

OFFSHORE FINANCIAL SECRETS

VOLUME ONE

Tax havens - an offshore home for your special £.

Thank goodness for offshore financial centres which attract business by maintaining lower tax rates, fewer disclosure requirements, looser requirements or regulations than in the Western nations, where political pressures to tax wealth have created a restrictive environment for financial dealings. Generally speaking, tax havens are better places for your money to live rather than yourself personally, other than as an "official" domicile. These centres have always attracted investors and businesses wanting to avoid exchange controls or high tax rates. That is why holding companies with taxable profits are often located there. Offshore centres also attract banks, because bank depositors may also want secrecy, or low tax rates.

A measure of political stability is essential. There is not much point in sending your money away from a 59% rate if 100% of it is then seized following a revolution. Unlikely, perhaps, but not impossible on a long term view. It is worth remembering that war-torn Lebanon was once regarded as a secure offshore centre. This is why the Caribbean centres often have to make up in secrecy what they may lack in stability, and why Switzerland, though less keen on secrecy than it was, tries to make up for it with 700 years of relative calm.

The offshore tax and investment industry is central to the almost unimaginably vast world of multinational financial transaction. Consider the sheer size of the business accounts, in large part, for the 60 odd centres, many located in Europe or off its coasts. About half the world's financial transactions now take place offshore. And it is estimated that some 2,000 billion US dollars is held in offshore trusts, 1,000 billion US dollars in shipping, a further 1,000 billion US dollars in bank deposits, 750 billion US dollars in captive insurance companies, and mere 250 billion US dollars in mutual funds.

In the Turks
& Caicos Islands, a small but typically sunny offshore banking centre, the hottest

new business is pre-matrimonial bank accounts. Local bankers say that plutocratic American couples planning to marry, but expecting to split up soon after, take out individual accounts, unknown to one another. That way, they keep at least part of their wealth out of the alimony arrangements when they divorce. This kind of activity is what offshore banking is all about - avoiding unnecessary inspections of one's personal affairs, whether by divorce lawyer or, more often, the tax man. It also involves services which the wealthy are most likely to be able to afford, but which many others want.

Offshore financial centres are those outside the world's major economies, but only just. Many are small islands, like Jersey or Guernsey, with few people and even fewer who believe in higher taxes. As such, they make good places not only to put holding companies with taxable profits, but to locate banks. These centres are geographically or culturally close enough to the leading industrialised countries to give depositors and investors some hope that their money will be handled efficiently and responsibly, and that there is someone who knows how to mend the tax.

Offshore capital naturally grows much more rapidly than taxed capital, because it can reinvest the whole of its gains and income. The compound arithmetic is quite dramatic. A successful hedge fund management, such as George Soros's Quantum Fund has grown at 20% per annum or more. If it compounds at 20%, the fund doubles in 3.8 years and triples in six. A similar invested onshore fund paying tax on its income and gains at an average of 40%, would have only 12% left to reinvest. The increased globalisation of financial and capital centres has led to increased competition. And that in turn has thrust forward new and in some cases surprising candidates as contenders for the European offshore business. The Channel Islands, Cyprus, Liechtenstein, Luxembourg, the Isle of Man and Switzerland are the European centres which combine the largest number of attractive ingredients. Of these, the three most important are often regulation, confidentiality and tax.

Tax havens, just like any contemporary information, are always changing and for that reason we suggest you check up on facts written here. A tax haven, aside from having low or no taxation, should also exhibit the following characteristics:- stringent bank secrecy rules should exist; banking should be important to the country's economy; modern transportation and communication facilities must be available; there must be a lack of currency controls; financial business must be actively solicited; there should be an absence of tax treaties.

When considering tax havens, off-shore corporations, secret trusts or whatever, consider how much money you are saving against how much it is costing. Many people get too carried away with creating a web of holding companies which initially cost a small fortune to set up and then ultimately have to be maintained with annual fees. In leaner times, or after your realisation, these will not be maintained and money will be lost down the drain.

Moving money "quietly"

The obvious answer is cash - high denomination notes, but remember, banks in the U.K. and Europe are under an obligation to inform the authorities of transactions in or out of an account of more than £10,000. (try several transactions of smaller amounts over a period of time?). If moving cash on your person, avoid a wallet - the mugger's friend; cash, credit cards, home address in one neat package. Keep it on you in a zipped or secure pocket. Don't wear expensive watches, jewelry; look ordinary. The reason for this report, though, is to look at other non cash methods that do not leave a paper-trail back to you.

MONEY ORDERS: Walk into your nearest American Express office, same as with cashiers cheques, and purchase a money order, then mail it to whoever or wherever you need to pay off. You do not need to show ID and the money order is made out on the spot. These money orders are available at a nominal charge in just about any country and are accepted for clearance by banks anywhere. They are also insured against loss if you keep the carbon copy. You will be asked for a name to be put on the money order when you buy it, but no ID is required.

INSTANT TRANSFERS: Western Union and Thomas Cook offer similar money transfers. How long it takes depends on how much you wish to pay. Western Union is located in all EU capitals and is busy signing up banks and businesses in the provinces. Its charges are steep but head offices are open 24 hours a day. You need one person paying cash in one end and another to collect at the other end.

POSTAL MONEY ORDERS: In the UK a postal Giro account holder can usually be supplied with International Giros, cashable throughout Europe by going to a Post Office at your destination and cashing the Giro. Enquire at your post office about British postal orders - can they be paid into a foreign bank account after conversion charges? They are available just by paying over

cash at a post office, with no identity required. The highest postal order value is £50.

TRAVELLERS CHEQUES: Thomas Cook is not recommended as they charge 1% commission to cash their own cheques and both Cook and Amex give exchange rates worse than banks. Ordinary travellers cheques can be purchased by anyone walking in off the street. Only when cashing them do you need to show ID. If you want someone else to cash them the other end, make sure their name is put on the cheque(s) this end. Is it possible to pay travellers cheques into a bank (ie offshore account) - enquire: if it is, ensure the name put on them will tally with whatever name the offshore account is held in.

BEARER BONDS: The type of financial instrument dealt with by banks and stockbrokers. As the name suggests, the value of the bond is payable to whoever is bearing it, with no ownership details written on it (so don't lose them). This might be a good idea if the amount in question is what we can only call "serious money". Some bearer bonds could have a face value of £100,000, so that with just 10 of these bond certificates you could be carrying £1,000,000, but not in cash which if restrictions apply at boarder crossings would be a problem (and the very large suitcase full of banknotes).

Remember that no central register exists for bonds, so that you could just buy stolen bonds, and end up kissing your money goodbye. The same would apply if you bought bonds that had been cancelled but never quite made it to the incinerator. You would need to purchase from a major bank or broker who then guarantee the bond's worth.

Cash is great but bulky but it can start to take up a lot of space. £1,000,000 (chance would be a fine thing) would equal 2,500 Swiss 1,000 Franc notes; 18,500 US 100 dollar notes; 20,000 £50 notes. If you transport cash, strictly on your person you could manage 600 to 1,000 notes strapped to your legs and in a money belt, but after

that you have to carry it in some sort of container.

What about gold? Down the ages this has been a favourite commodity, but first make sure there are no restrictions to wherever you intend to take it and turn it back into cash, and the second is weight. With regard to the above, after a while, depending on the actual amount of cash value you might wish to move, even a body builder is going to have problems.

