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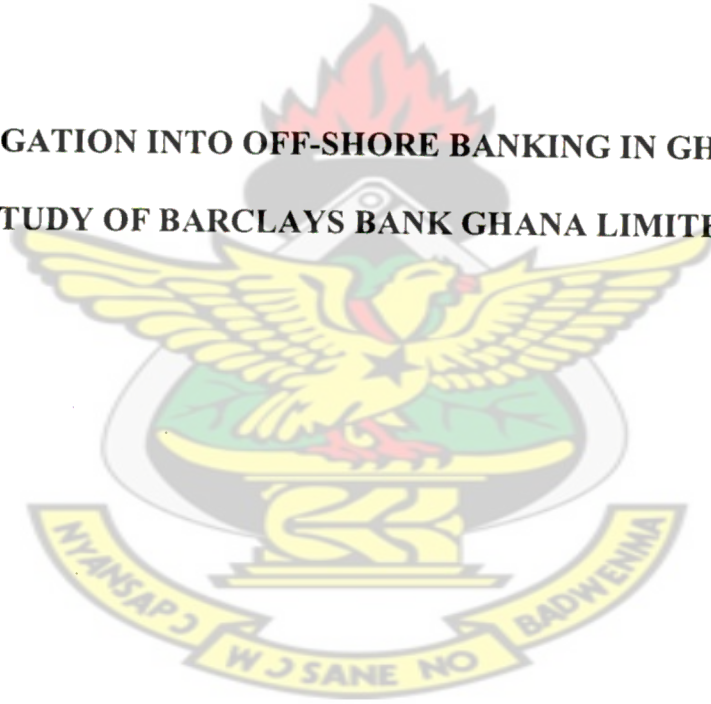
**COLLEGE OF ART AND SOCIAL SCIENCES
KNUST SCHOOL OF BUSINESS**

DEPARTMENT OF BANKING AND FINANCE

KNUST

AN INVESTIGATION INTO OFF-SHORE BANKING IN GHANA

A CASE STUDY OF BARCLAYS BANK GHANA LIMITED



BY

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AUGUST, 2009

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**A Thesis Submitted To the Department of Banking and Finance, Kwame Nkrumah
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degree of**

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AUGUST, 2009

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DECLARATION

I hereby declare that except for references to other people’s work which have been duly acknowledged, this submission is my own work towards the MBA and that to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text.

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ABSTRACT

Off-shore banking have an aura of mystery about it, portrayed by movies as sun-drenched resort islands infested with international crooks, tax evaders and drug peddlers. However, offshore banking is all about providing international financial services such as international banking, insurance and trusts to non-resident companies and businesses as well as individuals and access to a wide range of professional services and products to better manage their finances, reduce taxes and conduct business in an international arena. Thus, offshore banks are a strategic element for competing and prospering in a global economy.

Ghana in collaboration with Barclays Bank Ghana Limited has taken this step into global financial services by launching its own Off-Shore Banking Unit on 7th September 2007. It has been fully operational since then. The study brings to light certain challenges like the unfavourable perception of prospective clients in view of Ghana being an African country, full concept of offshore services hampered due to some ancillary laws not being passed and the general perception attached to offshore banking like using it to evade tax and a ground for money laundering and crime. The study revealed that an insignificantly small number of the potential customers (2.27%) would consider BBG Limited for their offshore financial services with the greater percentage of 97.73% not wanting to consider it at all (Fig 4.5).

All these notwithstanding, BBG Limited is making a somewhat headway. With proper structures like regulations, laws and exercising of due diligence in dealing with customers as well as doing all possible to detect and deflect money laundering, while at the same time guaranteeing confidentiality and privacy to those wishing to undertake legitimate business, the Offshore Financial Sector will be booming in the country since as per the research it came to light that about 70.50% of the respondents perceive Ghana to have a good reputation on the international front.

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CHAPTER ONE

INTRODUCTION

1.1 Background Study

According to Murphy, (2005) modern offshore finance first arose in London and the Bahamas. Many firms and thousands of individuals played a role in the creation of the modern offshore financial system. However, to leave this creation in the mists of impersonal 'market forces' would imply a false fatalism. It was the Bank of London and South America (BOLSA) beginning in 1957 that really took the lead. One cannot give an adequate account of the creation of offshore finance without giving credit to prominent financiers such as George Bolton and 'Rowley' Baring.

The International Monetary Fund (IMF) suggests that the most useful description of Offshore Financial Centers (OFCs) are centers where the bulk of financial sector transactions on both sides of the balance sheet are with individuals or companies that are not residents of the OFCs, where the transactions are initiated elsewhere, and where the majority of the institutions involved are controlled by non-residents (IMF, 2000).

Offshore banking consists of the provision of financial services and cross-border intermediation of funds to non-residents by banks residing in offshore financial centres. Offshore financial centers are characterized by low levels of regulation and information disclosure and tend to be tax havens (Errico and Musalem Borrero 1999). With offshore banking the institutional credibility like confiscation problem is alleviated, more substantially, but it is not completely solved. However, with offshore banking the benefit of a banking system close to business would be lost, and the additional cost of operation in a different jurisdiction should be added to this (Vives, 2006).

Offshore Banking therefore simply refers to the management of non-resident customers' deposits, funds or funding requirements and banking transactions in a country other than the jurisdiction of the customer (http://en.wikipedia.org/wiki/Offshore_bank).

In a host country, this would refer to a foreign entity's ability to bank at a host country's financial institution without regard to the foreign nation's rules and regulations. Entities typically utilize offshore banking facilities to escape more restrictive domestic banking operations, rules, taxes, and regulations in force (Ghana News Agency, 2008).

