, how do you go about approaching them and getting your account opened?

Think of it like a romantic relationship... things you say at the beginning are of the utmost importance and may work for or against you later! That is one of the reasons why it's sometimes better to use an intermediary.

Anyway, each bank has different procedures. Some will ask you to send all the documentation first, refusing to look at it until the file is complete. Others will want to chat with you over the phone first, before you send any documents, to ascertain if you and the bank are compatible. Both methods are fine, depending on your requirements.

Either way, if you choose to contact the bank directly then probably it is best to do so first by telephone. Email is fine later, but it's good to get the name of somebody in the bank and their direct email address, and if you have talked to them on the phone they are more likely to remember you positively later when your account opening paperwork lands on your desk.

Operating Your Offshore Bank Account

So, your offshore account is all set up and running. You've made your opening deposit, you've received your plastic cards, and your internet banking is functioning perfectly... that's it, right?

Well, not exactly. Opening the account is just the beginning, and to make sure you get the most out of the experience, in this section we have put together a few more hints for day-to-day operations.

The importance of communication

One thing that cannot be emphasised enough is the importance of keeping open good channels of communication. This is the key to a good relationship with your bank.

That doesn't mean you have to call and chat about the weather, but it's certainly good to establish a rapport with key people within your offshore bank. This will normally be your personal or private banker, but different banks operate in different ways.

Bankers are conservative types. One thing that really scares the living daylights out of them is the thought that one day, if there is a problem on your account and they need a fast response, they can't get hold of you. Some people make the mistake of giving their bankers obscure maildrop addresses and voicemail numbers they forget to check, thereby making it very difficult for their banker to contact them.

Ideally your bank should have access to your 24/7 mobile phone number – and likewise you should have your banker's 24/7 mobile phone number. That is good communication.

By the way, offshore banks won't call you out of the blue to inform you that you've been selected as a distinguished client for a free trip to Disney World (hotels and flights not included) if you sign up for their latest brand of personal accident insurance! I never give out my real phone number to mass market onshore banks for this reason, but offshore banks operate on a whole different level. This is a serious business relationship.

One of the main reasons for going offshore is privacy. Imagine the worst happens; someone comes nosing around asking about your account. Put yourself in your banker's shoes. What would you do?

If you have a good friendly relationship with the client, and you trust them to reply quickly, you might well try to get a hold of the client by phone or email, warn them informally that somebody is seeking information, ask for their side of the story etc.

If you have the experience that every time you try to contact that particular client they never reply and try to avoid contact, then you would much more likely make an internal suspicious activity report immediately to your compliance officer.

On corporate accounts with a higher volume of transactions, good communication is even more important. Bankers are under enormous pressure from compliance officers and bosses to have paperwork in order.

If your banker asks you politely for some piece of paper that doesn't really seem important to you, don't ignore the request. If it's worth your banker's time to ask for it, it's well worth your time to reply promptly and oil the works of a smooth and professional business relationship.

Moving Money in and out of your offshore account

One basic rule for keeping your offshore bank account private is never, ever use your main investment account for day-to-day business!

You certainly *never* write cheques on it, and you'll rarely make wire transfers from it. If you do the persons who receive the cheques and transfers will immediately know where your offshore account is held and what the account number is. Remember: you may have nothing to hide, but you still have nothing to shout about!

Worse still, what if your cheque books or cards fall into the wrong hands? Credit card fraud is a growth industry.

Most private banks will discreetly suggest you have a separate account for your retail (high street) banking requirements. Often they will be keen to sell the services of their retail division, but that may not be such a good idea either.

People who take their privacy extremely seriously will have another account – let's call it a Pass Through account – which is their public front. It is on this account that they write and deposit cheques, receive transfers from people or businesses who owe them money, and manage the plastic cards you use for day-to-day payments.

It's probably advisable to keep this account at a totally different bank in a different country. For example you might keep the bulk of your assets with a secure, discreet, private bank – then choose one of the offshore commercial banks targeting the expat market, where you can keep a small proportion of funds to cover your immediate requirements.

What about depositing funds in the first place in to your primary account? Of course this should be done very discreetly. Cash is rarely an option, but you might want to look at using other forms of portable wealth such as gold bullion or bearer bonds. You can read more about these topics in my articles on my blog: www.petermacfarlane.net