There is a little story about someone moving a million dollars of gold from New York to Zurich, Switzerland some years ago. In those days there were no reporting requirements for gold, and likewise, the Swiss customs would not care if you were importing 20 tons of the stuff into Switzerland. The trunk containing the gold broke the axle of the heavy duty baggage cart at Zurich and took three porters to lift it. Now that we have anti-terrorist precautions at our airports, try getting through the scanners with just a modest amount of gold, let alone a trunk full.

Diamonds are a girl's best friend - they would be your friend, too, if you had to carry them any distance. The question is how much are you likely to lose on the transaction in buying them and then selling them on arrival.

Pay zero taxes legally.

Once outside your home country as a non-resident and without visible assets, you pay no more taxes.

Considerable thought to "doing it right" must go into the implementation. Lawyers and accountants want to keep you around forever paying their annual retainers. I try to get people off on their own, conducting their business affairs in complete privacy. That is why I do not usually recommend setting up trusts, foundations, holding companies and any such structures requiring:

- a) Involvement of others who really shouldn't know your business.
- b) Unnecessary overhead, legal registration and annual tax charges.

Offshore corporations and such are mostly worthwhile only where an active business is involved and there is no better way to get a regular cash flow of royalties, commissions or interest out of a given country without paying withholding taxes. We regard setting up such legal entities only as a last resort. The exception to this is when you work with someone who lets you run the show, who does not want to get any signing powers or a say in your business and who shares our view that the more you can do yourself, the better. Most offshore advisers will milk you every year with hefty annual fees and charges.

Usually, offshore centres are rich in crooked "corporation mills" that churn out steep bills but do not care about you or your business. Many Americans, for example, do not realise that there is nothing illegal about transferring all their shares of stock, cash or other assets to a custodian bank based abroad. Even real estate may be transferred to a foreign based corporation.

British based corporations cost only a nominal sum to establish and run. It used to be

the rule that if they did no business in the U.K., they were tax-exempt in Britain, a rule that was lifted in 1988. Now, all U.K. companies have to file and pay British taxes regardless of where their source of income may be. Neighbouring Ireland was swift to take advantage of the new British rules. When Britain closed down tax-exempt companies, the Republic of Ireland passed legislation allowing for tax free Irish non-resident companies. If no directors live in Ireland and all source of income comes from _____ outside Ireland, then the Irish company does not pay tax at all.

There are no restrictions on the freeflow of capital in and out of the U.S.A at the present time. This freedom to transfer assets abroad exists in most of Europe, Japan and the "free world". Reporting requirements are a different matter. For instance: if you cross the USA borders in either direction with cash, amounts of around 5,000 US dollars are supposed to be reported. If you are searched by customs officials, and are carrying undeclared cash, it may be confiscated. But if you carry cash or cheques abroad, as to tax-paid, legally earned money, you can take 100 billion US dollars - as long as you report it at the time you cross the borders. We hear that many US customs officials at many border points do not have the proper report forms. They tell the traveller who asks for them to "forget about it". Thus, as is typical with governments, Big Brother's iron fist is often rendered impotent by bureaucratic bungling under an avalanche of information and forms. They are brought together only if you do something "high-profile" to trigger a look at your affairs.

If you are after a "secret account", this is sometimes referred to by the euphemism "offshore account" is that to keep it a secret from your potential enemies (creditors and tax collectors) it must be kept secret from everyone. Generally, a stranger you meet at a bar isn't the person who turns you in to a tax collector or otherwise blows the whistle on you. Besides Big Brother, your potential enemies include your spouse, lover(s), your business associates or partners, your own kids. These days you must

add to the list of potential informers against you, your accountant or lawyer. Your accountant, lawyer, stockbroker or local banker in many jurisdictions, particularly the USA, is personally liable for criminal prosecution if he has knowledge of any concealment of assets, tax frauds, or other peccadilloes; if your hired hands don't turn you in they may be breaking the law.

New regulations make these professionals in your home country little more than government agents. They act like Deputy Sheriffs. If you don't want sheriff Big Brother to know exactly what you are doing then for heaven's sake, don't tell the Deputy Sheriff. These professionals are not on your side. Because of laws that will take away their licenses, livelihood and possibly their freedom, they have been co-opted. They are now in the enemy camp. As such, accountants and lawyers are the last persons you should trust with sensitive information or from whom you seek advise on "offshore matters". Bottom line? You must now establish your secret offshore accounts or secret asset stashes without telling anyone in your home country, and especially without telling anyone in the above categories.

Cons, frauds and scams in the world of electronic money.

High-tech security of money is a joke. Thieves of the mid-90's all know the easiest way to rob a bank has nothing to do with guns and getaway cars. Just use a computer. The latest in a long series of fraud against ATM's, Automatic Teller Machines, the cash dispensers all but the most privacy-conscious of us use, goes as follows:

Install one of those PIN changing machines somewhere with a big sign encouraging people to change their PIN's because of the possibility that someone has shouldered their old PIN. Away you go; it could even change their PIN for them. In other words, it could be a real PIN changer. This is a lot cheaper than a fake ATM machine and something that high-tech thieves have already done with success in the U.S.

With the PIN, new or old, they embed fake cards and proceed to vacuum your bank account. You will not lose, however. In some countries, including the USA, the banks have to carry the risks associated with the new technology.

In Britain, the regulators and courts have not been so demanding, and despite a parliamentary commission of enquiry which found that the PIN system was insecure, bankers simply deny that their systems are ever at fault. Customers who complain about debits on their accounts for which they were not responsible. After these so-called "phantom withdrawals" are told they are lying, or mistaken, or that they must have been defrauded by their friends or relatives. The result in the UK has been a string of court cases, both civil and criminal. The pattern which emerges is not surprising: miscarriages of justice over the years.

A teenage girl in Ashton-under-Lyme was convicted in 1985 of stealing £40 from her father. She pleaded guilty on the advice of her lawyers that she had no defence - and then disappeared. It later turned out that there had never been a theft, merely a clerical error by the bank.

A Sheffield police sergeant was charged with theft in November 1988 and suspended for almost a year after a phantom withdrawal took place on a card he had confiscated from a suspect. He was lucky in that his colleagues tracked down the lady who had made the transaction after the disputed one; her eye-witness testimony cleared him.

Charges of theft against an elderly lady in Plymouth were dropped after enquiries showed that the bank's computer security systems were in a shambles. Likewise, all over Britain, people are awaiting trial for alleged thefts in cases where the circumstances give reason to believe that phantom withdrawals were actually to blame.

How the banks steal your money: "the computer is always right". Many frauds are carried out with some inside knowledge or access and ATM fraud turns out to be no exception. Banks in the English speaking world dismiss about one per cent of their staff every year for disciplinary reasons and many of these sackings are for petty thefts in which ATM's can easily be involved. A bank with 50,000 staff which issued cards and PIN's through the branches rather than by post might expect about two incidents per business day of staff stealing cards and PIN's.

In a recent case, a housewife in Hastings had money stolen from her account by a bank clerk who issued an extra card for it. The bank's systems not only failed to prevent this but also had the feature that whenever a cardholder got a statement from an ATM the items on it would not subsequently appear on the full statements sent to the account address. This enabled the clerk to see to it that the lady did not get any statement showing the thefts he had made from her account. This was the reason he managed to make 43 withdrawals of £200 each. When she did complain she was not believed, and subjected to harassment by the bank. The thief was only discovered because he suffered an attack of conscience and owned up.