It is estimated that about 50 per cent of the world capital inflows come from offshore banks. It also offers a tax efficient environment for a wide range of savings and investment products. Other benefits include additional revenue for government, employment creation and transfer of expertise. However, this service is not adopted by most banks in Ghana except for Barclays Bank Ghana Limited (BBG) (Business Guide).

The management of Barclays Bank Ghana Limited was granted a General Banking License by the Bank of Ghana to operate the first banking business under the International Banking Component of the International Financial Services Centre.

The International Financial Services Centre will have a full range of non-bank financial services and it is part of a comprehensive financial sector development programme (Ghana News Agency, 2008).

In 2005 Barclays Bank Ghana Limited (BBG) signed a Memorandum of Understanding (MOU) with the Government of Ghana to set up the International Financial Services Centre (IFSC) of Ghana. It required changes in the regulatory, organizational and operational frameworks in the banking industry. The changes were proposed and implemented. Then in 2006, BBG and government agreed to set up the International (Offshore) Banking sector in Ghana (Business Guide).

Ms Catherine Addo, Head, Offshore Banking of Barclays Bank, told Ghana News Agency that Barclays decided to open the facility because of the safe and stable political environment, good corporate governance and sound economic policies. She said offshore banking operations, apart from impacting positively on the country's image as an investment destination of choice, would make available a pool of capital inflows that institutions and companies could tap into to spur the country's economic development (Daily Graphic, October 2007).

Ms Addo said although offshore banking could be a potential avenue for money laundering, Barclays Bank had put in place a rigorous system and procedures to ensure that such monies did not find their way into the system. The Bank, she said, was drawing on the expertise of its staff in London and Mauritius to ensure the smooth take-off of the operations (Daily Graphic, October 2007).

Mr Dela Selormey, Head of Banking Supervision of Bank of Ghana, said the Bank had in place a sound regulatory environment to ensure a smooth take-off (Daily Graphic, October 2007).

Mr Andrew Awuni, Presidential Press Secretary then said offshore banking would enhance the country's status in the global financial market and as a leader in the West African Sub-Region as well as increase the capacity of the Bank to lend (Daily Graphic, October 2007).

1.2 Problem Statement

With the introduction of offshore banking, it is expected that most banks would embrace this new opportunity to increase their market and enjoy all the benefits that come with it but this does not seem to be the case in the Ghanaian Banking Industry. With the exception of Barclays Bank Ghana Limited (BBG), no other bank is offering this service to its valued customers. Could this be that the other banks are facing some major constraints, or the lack of sufficient knowledge about off-shore banking or the risk associated with it or whether the Ghanaian economy is playing any role in the decisions banks and customers take? The study seeks to address these questions among others.

1.3 Research Questions

The research sought to answer the following questions at the end of the study:

- What are the prospects of offshore banking in the Ghanaian banking industry?
- What are the challenges of offshore banking in the Ghanaian banking industry?
- What are the challenges of offshore banking in Barclays Bank Ghana Limited (BBG)?
- How can offshore banking be used as a growth strategy in BBG Limited?
- How can offshore banking be employed as competitive tool by BBG Limited?

1.4 Objectives of the study:

The following were the objectives of the study:

- To examine the challenges of off-shore banking in the Ghanaian Banking Industry
- To identify the prospects of off-shore banking in the Barclays Bank Ghana Limited (BBG).
- To evaluate the use of off-shore banking as a competitive tool for Barclays Bank Ghana Limited.
- To explain the concept of off-shore banking and explore its application in advanced economies.

1.5 Relevance of the study

The core aim of every profit-making business is to make profit and that does not exclude the banking sector. Corporate Social Responsibility (CSR) also plays an important role in the profit margins an organisation can make. When it comes to the banking sector, trust in terms of the ability for bankers to maintain confidentiality, the bank's financial standing and the general economic standing of the economy in which the bank operates plays a vital role in the attraction of customers. If offshore is well practised, it can achieve all these:

- Provide banking services in Ghana to non-resident customers
- Create a portfolio of investment products in an environment of low or no taxation, high confidentiality and security
- Generate both interest and fee income from non-resident customers

- Attract investments from the Diaspora and the African sub-region
- Attract funding for the domestic market and offshore clients
(<http://www.myjoyonline.com>).

The focus of this study was to find out the impediments faced by the industry, the prospects and how successful or profitable offshore banking has been to Barclays Bank Ghana Limited since it's operation in offshore banking.

1.6 Scope of the study

The study was mainly undertaken in Barclays Bank Ghana Limited, Airport City Branch. Airport City Branch was taken for the case study because this is where they have the offshore banking facility. The study targeted off-shore banking customers and potential customers. Also other banks where offshore banking service is not rendered such as Ecobank, Standard Chartered Bank, Ghana Commercial Bank, Stanbic Bank, National Investment Bank and Agricultural Development Bank were included in the study. The research was conducted from December 2008 to July 2009.

1.7 Organisation of study

This work has been organised into five chapters; Chapter 1 spells out the general introduction to the work. It also outlines the problems of the study, the objectives, and relevance of the study, scope and limitations of the study.

Chapter 2 looks into various literatures that are related to the work. It tries to dive into other literature that has been published by various authors in similar fields.

Chapter 3 discusses the method used in data collection and analyses.

Chapter 4 discusses the findings of the work. It discusses the findings in relation to literature.

Chapter 5 gives a summary of the findings and makes some recommendations. It also draws the conclusion of the work.

1.8 Limitations of the study

The following were some of the limitations encountered during the research work:

Respondents from the bank were reluctant in giving out information and accessing data from the bank's website was almost impossible.

Customers were difficult to contact because of the fact that they live outside the country and had little motivation to respond to the questionnaire. The time available for the study was also a major limitation for the researcher.

The sensitivity of Offshore banking made getting information more difficult because of customer confidentiality and secrecy.

