

Why Do Offshore Banks Ask So Many Questions?

A question that comes up frequently is why offshore account opening procedures require so much information. As an offshore banking consultant, I get to see the account opening processes of many different banks in different jurisdictions, and how widely they vary.

I can see both sides of the equation – the bank's perspective, and the client's... and my job is to act as intermediary and make sure both parties understand each other. I've become quite good at that over the years, if I say so myself.

So, how do you open an offshore bank account? You will typically need your passport, one or more bank reference letters, and proof of source of funds. More on the practical aspects of complying with these requirements in part 2 of this article that I will publish here on the Q Wealth blog next week. But first, let's look at why all these questions are necessary...

I can fully understand that if clients are seeking privacy, they may not feel comfortable baring their financial souls to their bankers. But there are good reasons why banks need to collect so-called 'Know Your Customer' information. And there are steps you can take as a client to manage your banking and to protect the confidentiality of information you hand over.

- The first and foremost reason is *because the law dictates it*. In all reputable jurisdictions, banks are required to collect certain information. Failure to comply would have absolutely dire consequences that may include closure of the bank and/or prison for its managers. You are looking for security – and dealing with banks that are prepared to bend, break or flout laws is not the way you are going to find security.

There are only a few places in the world left where you can still open accounts without ID and – trust me – you don't want to be banking in those places!

- Secondly, banks also *have to protect themselves and their reputations*, in order to protect their honest clients. If they take on clients who bring heat to the bank, it is bad news for you. So you should really be happy to deal with a bank that is quite picky about the clients it takes on. For example, if it turns out later that you were involved in white collar crime like running a ponzi scheme or any kind of unlicensed offshore investment activity, the bank will almost certainly be on the receiving end of a lawsuit from people who lose money. Sometimes scammers are very good at hiding their activities, and they look like honest, respectable business people. If the bank has never met you before, they really need to check you out.
- Thirdly, *many people compare offshore account opening procedures to opening an account in their home country*. This should be obvious, but it's not the same thing. One thing that might have escaped your attention, though, is the extent of Big Brother databases that exist in your home country. Banks will automatically run a credit report when you open an account, even if you are not applying for credit. They can check you out online. Offshore banks, however, cannot run online credit checks. To do so would leave an electronic footprint that would generally be a breach of confidentiality laws. That is why they have to ask new customers for a lot more paperwork. Of course, it's more convenient for the customer that the bank can verify everything online and doesn't have to ask the customer for so many documents. But such online checks completely nullify any expectation of privacy in the relationship.
- Finally, it's just *good business for banks to know their*

customers. If they know a bit about who they are and where you are coming from, they can give you better quality advice and they can respond more intelligently to your requests. They can be proactive in offering services you might need, that you might not even know existed. Having a good relationship with your private banker is absolutely beneficial. That banker will be more motivated to look after you. Try to be a 'perfect client' for the bank – that way, if for some reason you really need a special favour from the bank at some time in the future, you are much more likely to get it.

Banking secrecy, as I've often said, is far from dead, despite the propaganda that would have you believe otherwise. I even believe now that the tide has turned. Bank secrecy is a basic human right, and is more necessary than ever. What is rather passé is trying to use bank secrecy for illegal tax evasion, by holding undisclosed accounts. By taking good advice, choosing the right banks, using international asset protection structures, and carefully managing your residence and citizenship, always staying within the law, you can still keep your finances completely and utterly private. Nobody is saying it's easy... but you can do it, and it's worth it.

So, as one of my banker friends is fond of saying, if you unilaterally choose to waive some of the account opening requirements, you will just be causing delays for yourself. Clients who try to avoid complying with requirements will be viewed as suspicious right away. Then, trouble ahead is almost a self-fulfilling prophecy.

Bottom line? If privacy is a concern to you (and it should be) do your homework and choose a bank where you can be confident that your information will remain private. Do your due diligence on the bank first. You should only do business with people you feel 100% comfortable with, and this applies to banks and any other business relationships. Anything less than 100% and you won't sleep soundly at night. The [Practical](#)

[Offshore Banking Guide 2010](#) can help you do this due diligence. Once a bank has passed your own due diligence smell test, then be prepared to give them the truth, the whole truth, and nothing but the truth.