Technical staff also steal client's money knowing that complaints will probably be ignored. At one branch in Scotland a maintenance engineer fitted an ATM with a hand-held computer which recorded customers' PIN's and account numbers. He then made up counterfeit cards and looted their accounts. Again, customers who complained were stone-walled.

Most thefts by staff show up as phantom withdrawals at ATM's in the victim's neighbourhood. British banks maintain that a computer security problem would result in a random distribution of transactions round the country, and as most disputed withdrawals happen near the customer's home or place of work, these must be due to card-holder negligence. Thus the pattern of complaints which arise from thefts by their own staff only tends to reinforce the banks' complacency about their systems.

How outsiders rob your bank account "jackpotting" as in a recent case in Winchester two men were convicted of a simple but effective scam. They would stand in ATM queues, observe customers' PIN's, pick up the discarded ATM tickets, copy the account numbers from the tickets to blank cards, and use them to loot the customers' accounts.

This trick had been used a few years before in New York where a ATM technician had been fired and managed to steal 80,000 US dollars before being caught by the bank saturating the area with security men and catching him in the act. These attacks worked because the bank printed the full account number on the ATM ticket and because there was no cryptographic redundancy on the magnetic strip. In England, the bank which had been the main victim of the Winchester case only stopped printing the full account number after an outcry on TV.

Another technical attack relies on the fact that most ATM networks do not encrypt or authenticate the authorisation response to the ATM. This means that an attacker can

record a pay response from the bank to the machine and then keep on replaying it until the machine is empty. This technique, known as "jackpotting" is not limited to outsiders. It appears to have been used in 1987 by a bank's operations staff who used network control devices to jackpot ATM's where accomplices were waiting.

Postal interception is reckoned to account for 30% of all U.K. payment card losses, but most banks' postal control procedures are dismal.

THE PORTUGUESE MULTIBANCO DEBIT CARD

In Portugal, many banks, solid and often state owned are willing to give out plastic debit cards to both their nationals and to foreigners, asking that you deposit a minimum of £50 with which to open a bank account. Cheque books are also available if required. The name of this plastic debit card is the Multibanco.

In Portugal this card can be used in more than 95% of shops and restaurants, payphones, road tolls etc, and this one system covers the entire country and its banks. Because the Multibanco is a debit card you must have enough funds in your bank account to honour payments, which will be debited instantly, similar to the Switch debit card system in the U.K.

Money can be withdrawn from over 2,300 ATM's (Automatic Teller Machines), or cashpoint hole-in-the-wall machines in Portugal. Because of the Multibanco's involvement with the rest of Europe, the Multibanco can be used for withdrawing cash all over Europe. In the U.K., the Link ATM system, used also by the Abbey National Building Society and other financial institutions will accept the Multibanco card.

On opening a deposit account from a bank in the Multibanco system, you will be given a plastic card on the spot. The card does not have your name embossed on it as do British cards. There is a signature strip on the back of the card under the dark magnetic strip for you to put a signature on - your signature or any name you wish to use. Because there is no embossing of personal details, there is no expiry date on the card either, so that the card will remain current until it requires replacing due to actual wear and tear. Each card is issued with a PIN number which you can change whenever you like by following instructions when inserted in a ATM either in Portugal, the U.K. or wherever a Multibanco or Link machine can be found.

The Multibanco card is also available with a Visa or Mastercard facility built in, to customers who have conducted their account in an acceptable manner after a period of time, but in keeping with the rest of the world Visa or Mastercard system, your details and references would be required, as in the U.K. The PIN number is sent to the address that you give the bank about 7-10 days after the issuing of the Multibanco. Therefore the address could be an accommodation address either in Portugal, the U.K. or wherever; the address of a trusted friend, or your hotel, assuming you will be in residence when the PIN number arrives, or even collected from the bank when available.

Remember, you are not required to show identification when opening an account, other than your passport so that the name and address will be whatever you have told the bank, to fit in with your need for secrecy. Obviously, if you show your Passport, you will tell the bank your name as it appears on the Passport, but you are not required to sign the Multibanco in front of the cashier. If you are wanting to deposit money into your new deposit account and then withdraw it later when needed from an ATM, the signature does not matter. If using the card to purchase services and goods, remember that the signature you use on the payment receipts must match whatever you have put on your Multibanco card signature strip.

Not all banks adhere to this system: some will issue only personalised Multibanco cards i.e with the name that appears on your passport embossed onto the card. This is true of all banks that are owned by international banks. A suggested bank for unpersonalised Multibancos would be the BPA, or Banco Portugues Atlantico.

Once you have the Multibanco you must use it once in Portugal. If your card came from the Banco Portugues Atlantico, and you use the card for the first time in an ATM belonging to the BPA, it will not work, nor will it work if you use the card for the first time in an overseas ATM. For the card to latch into the system you should first use the card in Portugal in an ATM not belonging to the issuing bank. From the

second transaction onwards the card will work both in Portugal and abroad in any Multibanco or Link ATM.

Do remember, outside of Portugal, the Multibanco can only be used for withdrawing cash (up to £200 per day subject to the money being in your account). In Portugal it can be used for withdrawing cash and as a debit card to pay for goods and services. You can deposit funds into your Multibanco account by either paying in cash or cheques in person at your branch in Portugal, or by wire transfer from a bank or by mailing a cheque to your bank in Portugal. As ever, you must ask yourself why you need this type of account, and remember that asking your U.K. bank to wire funds to your Portuguese account will be traceable, as will certain cheques, i.e. they leave a paper trail which an investigator might pick up on. The simplest way is to take cash over when next you visit, or if this is not possible, use money orders, travellers cheques that are not traceable to you in the U.K. (See our publication on moving money confidentially).

Earlier we talked of opening an account by showing your Passport as a form of identification. Both Portugal and the U.K. are members of the European Union, and many EU foreigners can go to Portugal without a Passport. What do they do to show identity? They will often have a national I.D. card to show. We in the U.K. do not have such a document, but depending on the particular bank we hear that it is possible to open an account by showing, for example, a British Rail Season Ticket I.D., complete with photograph or similar type of identity. After all, the bank only wants to know that you have some official or semi official identity: a photograph linked to a name.

A final suggestion is to have a local lawyer, trusted friend or third party open the account for you if the showing of your passport may be a problem. It is not usual for Portuguese banks to open accounts by mail, but what about branches outside of Portugal? There is a large ex-pat population in Paris, where most of the Portuguese

banks will have branches, but in keeping with French banking requirements your card would be embossed or personalised and your passport details taken.

To conclude, the Multibanco offers you the opportunity to legally open a deposit account without having to provide bank and personal references as you would do if the account were opened in the U.K. You have only to show your passport or some form of semi official identity. Funds deposited into your account can be withdrawn in the U.K. from a Link ATM. There is no connection to your U.K. address or your U.K. banking persona.

THE AUSTRIAN SPARBUCH BANK ACCOUNT

Over the years, banking secrecy has been seriously eroded, even in traditional banking havens like Switzerland, where banks are now required to be aware of the beneficial owners of secret accounts, and under pressure from the U.S., almost 900 court ordered breaches of banking confidentiality laws have taken place since 1991.

Banks in 'off-shore' tax havens like the Bahamas, Luxembourg, Cayman Islands etc have also been pressured to disclose the identity of their clients. Should a local court in a particular jurisdiction refuse outside pressure for information where the alleged crime is tax evasion, authorities in several countries may apply to that court with allegations of drug involvement in order to gain information on which of their citizens might have undeclared holdings.