The study would have liked to know the growth strengths of BBG Limited Offshore Unit but information non-disclosure incapacitated the research.

CHAPTER TWO

LITERATURE REVIEW

2.1 The African Banking Sector

The banking sector in Africa has minimal competition with a high level of state involvement. There is a significant presence of state-owned banks, and foreign owned banks, in most African countries. For instance, in Uganda, four foreign banks account for 75% of deposits and assets. It is also notable that in Uganda nearly 30% of the funds in banking sector are placed abroad instead of being advanced locally, thus partly explaining low domestic credit extension. Perhaps, this is a monetary policy - driven objective of sterilising the donor inflows by having banks hold some of their assets offshore. In Ghana, again, four banks account for 65% of the banking sector assets and more than 80% of all financial sector assets (Ncube, 2007).

2.1.1 The Ghanaian Banking Industry

The Ghanaian banking system has been used extensively by previous governments to finance attempts to develop the local economy. Foreign bank accounts, which were frozen shortly after the PNDC came to power, have been permitted since mid-1985, in a move to increase local supplies of foreign exchange. Foreign currency accounts held in any of the authorized banks, have interest exempt from Ghanaian tax and with transfers abroad free from foreign exchange control restrictions (U.S. Library of Congress, Banking Ghana).

Dr. Kwabena Duffuor, the Finance and Economic Planning Minister, has challenged the banking industry to focus on building human resource capacity through the expansion of training and skills development facilities, careful selection and the establishment of appropriate incentive schemes.

According to him, the financial services industry will also have to establish structures and policies to identify and manage the rising costs and risks associated with the human resource constraint. Ghana's financial services sector has witnessed significant growth in recent years in response to the reforms that have been introduced, such as the Offshore Banking Act, Anti Money Laundering Act and others (Business Guide; Banks must build human resource).

2.2 Offshore Sector

An offshore sector makes reference to financial services and non-financial services frameworks in a country or territory. Clientele who make use of these services are non-residents of the given jurisdiction. In these service frameworks assets can be diverted to, and business/financial affairs conducted in an environment where a package of favourable regulatory incentives are in place to benefit clients who would ordinarily not be privy to such regulatory regimes in onshore jurisdictions. These regulatory incentives typically comprise incorporation mechanisms as regards commercial holding companies or overseas subsidiaries in client-friendly fiscal and exchange control environments (Bardouille et al, 2001).

2.2.1 Offshore Bank

The term "offshore bank" originates with the financial institutions located on the Jersey and Guernsey islands which sit in the British Channel, and were formed to serve the UK's financial interests (McCreery, 2007).

According to Coomson (2007), an offshore bank is a bank located outside the country of residence of the depositor, typically in a low tax jurisdiction (or tax haven) that provides

financial and legal advantages. These advantages typically include strong privacy, less restrictive legal regulation, low or no taxation, easy access to deposits and protection against local political or financial instability.

2.2.2 Offshore Banking

Offshore banking therefore is the provision and management of tailor-made banking services such as customers' deposits, funds or funding requirement and banking transactions for non-resident, expatriates and institutions in a country other than the jurisdiction of the customer. It offers a tax efficient environment for a wide range of savings and investment products (Ghana News Agency, 2008). While the term originates from the Channel Islands being "offshore" from the United Kingdom, and most offshore banks are located in island nations to this day, the term is used figuratively to refer to such banks regardless of location, including Swiss banks and those of other landlocked nations such as Luxembourg and Andorra (Fong, 2003).

2.2.3 Promotion of Offshore Financial Services

To stimulate the financial sector further, the Malaysian government for instance has established an International Offshore Financial Centre (IOFC) on the island of Labuan. The setting-up of the IOFC provides new challenges for the enforcement community. Recent financial scandals involving offshore financial centres have highlighted the need to protect the IOFC from crimes and financial abuses and at the same time to ensure confidentiality is adhered to. The Offshore Banking Act, under certain conditions, allows a public officer to gain access to banking information. Stringent entry requirements are applied to banks and

businesses but the bottom line is that bankers are expected to exercise responsible banking and a high standard of prudence (Tajudin Bin Md Isa, 1993).

2.3 Regulations of offshore banks

In the 21st century, regulation of offshore banking is allegedly improving, although critics maintain it remains largely insufficient. The quality of the regulation is monitored by supra-national bodies such as the International Monetary Fund (IMF). Banks are generally required to maintain capital adequacy in accordance with international standards. They must report at least quarterly to the regulator on the current state of the business. (www.wikipedia.org, 2008).

All reputable offshore Banks would require detailed personal and business information from the owners and controllers of the offshore bank account. Specifically, the bank will need to know and be able to identify the actual individuals opening accounts or beneficial owner(s) of the foreign or offshore company. All owners and controllers of the offshore account, as well as everyone, who will be granted account signatory rights, will need to be properly identified and have to provide a number of documents.

2.3.1 Anonymous Accounts

According to G-shore Corporate Services Ltd (2008), anonymous bank accounts do not exist. All offshore banks are required by law to know their clients in a very comprehensive detail way and there can be no exceptions. It must be pointed out that even though Banks are required to know their clients, they are required under the offshore banking legislation to

provide strict confidentiality to all their clients. Banking information can be divulged but only under certain extreme circumstances for instance if the offshore account is involved in criminal or terrorist activities.

