
BEST OFFSHORE BANKING LICENSES FOR 2020

In this post, I'll consider the best offshore banking license for 2020. If you're planning to start an offshore bank that will focus on crypto, wealth management, or operate as a transactional bank, this is the place to start. Here's what you need to know about the best offshore banking license for 2020.

First, let me define what I mean by an offshore banking license. An offshore banking license, sometimes referred to as a Class B bank or a second-floor bank, is a license that allows you to offer all types of banking services to people outside of your country of operation. That is, you can provide financial services to international or foreign companies and individuals.

For example, an offshore bank licensed in the Cayman Islands could accept clients from any country other than the Cayman Islands. An international bank in Cayman can open accounts for any company or person outside of Cayman.

When considering the best offshore banking license for 2020, keep in mind that the industry has been shrinking or contracting for the last decade. For example, the [Cayman Islands](#) has gone from about 250 offshore banks to 133 banks in the last 5 years. Likewise, Luxembourg has gone from about 220 international banks in the 1990s to 135 banks at the end of 2018. Countries like Belize have not issued any new licenses in many years and most other jurisdictions have seen a net loss or have been flat.

- For more on Cayman, see [The Decline of the Cayman Islands Offshore Banking Empire](#)

Over the last few years, we've seen new licenses issued in Luxembourg, the first signs of growth in that region. Even with these new applications, there was a [net loss of banking licenses in Luxembourg](#), from a recent high of 141 in 2014 to 135 by the end of 2018. Most of this activity in bank license applications has been from for FinTech banks.

The only exception where we see growth in the offshore banking sector is in the US territory of Puerto Rico. This is literally the **ONLY** jurisdiction where the demand for offshore banking licenses is outstripping availability and the **ONLY** jurisdiction where we see growth.

There are currently 81 offshore banks licensed in Puerto Rico, with over 40 new applications pending. Of the operating banks, about 50 were licensed in the last 3 years. Demand to purchase international banking licenses and operating banks is also intense in Puerto Rico.

With all of this said, here are **the Best Offshore Bank Licenses for 2020**

1. Puerto Rico
2. Dominica
3. St. Lucia
4. Luxembourg
5. Mexico
6. Panama
7. Switzerland
8. Hong Kong
9. Cook Islands
10. Belize
11. The United States

PUERTO RICO

As stated above, the most popular offshore bank license for 2020 is from the US territory of Puerto Rico. About 90% of the activity in the offshore banking industry is happening in Puerto Rico and it's where everyone wants to be.

The minimum capital for your permit to operate in Puerto Rico is \$550,000. You will need to have \$2.5 million to \$5 million available over your first few years of operation. The tax rate in Puerto Rico under Act 273 will be 4% and there is no withholding tax on dividends on foreign investors and foreign holding companies.

You'll need to set up an office and hire a minimum of 4 employees on the island (I recommend at least 5). You will also need a detailed [business plan](#), as well as an office, [core banking systems](#), and to operate the bank from Puerto Rico.

That is to say, all banking decisions must be made in Puerto Rico and the bank must be operated from the territory. Lesser jurisdictions, such as Dominica and St. Lucia below, allow you to operate the bank from your home country. This is not the case with Puerto Rico.

The purpose of the banking law in Puerto Rico is to bring quality high paying jobs to the island. Thus, applicants with sufficient capital, a solid business plan, and the need for employees in Puerto Rico will have the best chance of winning a license.

For more on an offshore banking license from Puerto Rico, see

- [Start a Bank in Puerto Rico in 10 Steps](#)
- [Sample Operating Expenses for an Offshore Bank in Puerto Rico](#)
- [Capital Requirements for an International Bank in Puerto Rico](#)
- [Allowed Services and Business Lines for an Offshore Bank in Puerto Rico](#)
- [Due Diligence Requirements for an International Bank in Puerto Rico](#)

DOMINICA

The easiest offshore banking license to negotiate is from the country of Dominica (not to be confused with its neighbor, the Dominican Republic). You can set up a bank in Dominica for about \$135,000 and \$1 million in capital.

The costs of operating in Dominica are much lower than in Puerto Rico. This is because there is no employee requirement in Dominica. You do not need to hire core employees on the island as you do in other jurisdictions.

The problem with Dominica is that you will find it very difficult to get a US dollar correspondent partner. We can get you a license but it will be up to you to set up the bank and find a corresponding bank.