Now that Switzerland has lost its tradition as the ultimate confidential tax haven, all is not lost. Its neighbour, Austria has something to offer those who seek confidentiality from a bank account. In fact the Austrian banking laws, where disclosure of client details to a third party by banking officials is an imprisonable offence, are likely the most confidential in Europe if not the world.

Often called 'Europe's best kept banking Secret' the Austrian Sparbuch is as old as banking itself. The Sparbuch, literally translated is 'savings book', and accounts can be held in either German Deuchmarks or Austrian schillings. The schilling is closely pegged to the German Mark and is therefore a very stable currency, not like the free floating, highly volatile U.S. dollar. You can expect 20 plus Austrian schillings to the pound sterling.

Deposits to the Sparbuch account can be made in any currency after first converting that currency into Austrian schillings. Austrian banks offer some of the best rates in Europe for currency conversion.

Deposits can also be by direct wire transfer, known as 'Swift', or by cheque presented personally or by mail to the issuing bank. Interest can be around 3% to 5%, but all interest is paid gross without withholding tax being deducted. Should you wish to give the bank 12 months notice of withdrawal the interest rate can be raised to around 6% to 8%. On the other hand, the beauty of the Sparbuch is not the amount of interest it might yield, but that of its confidential nature.

To withdraw funds, you present the Sparbuch in person at any branch of the issuing bank, and giving what is called the 'Losungswort' or code word, make a withdrawal. Having both book and codeword will ensure no further identification will be asked for. You can also send the Sparbuch and code word by registered mail asking that the funds in the account be transferred to anywhere in the world.

The issuing bank does not want or ask for an address as no statements are ever sent out. The Sparbuch is updated with interest etc when mailed or presented at the bank. This means that a paper trail is not made so if anyone is monitoring your mail like a tax authority or spouse, nobody will wonder why you receive regular mail from Austria, and nobody can find self explanatory bank statements from your Sparbuch account. If security has to be tight, be very careful where you keep the actual Sparbuch; also if you mail the Sparbuch to the issuing bank you may want the return address to be either an accommodation address or the address of a very trusted friend, or arrange to collect the Sparbuch when next either you or a trusted friend visit the bank.

The Sparbuch is not designed for standing order payments, and if you cannot prove you are an Austrian national by showing a national I.D. card the bank will refuse you an account. On request the bank will issue you a Sparbuch as a 'foreign' account, in which case you will be required to show your passport, the details of which will be copied and sent to the Austrian National Bank where the possibility exists they will

inform the Comptroller of the Bank England. This is often standard practise where a foreigner opens a bank account in a country other than his own. The possibility exists that such information might just filter back to the local tax authority who might then start to make enquiries, the likes of which you might have difficulty answering to.

The Sparbuch does have yet another advantage: whilst it can be held as a named account, it is also available labelled 'Anonym' or anonymous and the word 'Uberbringer' or bearer stamped on the front cover. As the name suggests, whoever has the passbook and can give the codeword will have access to the account. It will not be possible to establish who opened the account because no name and address were ever asked for in the first place, assuming the person opening the account had only to show that he had an Austrian I.D.

The advantage of this anonymous account is that you can clear cheques and money orders etc that have any name on them and not just a particular name that must match a named account. Because this is an anonymous account, no tax collector, ex spouse or even the bank itself can identify who actually owns the account. Behold, one of the very few truly anonymous bank accounts in the world, that require no address details, can be in your own or any name or held as an anonymous account, assuming you can come up with an Austrian I.D.

Austrian attorneys, however, may open Sparbuch accounts for clients without having to disclose the beneficial owner of the account, and once opened would not be subject to any changes in the law in that such accounts would be registered as just normal accounts and not as accounts belonging to non Austrian Nationals.

Along with the 'Losungswort' or code word which can be changed at any time by yourself to whatever may suit you, having informed the bank first, there is also the 'Kontrollnummer' for added security. This is a set of figures either on the inside or pack page of the Sparbuch, which will be held by the bank on computer.

To conclude, in order to acquire a Sparbuch, and to maintain it anonymously, you can arrange for an Austrian attorney to legally open an account for you. If you have a friend who is an Austrian national (and one you can trust) you could arrange for the opening of a Sparbuch. Finally it is possible to purchase accounts with an opening deposit of 100 schillings by mail from adverts in magazines which cater for off-shore investors. Cost would be £200 -£250.

The best countries to stash your cash.

While there is no perfect place, the better countries are easy to choose: they must have banking secrecy, no withholding taxes for foreigners, or if there is a withholding tax, it must be easily avoided as it is in Austria or Switzerland by means of a "fiduciary account". A fiduciary account is simply an account established for you at another bank by your own bank, and kept in the bank's name. Also important, is political stability, an unblemished history of honest dealings with foreign investors, and a long tradition of no government confiscation of private assets. There must be no information exchange treaties or other arrangements with your home country and none on the horizon. Obviously the bankers of your banking country should be fluent in your language. Fortunately, English is the universal language of international banking, business and the airways as well. So unless you bank strictly locally, any major international or offshore bank will have officers that you can communicate with in English.

Outside of Europe, it is probably best to deal only with a branch of a major bank whose home base is not your home country. Your offshore bank preferably has no branches in your home country that could be pressured to force them to reveal your account details or worse yet, freeze your account.

Thus if an Englishman was going to have an account in the Caribbean, first choice might well be a Swiss, Danish or Dutch bank - never a British nor (for safety's sake) a one horse local outfit. The account for a Brit for instance should be in the Antilles (Dutch) not Cayman (British) If I were an American

I'd stay far away from any de facto American colony like Puerto Rico or Canada, or any American bank like Citibank, Bank of America etc. Come to think of it, even if I were not an American, I'd stay far away from American Banks no matter where located. They are all quite shaky. The Federal Deposit Insurance Corporation is insolvent and American Banks (and stockbrokers) are generally subject to the whims of the current political administration at home. The

largest banks in the country, Continental Illinois and Bank of America, went through the equivalent of insolvency in recent years. The same instability would be true of all but the biggest Japanese banks.

Never deposit two pence in a third world bank like Banamex (Mexico), nor any Arab bank; and remember BCCI (Pakistan)? The Muslim idea of banking is so foreign to the English speaker that there is no common ground. Receiving interest from a bank (or paying interest under some interpretation of Islamic Law) is an offense that gets your hands amputated or in some countries you might be shot. I am not joking. This is the law in Iran. I would not deposit my money in any offshore branch of a bank with such rules in the home country. As to general morality and honesty, some Mexican bankers I have known make Jesse James and John Dillinger look like honest men in comparison to them. And while I'm throwing stones, the Mexican Government has a long tradition of luring in foreign investment and then confiscating it. That leaves the major European banks as just about the only serious choices for stashing serious money.

The best countries are Britain's offshore islands, plus Luxembourg, Switzerland and Austria. Austrian banks and Savings Institutions will even open a totally anonymous passbook account where the bank itself doesn't know the customer's name and address. (See our guide "Establish a secret bank account before it's too late").

Banks of ex-communist countries are now courting this offshore private investor business, and there are plenty of banks pumping for "High Net Worth Private Clients" in places like Hong Kong, Panama, Costa Rica, Malta, Uruguay and Gibraltar. The vast majority of people and politicians of most of these countries are leftist, as in Mexico and most of South America. When times get tough, the local politicians think first of defaulting on their international obligations and second, of confiscating the local assets of foreign depositors and investors.