A review of the company formation requirements of the selected US States and OFCs show that it is the OFCs that have more rigorous requirements concerning company ownership and beneficial ownership information. For example, although the majority of Bermuda's exempt companies are shell companies, there is a local director (i.e. a local lawyer and corporate secretary) managing the company's corporate affairs on the island. Also, prior to an exempt company being permitted to form or any shares transferred the owners and controllers of the company must be vetted by the Bermuda Monetary Authority (US Department of State, 2006). While companies in Jersey are required to register with the registrar of companies, with the Jersey Financial Supervision Commission requiring shareholder details to be filed publicly on top of information on the ultimate individual beneficial owner of each Jersey-registered company to be confidentially filed with the Commission. Further, in certain circumstances this beneficial ownership information is available to investigators from other jurisdictions (US Department of State, 2006).

In Guernsey, a company is incorporated by an act of the Royal Court, which is in charge of the registry. The Guernsey Financial Services Commission is responsible for evaluating each mandatory initial application to form a company in Jersey. Furthermore, the Commission conducts regular on-site inspections and examines the accounts of all regulated institutions. In 2004, the Commission conducted 124 on-site inspections of financial institutions to ensure compliance with the AML/CFT legislation (US Department of State, 2006).

In the Cayman Islands, the company registry has responsibility for the licensing of corporations under the Companies Law 1998. Corporations required to be licensed under the

Banks and Trust Companies Law (2001 Revision), the Insurance Law (2001 Revision), the Mutual Funds Law (2001 Revision), and the Companies Management Law (2001 Revision) must also be registered with the Registry of Companies. The money laundering regulations in the Cayman Islands specifically cover persons who establish a new business relationship, engage in one-time transactions over US\$18,000 or who may be engaging in money laundering. The regulations further specify employee training, record keeping, and Know Your Customer KYC identification requirements for financial institutions and certain financial services providers (US Department of State, 2006).

KYC requirements form a vital part of the international anti-money laundering arsenal and there is strong evidence to suggest that the selected OFCs have more rigorous KYC systems in operation than the onshore jurisdictions. However, despite this widespread implementation of KYC measures in both onshore and offshore jurisdictions, it is still relatively easy to provide a legitimate front that would pass many of these checks. Furthermore, it is clear that due diligence efforts by financial institutions and non-financial businesses will be insufficient unless they not only know their customers but also who their customers are connected to (Blum et al., 1998).

2.3.2 Offshore Banking and Income Tax

Offshore banking has often been associated with the underground economy and organized crime, via tax evasion and money laundering; however, legally, offshore banking does not prevent assets from being subject to personal income tax on interest. One common misperception is that offshore banking can legally prevent assets from being subject to personal income tax on interest. Except for certain persons who meet fairly complex

requirements, this is incorrect as the personal income tax of most countries makes no distinction between interest earned in local banks and those earned abroad.

Persons subject to US income tax, for example, are required to declare on penalty of perjury, any offshore bank accounts which may or may not be numbered bank accounts they may have. Although offshore banks may decide not to report income to other tax authorities, and have no legal obligation to do so as they are protected by bank secrecy, this does not make the non-declaration of the income by the tax-payer or the evasion of the tax on that income legal in most jurisdictions (Fong, 2003).

2.3.3 Banking Services Provided by Offshore Banks

It is possible to obtain the full spectrum of financial services from offshore banks, including:

Deposit taking, Credit, Wire-and-Electronic Funds Transfers, Foreign exchange, Letters of Credit and Trade Finance, Investment Management and Investment Custody, Fund management, Trustee Services, Corporate Administration and Money Transmission.

Not every bank provides each service. Banks tend to polarise between retail services and private banking services. Retail services tend to be low cost and undifferentiated, whereas private banking services tend to bring a personalised suite of services to the client.

(www.wikipedia.org,

2008).

2.4 Benefits of Offshore Banking.

Offshore banking has various advantages that accrue to both the jurisdiction in which the offshore bank is and the customers as well as the International Financial System.

2.4.1 Benefits of Offshore Banking to Customers

The financial and legal advantages that accrue to offshore banking typically include strong privacy, less restrictive legal regulation, low or no taxation on investment, easy access to deposits (at least in terms of regulation) and protection against local political or financial instability (Coomson, 2007).

Also included are interest rates fixed at international rate, investment opportunities both locally and internationally, structured products for customers and easy access to credits, loans and overdraft (Mensah, 2008).

Offshore banks can sometimes provide access to politically and economically stable jurisdictions. This will be an advantage for residents in areas where there is risk of political turmoil, who fear their assets may be frozen, seized or disappear. However, developed countries with regulated banking systems offer the same advantages in terms of stability.

Some offshore banks may operate with a lower cost base and can provide higher interest rates than the legal rate in the home country due to lower overheads and a lack of government intervention. Advocates of offshore banking often characterise government regulation as a form of tax on domestic banks, reducing interest rates on deposits.

Interest is generally paid by offshore banks without the deduction of tax. This is an advantage to individuals who do not pay tax on worldwide income, or who do not pay tax until the tax return is agreed, or who feel that they can illegally evade tax by hiding the interest income.

Some offshore banks offer banking services that may not be available from domestic banks such as anonymous bank accounts even though ideally it should not be so, and higher or lower rate loans based on risk and investment opportunities not available elsewhere. Some

offshore banks may operate with a lower cost base and can provide higher interest rates than the home country.

Offshore banking is often linked to other structures, such as offshore companies, trusts or foundations, which may have specific tax advantages for some individuals. Many advocates of offshore banking also assert that the creation of tax and banking competition is an advantage of the industry, that tax competition allows people to choose an appropriate balance of services and taxes. Critics of the industry, however, claim this competition as a disadvantage, arguing that it encourages a "race to the bottom" in which governments in developed countries are pressured to deregulate their own banking systems in an attempt to prevent the offshoring of capital (www.wikipedia.org,2008).

“Going offshore” is a good solution for companies that do a lot of international business, and for people who want to protect their assets. Offshore banking in combination with having an offshore company guarantees maximum privacy and maximum flexibility (<http://www.offshorebank.net/offshore-banking>).