Also, Dominica is the best truly "offshore" banking license. An offshore banking license from Dominica is not regulated by the United States and can be maintained totally outside of the banking system.

Of course, this would mean that your bank in Dominica can't transact in US dollars and can't have a US correspondent partner. But, so long as you can live with these limitations, you can avoid US oversight... or you can follow US rules and get a USD correspondent.

Note that FATCA and [CRS apply to banks in Dominica](#). The only major jurisdiction in the world without FATCA and CRS is the US territory of Puerto Rico.

With that said, I suggest Dominica is the best bank license jurisdiction for a group that 1) already has a corresponding banking partner lined up, or 2) wants to stay out of the US banking system.

And Dominica has a second passport program. You can purchase a passport from this country for about \$150,000 at the same time as they grant your banking license.

For more on Dominica, see:

- [Dominica Banking License](#)
- [Dominica Banking Regulations](#)
- [Dominica's Offshore Banking Industry](#)

ST. LUCIA

St. Lucia is third on our list because it is more difficult to negotiate a banking license with this island than Dominica. However, you will find that the business facilities and quality of life are better in St. Lucia.

The cost for a license is about \$25,000 higher in St. Lucia compared to Dominica. Minimum capital will be the same at \$1 million. Overhead and HR costs will be higher in St. Lucia. However, office space, internet connectivity, and the quality of the employees will be better.

For this article, I prioritized simplicity and cost over the image or reputation of the jurisdiction. I also assumed you would operate the bank from your home country. If I were to operate a bank from the Caribbean, and not in Puerto Rico, I would want to be in St. Lucia.

Also, it's not necessarily a knock on the country or its regulators to say that it's more difficult to negotiate a banking license in St. Lucia than Dominica. The fact that they're more cautious and detailed means that there is less risk from poor operators and better long term prospects for the industry.

You'll find that a bank licensed in St. Lucia has a better image than one in Dominica, but still has the same basic problem: it's very difficult to get a quality correspondent bank partner. If you already have a corresponding bank, then St. Lucia is a solid jurisdiction for your offshore bank.

Also like Dominica, St. Lucia has an excellent second passport program. It's more costly than Dominica, but it's a higher quality travel document. You can complete this citizenship program with your banking license.

For more, see

- [St. Lucia Banking Regulations](#)
- [International Bank License in St. Lucia](#)
- [Setting up an International Bank on St. Lucia](#)

LUXEMBOURG

The most aggressive top tier offshore banking jurisdiction for 2020 is Luxembourg. Their focus on FinTech financial services business and solid industry reputation make this the best of the best for large applicants.

Based on the costs of operations, very tight regulations, and high capital and liquidity requirements, Luxembourg is for very well funded and experienced operator. A number of quality firms have tried and failed or withdrawn their applications for a banking license in Luxembourg. The best known of these was [Revolut](#).

The issue with Revolut is obvious. Crypto firms have a difficult time proving the origins of the funds they hold. Because of the nature of cryptocurrency, they are incapable of complying with the KYC, AML and BSA requirements of top jurisdictions.

Luxembourg is a great location for a traditional bank that deploys blockchain technology, but not necessarily the best option for a crypto focused bank. For more comments along these lines, see Switzerland below.

The typical timeframe for a banking license application in Luxembourg is 12 to 18 months. Minimum authorized capital is 8.7 million Euros, of which 6.2 million must be paid-in upon the incorporation of the company. Most open their banks with 5 to 10 employees with the focus being on a high quality compliance department.

- For more, see [Banking Licenses in Luxembourg](#).

MEXICO

Mexico offers a wide range of banking and financial services licenses, all with relatively high capital requirements. From a SOFOM structure to a Financiera and a full banking license, there are over 20 options for those wishing to operate a financial service business in Mexico.

The minimum capital for a full banking license in Mexico is \$27.5 million USD. If you won't offer securities, this goes down to \$16.5 million. So, the banking license equivalent to a US license has a capital requirement of \$16.5 million - because US banks are not allowed to offer securities.

A bank that will only provide services to institutions and qualified investors can set up with \$11 million in capital. Such a license is used by those offering business banking and wealth management. This is also the license I recommend for an international bank operating from Mexico... assuming you want to use the word "bank" in your name.

- For more, see [Banking Licenses in Mexico](#).