Where does one get the best interest rates and management?: In recent years, interest rates in most countries have gyrated from double or even triple digits to low single digits. The "true rate of return" is generally considered to be the interest paid less the (anticipated) local inflation rate, less withholding taxes. Thus when the rate of interest, for instance, in the USA is below 12%, with 6% inflation and a 6% effective tax the American investor gets a negative return.

In 1992-93, some first class German banks paid 10% per annum interest with no withholding tax and historically low inflation. This is an all time high for Germany where the inflation rate since 1945 has been under 3% per annum in most years, and there is no withholding tax on interest paid to foreigners. In the US, for instance, during the same period, where inflation has averaged around 10%, interest rates hit below 4%, an all time low. Thus the important thing to remember is to read the financial papers, keep up with news.

Place your funds in bonds or for nice long periods like a year or more when you are convinced that interest rates are peaking out. If you buy medium to long term bonds, when interest rates go down again, you can sell the bonds at a big capital gain. Some investment letters have a good record at recommending when to get in and out of bonds.

One reason that people are afraid of making a deposit or buying a bond in a foreign currency is the "currency risk". As long as the interest rate is good, you do not have to reconvert on the sale of the bonds to the original currency with which you bought the bonds until that currency shows a profit advantage to do so.

The pound sterling is recommended by many in the world, and it is possible to have your deposit account held in sterling even with foreign banks - in fact you often have

a choice of different currencies in which to hold your account.

To make exceptional yearly interest rates on your account you first need a reasonable interest rate from the bank; have no withholding tax deducted, and thirdly play the exchange rates to add to your profit. We know of no bank anywhere that offers a 20% interest rate, so to aim for an overall interest rate of 20% plus requires the careful investment in good bank rate, no tax on interest, and play to your advantage the exchange rate differences when converting from one currency to another.

How and why to avoid using cheques.

Whereas cash is virtually untraceable, cheques provide investigating authorities with perhaps the most complete set of opportunities for finding out who paid what to whom, when - and by asking around, perhaps also why.

Both the face and the back of any cleared cheque is stored for posterity on microfilm, giving away the following information to those who may care to look: name and location of issuing bank, account number on which cheque was drawn, issuing date, amount, to whom the cheque was made out to, and a nice copy of the signature of the account owner.

The back of the cheque will likewise show the signature of whoever cashed or deposited the cheque plus, if applicable, the signature of the original recipient who later endorsed it and, lastly either number of the ID (passport, driving license) used to cash the cheque or the number of the account to which the cheque was deposited.

Now isn't that nice - if you write a cheque on an account later established to be owned by you, not only may any remaining funds in the account be seized, liened or attached but microfilm copies of all cheques ever drawn on the account may be easily procured and investigated.

That is why, if you do not want anyone to know where you live, you should never use a cheque to pay your rent - not even once. If the account is ever discovered to be connected to you then the police, tax authorities or private investigator will have a direct lead to your landlord and, through him, to your physical whereabouts.

Reversely, anyone receiving a cheque from you may opt to make a photocopy of it before depositing it and will in this fashion retain information about your bank account. If you use a cheque to make the first few instalments on, say, rent or a loan

that you later fail to keep up, the clever creditor or landlord will be in a position to furnish a court with all the information that is necessary to freeze or seize your account and everything in it. If you pay your maildrop by cheque, you have totally blown your cover.

To further elaborate on the problems this may cause you, suppose you are in another country and pay something by a cheque drawn on an account which, unbeknown to you, has been frozen in your absence. As a foreigner, you will most likely have to show your passport for the cheque to be accepted and your passport number will be noted on the back. When the cheque later turns out to be bad, the person on the receiving end of the bad cheque will be in a position to give local authorities your passport number - which may result in your being apprehended at the airport the next time you either enter or leave the country (the latter provided that computer checks are made of passport numbers on departing that country).

Now, you may not wish to live without cheques although it is perfectly possible and much safer. But take all relevant precautions. You should fully realise that whenever you write a cheque, you implicitly give anyone in a position to investigate either your own account or that belonging to the recipient of the cheque, a veritable carte blanche to pursue the connection between you and him very thoroughly. The worst part of it is that it may not even be you yourself who needs to make a mistake - someone else may make the mistake for you, opening a Pandora's box of grief for you. Let us say that you paid a solicitor for services rendered - by cheque. Unfortunately, the solicitor turns out to be crooked and in cahoots with parts of the underworld. Investigators poring over his financial records and bank accounts notice that you made a payment to their suspect. This, in turn, may lead to your phone being tapped and your mail intercepted and examined to see if you too are connected to the underworld. Have you anything to hide?

On the other hand, you may still use cheques to move money from A to B without a

record of use to anyone being created by this. One example is that you move money into a secret, offshore bank account a lot easier than going there in person by sending cheques to your bank - as long as you use Cashiers Cheques that you have obtained without disclosing your identity or presenting any ID whatsoever.

Travelers cheques would also be useful if you were eventually paying them into an offshore account of your own: check out whether you have to sign them in front of the cashier at the point of purchase. Failing that, the good old fashioned postal order; find out the latest maximum value of the highest order, bought without ID and acceptable paid into your offshore bank account. Check it out.

Crossing borders without a passport.

Smugglers and criminals have used this method for years; how to cross borders without a passport.

In most countries, there are usually one or more routes into the neighbouring country that have no border stations. These unmanned crossing points are usually small backwater roads. Sometimes they are no more than dirt roads used by local farmers.

In Europe, such crossings abound. Recently *The Economist* ran a story on how one correspondent managed to sneak on such back roads into all 12 EU member countries with no passport at all.

All he did was to arm himself with the Goodyear road map of Europe. It shows all roads. Those with the symbol of a small flag on them have manned border crossings. Those without the flag are roads without surveillance or customs posts.

It is not illegal to use these border crossing points. But of course, officials of the countries involved have the right to ask for proper travel documents in the event that you are unlucky enough to be apprehended or stopped in a spot check.

The usual penalty for improper entry is simply deportation. In a typical motorist case, the driver would be asked to return to the country he came from and possibly be given police escort in that direction.

This could lead to a "domino effect" where the prior country illegally entered is informed of your situation, and they in turn send you back to your country of origin.

Unpleasant incursions into the freedom of EU citizens are ever-increasing. For example, Customs and Excise authorities regularly exchange data on vehicles or

persons moving through the now notionally borderless Europe with their counterparts in other countries.

Even travel agents are not immune. There is an agreement between travel agents throughout Europe to report travel plans of people who they find suspicious to a Freephone number. The British travel agents' association, ABTA, has sanctioned an agreement for its 700 members to become unpaid informants to HM Customs. Travellers should be wary of alerting travel agents' staff in this way if they wish to avoid being reported on the Freephone.

The secret trust: onshore or offshore?

The difference between "onshore" and "offshore" trusts and corporations is, roughly speaking, that "onshore" means subject to a big-brother, high-tax jurisdiction that obliges trusts and corporate management to file a host of disclosure forms with the local company register (which also handles trusts). This information essentially then will be public, freely given out to anyone for the asking. In addition, annual statements must be made and any profits taxable. In countries with wealth taxes, the trust or corporation may be obliged to give a percentage of its capital to the state.

On the other hand, an "offshore" location is a country or jurisdiction with very lax (or non existing) laws about what sort of information, if any, a corporation or trust has to file with the company registrar - annual statements, identities of managers, protectors and trustees, etc. In an offshore location, this information will usually be much harder to obtain for external third parties (such as foreign tax authorities). An "offshore" corporation or trust will be tax-exempt. For a small, yearly fee payable in lieu of any taxes, an offshore corporation or trust may conduct just about any business, anywhere, without any legal requirement to inform the local tax authorities about this. This is the basic distinction between a legal entity that is registered "offshore" as opposed to "onshore". Recap: offshore corporations or trusts pay little or no taxes and their true ownership and activities can be kept secret.