2.4.2 Benefits of Offshore Banking to an Economy

Offshore finance is one of the few industries, along with tourism, in which geographically remote island nations can competitively engage in. It can help developing countries source investment and create growth in their economies, and can help redistribute world finance from the developed to the developing world.

Also benefits that could be derived from an offshore financial service centre such as Aircraft Financing and Leasing, Ship Registration, Trust Incorporations, Assets Management,

Insurance, Pension Funds, Consultancy Services etc, are all activities that can be conducted in an International Financial Services Centre (IFSC).

Looking at the operations of international financial services across the world, we see a very positive impact on the banking environment and the economy in general. In Mauritius for example, the number of people employed in the offshore sector is over 1500. Output per employee is assessed as higher than in other sectors. This indicates high productivity and efficiency. It has contributed to the development of knowledge and skills and helped Mauritius to integrate with the world economy. Indirect benefits did include a significant rise in the business of accountants, lawyers, chartered secretaries among others.

Total Offshore Banking Units (OBUs) deposits rose from USD 390 million in 1994 to USD 606 million in 1996 and loans and advances from USD 140 million to USD 159 million. OBUs registered an increase in profits in 1995 of around 57%, and 44% in 1996 to reach USD10 million. Total assets increased by 28% to USD 859 million.

The tourism sector also benefited from international visitors. Other contributions of the sector to GDP is reflected in rental of office space, telecommunication charges and other local expenditures including rent for housing and payment for services e.g. drivers etc.

As at now, there are 28,991 offshore companies registered in Mauritius. Annual fees generated by these companies are around USD 15 million. This does not include those generated by Management Companies through services they offer, all of which are remunerated in foreign currency. The direct benefits of an offshore centre are in foreign currency.

Gross revenues for 1997 from the offshore sector amounted to USD 77 million. The value-added generated by three operators was estimated at USD 30 million, representing direct contribution of 0.85 % of GDP or 7.7% of financial services sector GDP. However, the

various direct and indirect benefits of the offshore sector were calculated to be 2.5% of GDP, representing 22% of the financial services sector GDP.

A centre like Bermuda, with a population of fewer than 70,000 people, has about 28% of the world's captive insurance market with 1,491 insurance companies having assets worth over \$290 billion. Its banks hold assets worth over \$22 billion. Financial services represent 26% of GDP. Cayman Islands houses 312 banks with assets of over \$1trillion. Financial services represent 30% of the Islands GDP.

Banks in the British Virgin Island hold assets worth over \$2.4 billion. Fees from registration and licensing of offshore companies account for over 50% of total government revenue.

The IFSC is good news not only for banks but for all other non-bank financial institutions, for example the tax authorities, the Registrar of Companies, the Insurance Board, the Securities Exchange Commission, etc. The legal structures that are set up will attract a lot of offshore companies to do business in this jurisdiction (www.barclaysbankghanalimited.com, 2008).

As economist and Cato Institute fellow Dr Richard Rahn also writes, offshore banks, if run properly, can help maximize worldwide growth, and indirectly reduce poverty since they expose corporations to fewer taxes and restrictions. He thinks that makes it easier for organisations to save and invest money, leading to more efficient capital investment (McCreery, 2007).

Elia (2009) thinks that businesses do offshore banking mostly because of International competition by taking advantage of the global market place which is not preferred by their governments.

The reason of course is that governments control their citizens through controlling the banks. But they cannot control banks in foreign jurisdictions, unless there is an International treaty behind it. There are quite a few of those treaties though, and many of them are entered into under terms of plain extortion from a bigger country (typically the USA) against a smaller country, who is threatened with all kinds of financial disasters (such as blocking the country's use of US dollars in international trade) if it doesn't comply. Those "treaties" are called all kinds of names, but their purpose is only one: to stop a bigger country's citizens from reducing their taxes through the use of foreign banks.

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2.4.3 Contribution of Offshore Banking to the International Financial System

Whilst offshore banking has a historic association with organised crime, it is an important part of the International Financial System. For example, the Cayman Islands is the fifth largest banking centre globally, in terms of deposits. Since the late 1990s, especially following September 11, 2001, there have been a number of initiatives to increase the transparency of offshore banking, although critics such as the Association for the Taxation of Financial Transactions for the Aid of Citizens (ATTAC), a non-governmental organization (NGO) maintain that they have been insufficient.

A few examples of these are the tightening of anti-money laundering regulations in many countries including most popular offshore banking locations means that bankers are required, by good faith, to report suspicion of money laundering to the local police authority, regardless of banking secrecy rules. There is more international co-operation between police authorities.

In the US, the Internal Revenue Service (IRS) introduced Qualifying Intermediary requirements, which mean that the names of the recipients of US-source investment income are passed to the IRS.

The US introduced the USA PATRIOT Act, which authorises the US authorities to seize the assets of a bank, where it is believed that the bank holds assets for a suspected criminal. Similar measures have been introduced in some other countries.

The European Union has introduced sharing of information between certain jurisdictions, and enforced this in respect of certain controlled centres, such as the UK Offshore Islands, so that tax information is able to be shared in respect of interest. (www.wikipedia.org, 2008)

2.5 Detrimental Effects of Offshore Banking

2.5.1 Organized Crime Ties

Historically, it has been argued that Offshore Financial Centers (OFCs) have facilitated through money laundering by providing a conduit for the proceeds of crime. Popular culture, international bureaucracies, left-wing interest groups, and politicians from high tax governments have all joined forces to consistently portray OFCs as havens for dirty money where the authorities are either unwilling or unable to implement measures in their islands to assist in the global fight against money laundering (Mitchell, 2002).