PANAMA

Panama offers two types of banking license, a general banking license and an international banking license. The general banking license allows you to carry on all types of banking business with clients inside and outside of Panama. The international license allows you to offer services to companies and persons outside of Panama.

The following comments are not found in the law but are based on my experience setting up banks in Panama:

The minimum capital stated in the law of Panama for a general banking license is \$10 million and the capital for an international bank is \$3 million. I suggest that you will need to bring in \$30 to \$40 million in capital to negotiate a general banking license. Experience tells me that regulators will require far more capital than stated in the law.

The international banking license from Panama is another story. You can generally get the license approved with \$3 million in capital. However, and this is a big caveat, Panama will only grant international banking licenses to a group that already has a banking license in a major jurisdiction. An international bank in Panama must be the subsidiary of a quality bank operated in a reputable jurisdiction and be regulated by its home country.

For example, Panama will give you an offshore banking license if the bank in Panama will be a subsidiary of a bank in the United States, UK, Andora, Switzerland, etc. And they will require the

parent bank to have at least 3 years of clean operating history before applying for a license in Panama.

We know that Panama will not give an international license to a bank licensed in countries like Dominica or St. Lucia. Regulators view oversight and compliance in these countries to be insufficient. It's unclear whether Panama would grant an international banking license to the subsidiary of a Puerto Rico bank formed under Act 273. This has not been attempted, but would be an interesting opportunity.

If you want to operate in Panama but do not have a banking license from another jurisdiction, then you must form a generally licensed bank with sufficient capital. That full license could then be operated as an international bank.

- For more, see [Panama Banking Regulations](#).

SWITZERLAND

In August of 2019, [Switzerland approved two cryptocurrency banks](#). This country is focusing on FinTech and blockchain systems, especially in Crypto Valley, Zug. Many of the top crypto exchanges and FinTech firms have set up in Zug (the canton with the lowest tax rate).

SEBA Crypto and Sygnum are the first offshore banks licensed in a major jurisdiction with a focus on crypto currency and digital assets. Both of these banks are allowed to issue and store all forms of digital assets including bitcoin and digital CHF.

Even with these changes and new licenses Switzerland, had a net loss of international banks. Switzerland had 253 at the beginning of 2018. The country lost 8 international banks in 2017 and expects to lose more in the coming year.

Switzerland hopes to return to prominence as the offshore banking leader by supporting FinTech banks. And they're doing this by creating new rules based on G7 recommendations. For example, customers must be able to prove the origin of any crypto deposited into their accounts.

Second, all inbound and outbound transfers must include information on the sending party. Just like wire transfers, KYC and KYCC standards are to be implemented by banks and exchanges operating in Switzerland.

Thus, Switzerland is an excellent jurisdiction for a large group that wants to launch a crypto focused international bank. I suggest minimum capital should be \$20 to \$40 million and you should start with a minimum of 10 employees.

- Switzerland is also a top jurisdiction for a bank holding company. For more on this see: [Swiss Trust as a Bank Holding Company](#).

HONG KONG

Like Switzerland, Hong Kong is looking to support FinTech financial service businesses with international banking licenses. The island of Hong Kong is relatively difficult to work with. But, if you have an experienced provider and guide, you can work through the red tape.

Over the last two years, Hong Kong has been working hard to improve its financial industry options. The most interesting license available in Hong Kong is a combination of the Money Service Operator license, Trust and Corporate Service Provider license, and Money Lender license. Firms are combining these three licenses to set up online financial services businesses without a banking license.

The most interesting of these financial service entities is [Neat](#). They went live in 2019 and are a very popular option for international persons looking for an account in Hong Kong.

Businesses need to form a Hong Kong company to open an account at Neat. The firm will form this company for you, which is why they needed a Trust and Corporate Service Provider license.

There is no minimum capital for a money service business. The business should have reasonable capitalization and the shareholders and operators must be of good standing and have the financial wherewithal to support the business.

The minimum capital for a domestic bank license is HK\$300 million. An international bank is required to have HK\$100 million and deposit-taking companies must have HK\$25 million (about \$3.2 million USD).

Only domestic banks are required to observe the minimum-size rules, which is HK\$3 billion customer deposits and HK\$4 billion total assets.

For larger companies, Hong Kong now offers a virtual banking license. For a discussion of this license vs the Money Transfer license, see [Neat: why a virtual banking license is not for us](#).