Is there anything immoral or illegal about incorporating a company or trust in an offshore location? In and of itself - no. Most, if not all countries recognise the authority of other countries to make their own laws as far as company registers and taxation is concerned (and car registrations, passport, insurance, etc. for that matter). Just as it is quite legal to move to another country in order to save taxes (even though your own country may not quite like the idea and usually will attempt to legislate against it), so it is also quite legal to register a company or form a trust in a jurisdiction that extorts little or no taxes.

An American Citizen may freely own any number of tax-free corporations in any number of different countries. There is nothing illegal about that. The "iffy" part is the "legal" requirements that he has to face to make a full disclosure of his interest in foreign assets on his tax return. Remember most governments think they own their citizens and may confiscate citizens assets (or send them off to get killed in a silly war) at will. And then keep in mind that governments can only exist because their victims, the citizenry, grant to government their sanction of monstrous laws by abiding by them, however grudgingly.

But what you should be concerned with is that aforementioned "veneer of legality" that you need to give you at least some protection, in case anyone ever makes a connection between you and a vacation home in Monte Carlo that is not in evidence on your latest tax return.

One way to do this is to form a Trust which owns the villa, or other assets. This automatically relieves you of any law (and certainly very immoral law) requiring you to disclose all your worldwide assets. You do not own the villa, the trust does. And neither you nor anyone else owns the trust, since that would be a contradiction in terms. Of course, the trust has to be in an offshore location with no legal requirements that the trust must declare what assets it owns. A trust in, say, the Isle of Man (in the Irish Sea) may legally own all the stock of IBM and not be obliged to disclose this to a living soul - not on the Isle of Man, anyway.

On the face of it, transferring your assets and business interests outside of your home country to a trust or foundation may be a cure-all for your tax troubles. You can own anything you wish through the trust, retaining complete control over those assets and not be obliged to disclose it to anyone.

But there are two slight catches. First, that a trust may usually not engage in or

conduct an active business unless through the (whole or part) ownership of one or more companies which, as explained, should also be incorporated offshore).

Second, that you cannot legally arrange to disburse funds owned by the trust to yourself. It is true that the local nominees ("straw men") who lend their names to the trust for use in the company register in exchange for a modest fee could possibly not care less what you do with the assets belonging to the trust. Still, the legal requirement - even on the Isle of Man - remains that the trust cannot legally make payments of any nature to anyone unless by following the rules laid down in the trust's charter documents. And local laws do not allow the incorporation of a (tax-exempt) trust or foundation with rules that allow it to be blatant as a tax-shelter by making no requirements of fund applicants.

The way to legally get around these requirements is to create an offshore corporation - or several. Say, for instance, that you have quietly transferred a million pounds to the trust's Swiss bank account by way of a donation. You no longer need to disclose this particular one million pounds on your tax return as it no longer legally belongs to you. But you may still want to get some of it back one day. Then what? What you do is basically trade with the trust i.e. sell something to the trust. An arm's length transaction with a foreign trust is quite legal. But if a transaction is not reported, who is going to measure the arms? The trust may wish to acquire ownership of, i.e. a newly-incorporated Delaware company through which to conduct future business in the U.S.. Let us say that you need a quick, legal £250,000 from the trust, the bank accounts of which you control with a POA (power of attorney). You now buy a c.100 Delaware corporation from any broker specializing in selling newly incorporated "fresh" corporations - and then pledge as security for a loan your shares in it to the trust for a cool £250,100 in cash.

Truth to tell, you may break one law in some country or other if you do not disclose the fact that you don't expect to ever repay the loans and that you are lending yourself

your own money. But generally, there is no income tax due on borrowed money until and unless the loan is formally "fugitive". If you need cash for a new car etc, then who is entitled to say that you "owe" taxes on money on which you have, presumably, paid 40, 50 or even 60% income tax when you first made it?

How to make 5 times normal % bank rate pa.

If you have a bit of cash, take it with you on a plane to Taiwan. In Taiwan, what is called the parallel economy may comprise 40% of the whole economy, according to government officials speaking privately. Taiwan has an underground futures market, an off-exchange stock market, a black-market foreign exchange network and an underground banking system - all highly efficient.

The return is government guaranteed because most black-market loans are made against post-dated cheques; your money is in effect, government guaranteed. To a point. Like most EU countries Taiwan has adopted the practice of guaranteeing small-amount cheques. Regardless of whether there are funds in the account or not, the bank on which the cheque is issued will redeem it up to a maximum value of 5,000 Taiwan dollars. For larger loans, protect yourself with several 5,000 Taiwan dollar cheques, or put your trust in the borrower.

Before 1987 failure to pay at maturity was a criminal offense punishable by imprisonment. Today, bouncing a cheque is only a civil offense, as long as intent to defraud cannot be proved.

The black-market lending industry is so well established that Taiwan's Central Bank of China publishes monthly statistics on the prevailing interest rates.

Currently, black market interest rates are around 2% a month, according to central bank figures. But reports in Taiwan' newspapers, backed by market sources, say that rates can range up to 6% a month. When we visited, we placed some of our "suitcase cash" on the black-market, government guaranteed. After a month, we got it all back, plus a nice three per cent interest. According to the concerge of our hotel, had we been willing to venture into unsecured black market lending, he could have got us 6%. Have you got your calculator handy? Six per cent per month equals a cumulative

annual interest rate of roughly 90%. Few other places worldwide can beat that. And none can offer at the same time a stable government, low inflation, sound money policies and no real exchange rate exposure.

The Taiwan secret for doubling your funds in a year, tax free, is probably our best advise for those who want to venture into the black market. In all other countries, the black-market is a shady, unregulated and very risky place where newcomers routinely lose their shirts. In Taiwan, it is highly efficient (more so than the official markets) and so open that everybody knows what's going on. Choose between the underground futures market, the off-exchange stockmarket, the black-market foreign exchange network and the underground banking system. All highly efficient and all run by reputable firms that don't go bust overnight and don't cheat innocent foreigners.

If you want to operate on your own, not dealing through middlemen, you can always open a nightclub in Taiwan. Don't laugh. For one thing, everything remotely western is bound to bring in the crowds. But even if you fail to attract a single soul, fear not, you will still make a bundle. Fact is, nightclub owners in Taiwan make most of their money being illegal bankers. This is done on the club's credit card account. The nightclub simulates a purchase but instead gives the "customer" cash, then collects from the credit card issuer. Using this system, your money will be banking in what amounts to the safest country in the world. You will be making five times your normal interest rate. And with a local partner, a Taiwanese or an expat living in Taiwan, you don't even need to stay on full time to look after your funds. This one little secret

netted us £60,000 last year alone. When in Tainan, Taiwan, ask American expatriate Kevin Nelson for advise. He is married to a stunning Taiwanese woman, speaks the language fluently, has been living there since the mid-eighties and has lots and lots of connections.