It is undeniable that criminal organizations do make use of OFCs for money laundering; indeed many would argue extensive use and that, OFCs were tailor-made for money laundering activities (Blum et al., 1998). It is clear that OFCs do provide many potential opportunities to avoid disclosing the origin of assets, with criminals being able to take advantage of international business companies (IBCs), shell companies, or the services of

some offshore banks. A number of high-profile scandals from the 1990s highlight the risk from offshore operations, including the Meridian International Bank case (IMF, 2000) and the Bank of Credit and Commerce International (BCCI) case that lead to the seizure of more than US\$12 billion and a tightening up of regulations by the supervisory authorities (Blum et al., 1998). However, there is a gradual recognition by the international community that a clear distinction exists between well-regulated and under-regulated offshore centers (Killick, 2003) and that not all OFCs offer services that can be easily exploited by criminals (Blum et al., 1998).

Following September 11, 2001, offshore banks and tax havens, along with clearing houses, have been accused of helping various organized crime gangs, terrorist groups, and other state or non-state actors.

While not all offshore bank accounts are being managed illegally, even the more humble ones can unknowingly foster criminal activity. It is a well-known fact that organized crime uses offshore bank accounts to disguise their criminal activity. Offshore banking protects the "underground economy". The most common of crimes is of course money laundering, which is made all the easier with offshore bank accounts that are highly protected and usually well disguised.

2.5.2 Offshore Banks versus Local/Onshore Banks

After September 11, 2001, there have been many calls for more regulations on international finance, in particular concerning offshore banks, tax havens, and clearing houses such as Clearstream, based in Luxembourg, being possible crossroads for major illegal money flows (www.wikipedia.org, 2008).

Defenders of offshore banking have criticised these attempts at regulation. They claim the process is prompted, not by security and financial concerns, but by the desire of domestic banks and tax agencies to access the money held in offshore accounts. They cite the fact that offshore banking offers a competitive threat to the banking and taxation systems in developed countries, suggesting that Organisation for Economic Co-operation and Development (OECD) countries are trying to stamp out competition. (www.wikipedia.org, 2008).

2.5.3 Cost Involved

Offshore private banking is usually more accessible to those on higher incomes, because of the costs of establishing and maintaining offshore accounts. In addition, the advantages of offshore banking may come at a high cost as the returns on some offshore banking accounts may be substantially below those of normal bank accounts.

The fees and minimum deposits required to open and operate accounts at some offshore banks make can them inaccessible to the public.

Offshore jurisdictions are often remote so physical access and access to information can be difficult. However, simple savings accounts can be opened by anyone and maintained with scale fees equivalent to their onshore counterparts (Fong, 2003).

2.5.4 Effect on Tax Payers

Offshore tax evasion actually does affect taxpayers. The tax burden in developed countries falls disproportionately on middle-income groups. Historically, tax cuts have tended to

result in a higher proportion of the tax taken being paid by high-income groups, as previously sheltered income is brought back into the mainstream economy.

2.5.5 Loss of Revenue

The IRS is having a hard time collecting tax debts during this economic crisis. According to recent studies, Federal tax revenue in America for instance plunged \$138 billion—or 34% from last year—which is the biggest drop in almost three decades. A large amount of the lost revenue can be attributed to offshore tax evasion. This leaves the rest of the 'law-abiding citizens' to foot the bill.

In the US for instance, the law requires firms to pay 35 percent tax on profits. However big businesses have a way of going round it. Complied corporate income taxes in 2002 would have been \$308 billion instead of only an estimated \$136 billion. It's called "transfer pricing," or improperly shifting income to lower-tax countries. Firms set up offshore "subsidiaries" which, on their books, perform functions that let them cut onshore taxes. They may move money to the subsidiary and "borrow" it back, deducting interest payments. If several of their subsidiaries are involved in a deal, the firms may grossly inflate profits assigned to those in offshore tax havens, which levy no or minimal taxes on "profits" claimed there. Because the tax haven keeps owners' names secret, the IRS won't know the company is "trading" with itself.

Pak and Zdanowicz (nd) examined the impact of over-invoiced imports and under-invoiced exports on 2001 U.S. tax revenues. Comparing claimed export and import prices to real world prices, the professors figured the 2001 U.S. tax loss at \$53.1 billion.

Enron cheated investors by using offshore firms to pretend that money it borrowed was money it earned. Enron had 881 offshore subsidiaries. Enron's 1996 through 2000 pre-tax U.S. profits were \$1.8 billion, but it paid no tax in four of those five years. It even got a rebate! Because of fancy paperwork that invented tax losses even while it was boasting of profits to investors, Enron got back \$381 million from the IRS.

Bob McIntyre, who heads the Washington-based Citizens for Tax Justice, says that in 1996-2000, Goodyear's profits were \$442 million, but it paid no taxes and got a \$23-million rebate. Colgate-Palmolive made \$1.6 billion and got back \$21 million. Other companies that got rebates in 1998 included Texaco, Chevron, PepsiCo, Pfizer, J.P. Morgan, MCI WorldCom, General Motors, Phillips Petroleum and Northrop Grumman. Microsoft, run by the world's richest man, reported \$12.3 billion U.S. income in 1999 and paid zero federal taxes. In the past two years, Microsoft paid only 1.8 percent on \$21.9 billion pre-tax U.S. profits. Ironically, offshore tax evasion system is tolerated because powerful people benefit. With the former US President, Bush on its board, Harken Energy set up an offshore network that cut its taxes. White House spokesman Dan Bartlett defended Harken for seeking "tax competitiveness," the preferred euphemism (Komisar, 2004).

2.5.6 Economic Recovery Prevention

Despite lots of effort, US economic recovery is taking some time. As the economy continues to stall, more and more taxpayers are looking for any way possible to reduce their tax liability. A whopping \$250 billion of missing revenue from the past decade is said to be missing due to offshore bank accounts. This missing money is essentially preventing the country from making a faster recovery as it prevents the federal government from investing the money into other programs.