- For more on the Money Service Business license in Hong Kong, see [Hong Kong's Money Service License](#) and this [licensing guide](#) from regulators.

COOK ISLANDS

There are only three international banks in the Cook Islands, ANZ, BSP, and [Capital Security Bank](#). I've been working with Capital Security Bank since 2005 and highly recommend them for personal and business accounts. For additional information see the [Financial Supervisory Commission of the Cook Islands](#).

It would be very difficult to negotiate an international banking license from the Cook Islands in 2020. However, for the right applicant, with ties to New Zealand or Australia, this jurisdiction would be an amazing opportunity.

The Cook Islands are an independent territory of New Zealand. Much like Puerto Rico and the United States, these ties to New Zealand impart significant benefits to the island. Most importantly, banks in the Cook Islands can maintain correspondent accounts and brokerage accounts at banks in New Zealand and Australia.

Banks in the Cook Islands have relatively high capital ratios. Under the Banking Act 2011, offshore banks in the Cook Islands are required to maintain a ratio of Total Capital to Risk-Weighted Assets of 10%. The Capital Adequacy Ratios of the Banking Act 2011 were based on Basel II requirements. Tier 1 capital to risk-weighted assets is 5%. Click [here](#) for more from the regulator's website.

BELIZE

Another interesting jurisdiction from which to operate an offshore bank is Belize. Lead by [Caye Bank](#), offshore banks in Belize are active and provide both business and personal accounts to companies and persons outside of Belize.

Belize has not issued a license in years, but it's said that regulators would be interested in a new application if it came in with sufficient capital. For example, \$5 million, with the ability to reach \$10 million, would get regulator's attention.

Banks in Belize are constantly fighting to obtain and maintain their correspondent accounts. One bank in Belize went through 3 correspondent partners in 2018. Another, Choice Bank, opened a bank in Puerto Rico to act as its correspondent.

Because of these correspondent bank issues, there are now only three offshore banks in Belize. The island is in need of new banks and the employment that a quality operator would provide.

UNITED STATES

The United States is the banking capital of the world, period. The United States is the place where everyone wants their cash to sit and be invested. America is the fiscal paradise the Caribbean once was.

These are a few of the reasons why Puerto Rico is such an interesting offshore banking license. It gets you into the US banking system without some of the challenges of setting up in the USA. There is no FDIC insurance to deal with and no Federal Banking Charter or state charter to negotiate. Also, the tax rate is 4% rather than 35% in some states.

Even so, our clients in Puerto Rico and abroad are often looking to set up a state licensed bank, also referred to as a community bank. We use the term community bank for any bank with one or two branches... not that it serves a specific community.

There are three ways to set up a bank in the United States. You can license or purchase a community bank, you can obtain a Federal charter (for very large multi state banks), or you can get a US license for your offshore bank.

Of these, the easiest is to register your offshore bank to do business in a particular state in the United States. For example, a foreign bank can operate an administrative office, representative office, agency office, or branch office in Florida by registering with [Florida's Division of Financial Institutions](#).

Registering your foreign bank in the United States is the most efficient way to link into the US system. However, if you to offer FDIC and join the Federal Reserve system, rather than simply operating a branch, you'll need a full banking license.

- For more, see [Purchasing a Community Bank in the United States](#) and [Federal Fintech Bank Licenses](#).

CONCLUSION

I hope you've found this article on the best offshore bank license for 2020 to be helpful. Not all of these licensing options are direct competitors. For example, a client would not usually to decide between Dominica and Switzerland or Luxembourg.

However, I've had clients deciding between Dominica and Puerto Rico. I have also had clients decide between Switzerland and Puerto Rico. This is one of the reasons Puerto Rico has been dominating the industry for the last three years.

We generally work with clients that have at least \$1 million in capital ready and the capability to reach \$5 million. The most important component in your bank application will be the quality of the people behind the project. You can assume that all applicants have the capital and a professionally done business plan. The decision to give you an offshore bank license will come down to the regulators' belief that the founders will run a clean ship. For this reason, applicants need to have both banking and compliance experience on their team.

We work with many entrepreneurs and we can assist you to build out your team and fill any gaps in the business plan writing stage. For more on the business plan, see: [Business Plan for an Offshore Bank License](#)

For more information, or for assistance in forming an International bank in any of these jurisdictions, please contact us at info@banklicense.pro or call us at (619) 323-1151.