THE TEN PRIVACY TENETS

- 1) Do not let anyone know where you actually live and sleep. Preferably, you should actively mislead people about where you live.
- 2) Do not let anybody get to know your personal details. Keep your name out of all government computers. Do not receive any packages or sensitive mail in your home.
- 3) Take care when using the telephone. Use codes in faxes and letters.
- 4) Do not have your vehicle registered in your own name. Consider having a spare set of wheels with license plates, insurance papers and so on in a pen name in a foreign country.
- 5) Do not keep serious assets in either your home country, your official domicile nor in your actual country of habitation.
- 6) Do have a place besides your home (self storage, garage or similar) where you keep sensitive documents, an extra set of credit cards, spare cash and - if possible - spare identity papers.
- 7) Do have at least one anonymous, offshore corporation that holds title to some assets, especially bank accounts. Offshore corporations should, in turn, be owned by a trust.
8. Do take pains to let foreign lawyers and bankers "get to know you" under an assumed name. These people may later be useful if you need professional references for your alternative identity. Or use a banking passport.
- 9) Do have a minimum of two mail drops. One near the country where you live and

one in another far away country. Test mail drops periodically for efficiency and honesty.

10) Do stive to persistantly compartmentalize both your business and private affairs so that one slip-up does not set a "domino effect" in motion. Do not use a maildrop for your bank accounts and financial affairs. Have your bank hold all mail at its office.

Do not have any sensitive information or purchases forwarded from a maildrop to your home or business address - have it mailed either to a hotel in a different city or to a helpful, understanding friend. Hotels are better, by far.

Yes, it is a tad more time-consuming - but why on earth risk shooting yourself in the foot.

The only barriers that will protect you against your fellow man are those you put there yourself.

How to open a foreign bank account without a bank reference.

Most bankers want a reference on you mainly "for the record" The world is full of swindlers and con men who pretend to be someone else in order to divert (i.e. steal) funds that don't belong to them. Bankers do not need the aggravation of being involved with customers who immerse them in litigation or unfavourable publicity.

If you come in with a simple story, explaining why you want a secret account and if you plan no fancy or illegal financial shenanigans, most banks in offshore banking centres will accept your account upon a mere showing of a passport. Most individuals with tax or domestic problems do not want any foreign banks contacting any professionals or bankers in their home country.

If you mention the common problems of possible divorce and the avoidance of confiscatory taxation, most "offshore" bankers will give you an understanding ear. None will ever want to be helpful to common criminals, terrorists, drug dealers etc. If they are hard nosed or do not like your looks or smell, they may insist on some sort of letter of introduction or reference. For a reference letter that will be acceptable everywhere, often it is possible to look up the name of an accountant or lawyer in the country of your banking passport (if you are using a different name and details to your own, and have certain identity pertaining to this new identity), and to obtain a letter addressed "To whom it may concern". This letter says merely that "Mr. Curt Customer has been a valued client for X years and is highly recommended". If you mention to your new banker that you wish to keep your new account a secret from everyone in your home country, the banker - if he has any sense of ethics, will never check your reference. You can point-blank ask him if he intends to call your reference giver, and if he says yes, then say, you'll have to take your business elsewhere as you'd regard this as a serious breach of your confidentiality. Normally, your new banker has his document "for the file", and that is enough for him.

If your new potential banker does not like your looks, your attitude, or the fact that you are starting off by bringing in large sums of cash, he may reject your business. Thus it is best to make an appointment well in advance, come in to merely discuss the possibility of opening a substantial account. Then shut up and let the banker sell you. Perhaps you make the first deposit with a small amount of cash, say £10,000.

If you need to deposit more, use cheques you have purchased for cash or travellers cheques acquired at another bank in the same town, made payable to your name (or new name if using one different to yours), and once your account has been accepted, made to the order of your new bank.

After an account is once opened, it is easier to feed it with cash (even in a country where cash deposits are monitored or restricted) by making a larger number of smaller cash deposits in other branches of the same bank and also by depositing cheques you have purchased for cash. Or you can make several cash deposits to new accounts at other banks and then consolidate by making bank transfers from other banks in the same town. You can simply ask at a branch if there are any restrictions or reporting requirements in that particular country in connection with cash deposits.

We suggest you might have favourable answers in Andorra, Belgium, Luxembourg, Gibraltar, Germany, and Austria - to name a few names, but be careful in any EU country which since July 1992 has to report any amount over 15,000 ECU's (£10,000) paid in or out in cash.

Offshore corporations & trusts: do you really need them?

To many people, corporations are essential tools in making money, discharging liabilities or owning assets globally; often in deep secrecy.

A corporation or trust is what lawyers call a "legal entity". Whereas a company does not eat, sleep or go to the movies, it may own just about anything you care to mention: bank accounts, stocks, bonds, investments, cars, boats, and even areoplanes. So may a trust (foundation).

The distinction between a "corporation" and a mere "company" is that the former is, by its very definition, a separate legal entity as opposed to an unincorporated, personally-owned company. A corporation may go bankrupt and leave creditors, including tax men, holding the short end of the stick. An unincorporated company will be inextricably linked to its owner(s). If an unincorporated company defaults on a debt or a payment, creditors may immediately turn to the owner and demand payment from him, which is a pretty good reason why you should never operate any business except from behind the protection of a corporation. That way, you are only liable for a loss up to whatever capital you have invested in the business, but no claim can be made against you personally in the event that the corporation folds or closes with a negative net worth. Unless, of course, fraudulent conduct by the owner(s) or manager(s) can be proved. Only rarely are owners or managers held personally liable for losses stemming from fraud or gross misconduct, which you should take to read as - only in cases where criminal misconduct (or outright fraud) can be proved. Proving such claims may take years. This is the major reason why dejected creditors usually take their licks and abstain from pursuing the matter further.

Shares in a corporation have to be owned by someone - or something. Usually, shares are held either by ordinary shareholders, by one or more other companies, institutions or trusts. But a corporation cannot own itself. Someone has to own the shares, which

also means that someone may be taxed on the wealth represented by the value of the shares, or the dividends or even on the capital gains realized when the shares are ultimately sold (or the corporation is successfully liquidated).

Enter trusts - or foundations, as they are sometimes called. As opposed to a company or corporation, no one can own a trust. By definition, a trust is not only a separate, legal entity, but also "owns itself". No physical or legal person may "own" even the tiniest little share of the trust. And that, exactly, is why trusts are so phenomenal in their potential uses.

Let us say, for instance, that you live in a high-tax country with very strict tax laws. Every year, you have to file an income tax return. On this paper you will usually be obliged to make a full disclosure of all bank accounts, shares, and other assets that you own - under threat of severe penalties, including jail, for non-disclosure.

The solution to this is not to keep your assets in other countries, most high-tax countries tax their citizens on their global income and, accordingly, require that all assets (even non-taxable) be disclosed, regardless of where they happen to be. Even if you own, say, a loss-making company in another country, or a non-interest bearing bank account (well, they do exist) somewhere you will be legally obliged to disclose this fact on your income tax return.

Some countries, including the U.S., even demand that citizens disclose the beneficial ownership of shares, etc., to guard against such assets being legally kept a secret by having them officially registered as belonging to someone else - like an attorney, for instance. The management of a trust can be two-tiered. On the top of the pile is the Protector, it is up to that person to make sure that the trust's charter is adhered to and that the rules laid down for the dispensing of the trust's assets are followed. The role of the protector is purely that of a supervisor with veto power over the trustees and

power to fire them in his sole discretion. The day to day affairs of the trust are handled, not by corporate officers but by co-called trustees. The Trustee will make all the decisions concerning the investments and disbursements of funds made by the trust. If the trust wishes to open a bank account, or buy a yacht (in keeping with the trust's charter, of course) then it will be the board of trustees which has to arrive at this decision and sign the papers.