President Barack Obama has already taken great strides to recover some of this lost revenue by evoking legal action with popular offshore bank UBS. "Nobody likes to pay taxes, particularly in times of economic stress," Obama said. However a crackdown on "illegal overseas tax evasion" was necessary in order to provide "meaningful relief for hardworking families." He continued to explain that "the way to make American businesses competitive is not to let some individuals and businesses dodge their responsibilities and let ordinary Americans pick up the slack."

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2.5.7 State Economies

Not only does offshore banking affect Federal tax revenue, in many instances it drastically affects local and State governments. According to a recent study observed in Montana's Clark Fork Chronicle, "non-residents who have Montana earned income fail to pay income taxes at an astonishing rate of 78%". This statistic seems staggering, but is actually not as uncommon as you would think. Some states do not have very strong tax enforcement agencies, which can quickly lead to millions of dollars in lost revenue. Montana and other States in similar situations cite offshore banking as a large contributor to the problem, claiming that they simply cannot keep track of all of their out-of-state taxpayers so easily, let alone investigate their offshore bank accounts. (Deutch, 2009)

2.5.8 Physical Access and Access to Information

Offshore jurisdictions are often remote, so physical access and access to information can be difficult. Yet in a world with global telecommunications this is rarely a problem for customers. Accounts can be set up online, by phone or by mail.

2.5.9 Deception, Bank Secrecy and Conditions

Offshore bank accounts are sometimes touted as the solution to every legal, financial and asset protection strategy but this is often much more exaggerated than the reality. (www.wikipedia.org, 2008)

Focuses on offshore banking secrecy affects the operation of anti-money laundering endeavours like the Financial Action Task Force (FATF) and prevents onshore countries from knowing how offshore financial centre (OFC) jurisdictions control drug trafficking, terrorism and other serious crimes. Few offshore jurisdictions have depositor compensation schemes, to bail out depositors in the event that a bank becomes insolvent (Conrad, 2003).

2.6 Some Statistics Concerning Offshore Banking in other sectors

Offshore banking is an important part of the international financial system. Experts believe that as much as half the world's capital flows through offshore centers. Tax havens have 1.2% of the world's population and hold 26% of the world's wealth, including 31% of the net profits of United States multinationals. According to Merrill Lynch and Gemini Consulting's "World Wealth Report" for 2000, one third of the wealth of the world's "high net-worth individuals"—nearly \$6 trillion out of \$17.5 trillion—may now be held offshore. Some \$3 trillion is in deposits in tax haven banks and the rest is in securities held by international business companies (IBCs) and trusts (www.wikipedia.org, 2008).

2.6.1 Offshore Financial Services and World-wide Financial Crisis in connection with the Republic of Panama

Panama, despite the global financial crisis, is still prospering. It has a flexible and investor-friendly legislation and continues to use the territorial concept of taxation. Yet, Panama is one of the most regulated financial centres in today's offshore world and the country remains firm towards crimes such as money laundering and terrorism financing. Furthermore, with respect to taxation, the Republic of Panama underlined in its Statement to the OECD dated March 25 2009 that it is not a tax haven and that it is only under definite circumstances committed to actively participate in bilateral and multilateral forums regarding international taxation agendas. All this together makes Panama probably one of the most popular offshore jurisdictions, which will further enhance the popularity of the Panama Interest Foundation.

In recent years Panama has noticeably increased its slice of the offshore financial market. The country is booming. The fact that it operates the world's second-largest free-trade zone after Hong Kong with its overall economic growth rate matching that of China are contributing reasons.

After 11 September 2001, it was an easy task to use terrorism as an excuse for blaming tax havens. Today, it is the world-wide financial crisis, which is used to make substantial inroads against offshore tax havens and banking secrecy.

However, as we have learnt in the meantime, the world-wide financial crisis is not at all the fault of the offshore centres. The crisis has nothing to do with the banking secrecy and the territorial tax principle; this view appeals to emotional prejudices and ignores inconvenient realities. The financial crisis has enveloped more or less the entire world these days. All nations of the world, the developed and the underdeveloped countries, are trapped in this tangle. The world-wide financial crisis has nothing to do with tax havens. The affected

economies were largely based on frail policies which have collapsed, resulting in a global economic crisis.

Furthermore, one should bear in mind that Panama has gone through an important change in legislation to comply with international regulations against money laundering, terrorism and related crimes. Opening a bank account in Panama is not an easy task for those not willing to comply with the internationally accepted 'Know Your Client' requirements. However, once the process has been completed in accordance with the regulations, the service provided by the banks is equal to the one provided by the traditional banks.

Panama is, at present, one of the most regulated financial centres in the world. This means that it is definitely moving in the right direction: Panama remains firm towards the aforementioned crimes, but at the same time, it remains conservative. Only under definite assumptions and fundamental principles the Government of Panama is committed to actively participate in bilateral and multilateral forums that are called to advance initiatives such as efforts to realize bilateral agreements to avoid double taxation.

2.6.2 Tax planning of Panama

For some individuals or companies, offshore structures may offer specific tax advantages over other jurisdictions. The Panama tax system is based on the territoriality principle, where only transactions from Panamanian sources are subject to taxation. Therefore, those transactions performed or executed outside of the Panamanian fiscal territory are all tax exempt.

Due to its status as an independent sovereign nation with a strong economy and also as one of the most regulated financial centres in the world, Panama compared with other financial

centres will be able to manage international pressure to a larger extent. It is one of the very few offshore jurisdictions, which was able to even enhance its longstanding reputation of reliability, versatility and confidentiality.