Appendix A: EU Savings Tax Directive: Table of Jurisdictions

Source: www.lowtax.net

Country/Jurisdiction	Status vis-a-vis EU	Regime to be applied	Comments
Andorra	Independent	Withholding Tax	
Anguilla	UK Dependent Territory	Information Exchange	
Aruba	Dutch Dependent Territory	Information Exchange	
Austria	Member State	Withholding Tax (15%)	Information Exchange by 2009
Bahamas	Independent		Not covered by STD
Belgium	Member State	Withholding Tax (15%)	Information Exchange by 2009
Bermuda	UK Dependent Territory	Outside STD regime	Missed out by EU by accident
British Virgin Islands	UK Dependent Territory	Withholding Tax (15%)	
Cayman Islands	UK Dependent Territory	Information Exchange	
Cyprus	Member State	Information Exchange	
Czech Republic	Member State	Information Exchange	
Denmark	Member State	Information Exchange	
Estonia	Member State	Information Exchange	
Finland	Member State	Information Exchange	
France	Member State	Information Exchange	
Germany	Member State	Information Exchange	
Gibraltar	UK Crown Colony	Information Exchange	

Greece	Member State	Information Exchange	
Guernsey	UK Crown Dependency	Withholding Tax (15%)	Known as a 'Retention Tax'; the client can choose information exchange as an option.
Hungary	Member State	Information Exchange	
Ireland	Member State	Information Exchange	
Isle of Man	UK Crown Dependency	Withholding Tax (15%)	Known as a 'Retention Tax'; the client can choose information exchange as an option.
Italy	Member State	Information Exchange	
Jersey	UK Crown Dependency	Withholding Tax (15%)	Known as a 'Retention Tax'; the client can choose information exchange as an option.
Latvia	Member State	Information Exchange	
Liechtenstein	Independent but follows Switzerland	Withholding Tax (15%)	
Lithuania	Member State	Information Exchange	
Luxembourg	Member State	Withholding Tax (15%)	Information Exchange by 2009
Madeira	Part of Portugal	Information Exchange	
Malta	Member State	Information Exchange	
Monaco	'Independent' but under France	Information Exchange	
Montserrat	UK Dependent Territory	Information Exchange	
Netherlands	Member State	Information Exchange	
Netherlands Antilles	Dutch Dependent Territory	Information Exchange	
Poland	Member State	Information Exchange	
Portugal	Member State	Information Exchange	
San Marino	Independent	Information	

		Exchange	
Slovakia	Member State	Information Exchange	
Slovenia	Member State	Information Exchange	
Spain	Member State	Information Exchange	
Sweden	Member State	Information Exchange	
Switzerland	Affiliated to EU but not Member State	Withholding Tax (15%)	
Turks & Caicos Islands	UK Dependent Territory	Withholding Tax (15%)	
United Kingdom	Member State	Information Exchange	
USA	Outside EU		Has information exchange with Canada; undecided on EU regime

Appendix B: Peter's Recommended Banks

The following are a number of banks (plus one non-bank brokerage house) which we at Peter Macfarlane and Associates feel able to recommend to readers, based on experience. Please note that for the purposes of this report and in the interests of fair journalism we do not recommend any one more than the other. We have made some comments about each bank's services, strengths and weaknesses.

Please note that inclusion in this list does not imply any agreement or commercial endorsement of any sort by the said banks in favour of the publishers. Neither do the publishers receive any commission from any of the listed banks.

ALTAJIR BANK

A small bank in the Cayman Islands which is suitable mainly for CDs and long term deposits. They do not operate internet banking or cards, but pay higher than average interest rates on deposits in major currencies, and they offer a highly personalized service.

<http://www.altajirbank.com/>

Altajir Bank
P.O.Box 691
Grand Cayman
Cayman Islands KY1-1107
Phone: +1 345-749-5628

BANCA PRIVADA D'ANDORRA

This is a full service private bank operating in the Principality of Andorra, with access to a whole range of sophisticated investment services. They can also open accounts at their subsidiary in Uruguay, which is interesting for those affected by the EU Savings Tax Directive. Numbered accounts are available.

<http://www.bpa.ad>

Private Banking Division, Foreign Relations Office
Av. Carlemany, 119
AD700 Escaldes-Engordany
Principality of Andorra
Phone: +376 873 509

Or contact via our recommended consultant: globalsolutions@andorrapro.com who can provide a local referral/introduction.

BARCLAYS BANK PLC

One of the biggest British and international banks. Through this specialist division they will open accounts for non-resident persons and corporations in London, Isle of Man, Channel Islands or Cyprus. However, the process is very paperwork intensive!

<http://www.barclayswealth.com/international.htm>

38 Hans Crescent
London
SW1X
+44 20 7114 7000

CREDICORP BANK

A medium sized Panamanian bank with a good private banking division. The advantage is that they don't have any foreign ownership. However, they will not accept accounts from US citizens. We can introduce you via a Panamanian lawyer.