But, as you will already have guessed, the trustees may decide to sign a power of attorney to someone else who can then, in effect, do whatever he or shee wishes on behalf of the trust, at his sole discretion - without having to ask permission.

Now, if you own the assets that you either do not wish to disclose or wish to guard against future seizure, confiscation or nationalisation by your home government, you may give your tactics a "veneer of legality" but conducting your financial affairs through the use of trust and one or more corporations.

Open a foreign bank account with no papertrail leading back to you.

The only way to eliminate a paper trail is to go in to your new bank personally or through a lawyer and open your account with untraceable cash or a commodity like gold. As many banks around the world are required by their governments to restrict or report the amount of cash they accept from new accounts, it may be necessary to either open a number of small accounts and later consolidate them, or to take really hugh sacks of cash into banks in those remaining few jurisdictions that don't care about conforming to Big Brother's wishes.

In Switzerland currently, most banks will accept a maximum of 100,000 Swiss Francs from a new customer. This is around £45,000. Accordingly, to open a Swiss account with £1,000,000 in it, it would be necessary to make 25 trips, or to open around 25 different accounts in cash at various branches or other Swiss banks and later combine them into one big account.

Once you have a personal relationship with a banker, however, he can make special arrangements with you (regarding confidential movements of cash) everywhere in the world - of course not in those countries where Big Brother and the Bureau Rats are in total control. An established customer in Switzerland can deal in unlimited amounts of cash if the banker feels his client's source of funds is legal.

Second best for breaking the paper trail is perhapes bearer securities. These are simply shares of companie or bonds that are issued to bearer. The companu has no record of who the owner is. They are outlawed in the USA, but available everywhere else. One deposits bearer securities with the new bank and tells the new bank either to hold them, or to sell them and deal with the proceeds as directed. With bearer securities there is a potential trail (very difficult to follow) if you bought the bearer securities in your own name through a stockbroker or bank. Thus it is best to explain to the stockbroker when you buy, that your

objective is confidentiality. A good stockbroker will arrange for an anonymous purchase.

A third possibility is to purchase something (an object or commodity) that you know can be shipped abroad and sold. Gold, rare coins, stamps, jewelry, antiques, art works - all these are possibilities. But if you are in a hurry, nothing works as well as cash. But even cash takes up a lot of space in a suitcase if you use sterling (largest note is £50), or dollars (largest note is 100 dollars).

Which countries have the largest denomination notes?: most people believe it is Switzerland. Their 1,000 franc note is worth around 750 US dollars. Canada also has a 1,000 dollar note worth about 800 US dollars. But Singapore, with a strong, well accepted currency has 10,000 dollar notes in common circulation. They are worth closer to 7,000 US dollars. Using Singapore banknotes, 14 million is US dollars value can be crammed into an ordinary attache case, and 1 million US dollars can be stuffed into a pocket or belly money-belt.

Transit accounts: Aside from cash, the simplest way to break the paper trail from a practical point of view is to use transit accounts. Briefly, a transit account is simply an account in a different name (perhaps a corporation), and in a country with bank secrecy. Funds are routed through two or three such accounts. Investigators don't like to go through the legal procedures in foreign countries taking an average of six months per account.

Hiding your money away from your enemies.

The first thing to realise about a "secret account" sometimes referred to by the euphemism "offshore account" is that in order to be kept secret from your potential enemies (creditors and tax collectors) it must be kept secret from everyone. Generally speaking, a stranger you meet at a bar isn't the person who turns you in to a tax collector or otherwise blows the whistle on you. Besides Big Brother, your potential enemies include your spouse, lover(s), your business associates or partners, your own kids. These days, you must add to the list of potential informants against you, your accountant or lawyer. Your accountant, lawyer, stockbroker or local banker in many jurisdictions, particularly the USA, is personally liable for criminal prosecution if he has knowledge of any concealment of assets, tax frauds etc; if your own hired hands don't turn you in they may be breaking the law.

New regulations make these professionals in your home country little more than government agents. They are like deputy sheriffs. If you don't want sheriff Big Brother to know exactly what you are doing then for heaven's sake don't tell the deputy sheriffs. These professionals are not on your side. Because of laws that will take away their licenses, livelihood and possibly their freedom, they have been co-opted. They are now in the enemy camp. As such, accountants and lawyers are the last persons you should trust with sensitive information or from whom to seek advice on "offshore matters". Bottom line? You must now establish your secret offshore accounts or secret asset stashes without telling anyone in your home country, and especially without telling anyone in the above categories.

The second thing to realize is that in most countries of the first world, where the vast majority of readers live, every citizen is forced to have and use a fiscal identification number. Not using this number or giving a false number is usually an offense in itself. Countries not having such a system are contemplating it. Only recently have Spain and Australia adopted the policy of requiring a fiscal ID

number for everyone. In Spain, even tourists who want a telephone, electric service or a local bank account must obtain a fiscal number. In the USA, it's now a major felony crime to use the wrong number by mistake (accidentally or on purpose), transpose figures or otherwise attempt to defeat the system. In case you had any doubt, there is no such thing as financial privacy in most of our own countries any more. The unique number assigned to you alone enables the government or a creditor to identify and seize any asset in the jurisdiction belonging to you, even if it is deposited in a variant of your name. In the UK, we do not have a system like this, but what is in the pipe line?

If you want any protection at all against arbitrary seizure, any "secret" account must be in a foreign country where you neither live, do business, have a home, nor have any other connection, property or business interests, aside from the account itself. This assures that the government in the country where your bank account or other assets are deposited has no tax or other claims against you.

Your address, as known to the foreign bank should not be your home address, but rather a mail drop in a third country. This third country is preferably a banking and tax haven unlikely ever to have any information-exchanging treaty or mutual assistance on collections treaty with the country where you bank or where you live. There is always the possibility that a foreign country with no prior tradition of cooperating with the enemy will adopt a new policy. If you have the insulation of three countries you are safer: A) Passport country. B) Maildrop country of presumed residence C) Banking country. All these plus a new name give plenty of insulation.

Your new account must not be established with funds transferred directly from any bank or source in your home country that is traceable to you. In other words, if you want something to be a secret, don't leave a paper trail. Above all, your new account, if it is to be a secret, should be known only to yourself and your new banker. You

must not ever keep paperwork, statements, nor even the name and address or telephone number of your secret offshore bank written down or on your person. How do you remember it? The information must be in a code that is not obvious and easily broken. Mirror writing, or writing backwards is so obvious even a child could decode it. Information should definitely not be kept in a safety deposit box in your home country. Such boxes can be easily opened by a creditor or tax collector without your authorization. A box in a foreign country, especially if it is kept in a different name is secure, if you don't identify it for your potential enemies

Your new account itself, for extra safety, should not be in your own name. Your new bankers should not know your real country of origin (birth), citizenship, residence, nor anything about you to enable them to link you with your true identity and citizenship. One possibility for buffering or insulation, is to use a "banking passport" or other alternate identity documents in order to be able to establish and access funds in a totally unrelated name. Another possibility (less good if the entity is linked to you), is to use a corporation, trust, holding company or foundation to screen your identity. Perhaps the most secure is a combination of both. If a bank account is held in the name of the XYZ Foundation, and the signer is Joe Doaks (not you), you have created a three tier impenetrable situation for creditors or tax collectors. Needless to say, all is lost if you open your big mouth and tell a potential informant (like your business partner, wife, or best friend) about your clever method of concealing your assets.

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