<https://www.credicorpbank.com>

Calle 50
Edif. Plaza Credicorp Bank
Obarrio
Panama City, Panama
Tel +507-210-1111 extensions 818 or 971

FBME BANK

FBME pioneered offshore banking in Cyprus. Today they are still probably the most outward looking of the Cypriot banks in terms of international business. FBME is privately owned and has no foreign capital. They are particularly good for international trade services (letters of credit etc) and have a very sophisticated internet banking and card system. They can also open accounts domiciled in Tanzania, which is interesting for those affected by the EU Savings Tax Directive.

<http://www.fbme.com>

90 Archbishop Makarios III Avenue
P.O. Box 25566
1391 Nicosia
Cyprus
Tel +357 22 888 444

FIRST CARIBBEAN INTERNATIONAL BANK

FCIB is the largest, regionally-listed bank in the English-speaking Caribbean, with assets of over US\$12 billion and market capitalization of US\$3 billion. It is owned by the Canadian CIBC group. They have offices in a number of Caribbean countries which specialize in offshore banking. We generally recommend the Barbados office, which works with one of our preferred incorporators.

<http://www.firstcaribbeanbank.com>

Ground Floor, Head Office
Warrens, St. Michael
Barbados
Tel +1-246-367-2012

HSBC BANK (PANAMA)

HSBC is a good option for those who need a major international bank, with good internet services. (Although, at \$75 per month, their internet banking is not cheap!) Their Panama offices will open accounts for non-residents and for Panamanian companies etc. Unfortunately they don't have much of a private banking feel, neither do they offer good bank secrecy. Up until quite recently, HSBC Panama was simply a branch of the USA bank. Now it has been incorporated separately and is managed from Mexico. We can introduce you via our Panamanian lawyer.

<http://www.hsbc.com.pa>

HSBC Plaza, 10th floor, 47 East Street, Aquilino de la Guardia
P.O. Box 0834-00076
Panama City, Panama
Tel: + 507 206-6305

LOYAL BANK LIMITED

Loyal Bank is a small Caribbean bank which focuses on delivering high quality services via internet. They do offer some deposit options but tend to concentrate on regular banking services, so they are ideal for smaller accounts. They are based in St Vincent and the Grenadines but also have operations in Europe. They are the oldest established offshore bank in St Vincent, audited by KPMG and using Barclays as their main correspondent bank. They open personal and corporate accounts in various currencies, and offer MasterCard and Maestro cards.

<http://www.loyalbank.com>

Cedar Hill Crest
P.O. Box 1825
Kingstown
St. Vincent and the Grenadines

British West Indies
Tel.: +1 784 485 6705

SWISSQUOTE BANK

Swissquote is a licensed Swiss bank, but operates more like an online brokerage. It is quite easy to open an account with them by mail, and there is no minimum deposit. You can do regular banking transactions and get a credit card, but it is not suitable for high volume operations. It is ideal if you want to trade international markets actively from an offshore base. However, it is nothing like the traditional Swiss private banking service.

http://www.swissquote.ch/index_e.html

Ch. de la Crétaux 33
Case Postale 319
CH-1196 Gland
Switzerland
+41 44 825 88 88

THALES SECURITIES

Thales Securities was founded in 1998 and is a leading independent (non-bank) investment brokerage based in the Republic of Panama. Thales Securities offers online trading on the world's most important exchanges as well as discretionary private asset management. They do have a relationship with Multi Credit Bank to help their customers with retail banking requirements, but their focus is on offshore brokerage.

<http://www.thalessecurities.com>

Torre Generali 22nd floor
Samuel Lewis Street
Panama City, Republic of Panama
Tel +507 263-6850

Appendix C: Peter Macfarlane's Free Bank Referral Service

If you would like to take advantage of the **Free Bank Referral Service** please complete the form that starts on the following page. The more information you provide Peter with, the more efficiently he can serve you. However, if there is something you cannot answer or do not understand, you can leave it blank and we will deal with it as best we can.

All information on this form is STRICTLY PRIVATE AND CONFIDENTIAL. Once it has been dealt with, Peter Macfarlane and Associates will NOT keep any copies.

Please send the form email, or you can copy and paste into a new Word document or similar and send that by email. The email address is: info@petermacfarlane.net

Please allow up to five working days to be contacted once you have sent the fax or email. Usually, however, it will be quicker.

We'll normally reply by email. Sometimes, if we have never written to you before, email gets accidentally caught in aggressive spam filters – especially with AOL addresses. If you do not hear from us within five days please check your spam folder manually to see if there is a message there from Peter Macfarlane. Thank you.

Note: if you are interested in opening a **corporate or business account offshore**, or if you are simply not sure, please don't use this form. Instead, as an Expat Wealth reader you can contact Peter for a free consultation. Information is available at this web page:
<http://www.petermacfarlane.net/offshore-consulting-by-peter-macfarlane/>

Additional details: please continue on a blank page. The more detail you can send, the better! Remember everything is strictly private, confidential and without obligation.