According to Jerjen (2009), as of today, there are almost 8000 foundations registered in Panama and everything seems to indicate that this innovative offshore instrument will still grow in popularity within the offshore sector.

2.7 Off-Shore Banking in Ghana

The government of Ghana is looking to establish itself as a tax haven aimed at drawing in revenue from neighbouring countries' mineral wealth as well as the emerging Ghanaian oil industry, according to media reports.

Barclays, a U.K.-based global financial services provider, is reportedly helping the government prepare new banking regulations that would allow the establishment of offshore financial services. So far, Barclays is the only bank responding to the opening, but more are expected to follow as soon as Ghana passes a pending law that will facilitate the establishment of trusts and company registration, according to a May 3 report in The Observer (U.K.).

The project reportedly began in 2005 when Barclays signed a memorandum of understanding with the Ghanaian government through which Barclays would work to start an "International Financial Services Centre offering low taxes and minimal financial disclosure," according to the Observer report.

Barclays is the second-largest bank in the U.K. It is also the fourth-largest financial services provider in the world and the world's 25th-largest company. Recently, the bank has faced allegations of conducting elaborate tax evasion schemes.

“Barclays seems to be the market leader in tax avoidance schemes and Ghana is a new name to add to the list,” said Liberal Democratic U.K. Treasury spokesman Vince Cable, as quoted in the Observer report (Jackson, 2009).

Officials are concerned that in addition to facilitating tax evasion, establishing an offshore tax haven in Ghana could facilitate money laundering. “West Africa is at risk of becoming an epicenter for drug trafficking and the crime and corruption associated with it,” said Antonio Maria Costa, executive director of the United Nations Office on Drugs and Crime in an October 2008 statement. He called Guinea-Bissau the world’s first “narco-state.” Nigeria, Sierra Leone, and Equatorial Guinea are other oil- or mineral-rich countries in the region that could be affected.

U.K.-based aid organizations echoed Costa’s concern, noting that cocaine shipments are already passing through West Africa en route to Europe and that the potential for offshore financial services in the region could be a magnet for organized crime. “Oil-producing nations are plagued by corruption and drug trafficking and the creation of this international financial services centre will make this worse — not better,” said Wilson Prichard of the Institute of Development Studies, a Sussex University-based organization set to issue a report on Ghanaian tax and development, according to the Observer report (Jackson, 2009).

Barclays defended its actions, saying that creating a tax haven in Ghana will generate quality, high-paying jobs and promote tourism and other economic activity. “We adhere to the highest and most stringent levels of international regulation, rules and industry guidance for the financial services sector,” the bank said in a statement (Jackson, 2009).

2.7.1 Scancom defrauds Ghana

Six months of investigations by the Serious Fraud Office (SFO) into the operations of Scancom (Ghana) Limited have uncovered one of the most sophisticated networks in international money laundering, tax evasion and balance sheet fraud. Following that finding; the SFO called for action to repatriate about €8 trillion from the company which was sold by the Lebanese owned Investcom to Mobile Telecommunications Network (MTN) of South Africa in May 2006.

The amount, representing about one-sixth of the country's €44.8 trillion budget for 2007, was what was determined by the SFO as what Scancom defrauded the country of plus penalties.

It recommended the recovery of various sums of money being corporate tax and National Reconstruction Levy (NRL) evasion between April and December 2005, as well as between the period of January 1997 and March 2005. The SFO also asked for the confiscation of \$8,506,859.91, which had been unlawfully appropriated, with part having been used in surreptitious repatriation and the acquisition of equity in Scancom, by Investcom.

Other recommendations are the prosecution of SCANCOM and Investcom for money laundering offences and Scancom for financial statement balance fraud.

Agencies cited, through whose laxity these fraudulent deals were carried out, are the Bank of Ghana (BoG) and KPMG. The SFO has recommended that a memorandum should be written to the BoG highlighting the weaknesses observed in the Bank's operational and control strategies in the area of foreign exchange management, while an explanation was to be demanded from KPMG, the external auditors of Scancom, for the glaring omissions and

commissions, affecting the validity and reliability of the audited financial statements of Scancom. (Daily Graphic Monday, September 2007)

2.7.2 Barclays Bank Ghana Limited Off-Shore Banking

Offshore banking - the mere term conjures up images of exotic locales like the Cayman Islands, San Marino and Switzerland, complete with swarthy millionaires depositing briefcases full of money into secret, numbered accounts. The Economist Conferences, a division of the Economist Intelligence Unit of the Authoritative News Magazine; 'The Economist' organised the first business roundtable with the then government on Tuesday 9th October 2007 in Accra which brought together the ex-President, Mr John Agyekum Kufuor, key ministers as well as the Governor of the Bank of Ghana, Mr Paul Acquah face to face with the private sector and business community to dialogue. The Managing Director of Stanbic said the leap to making the country an International Financial Services Centre (IFSC) was a good step by the government as it had brought a lot of benefits to the industry.

He was impressed at the extent of work on regulatory framework and expressed the hope that by June next year the framework to make the country a true IFSC would be ready. He said Stanbic would be one of the financial institutions to operate an offshore banking facility in the country, but the timing would be fixed to fit Standard Bank's global business plan. (Daily Graphic Monday, October 2007)

Recently Ghana quietly took its first steps towards joining this shadowy fraternity. During the Ex-president John Agyekum Kufuor's term of office passed an amendment to the Banking Act. This amendment paved the way for offshore banking in Ghana, and eventually other offshore financial services, like insurance and leasing.

Dr. Sam Mensah then a member of the Ministry of Finance then said "Offshore Finance is all about service now," he says, adding "we [Ghana] are not getting into this market simply to provide tax-havens".

The first step of the plan will see Ghana license offshore banks. One bank likely to look for a license is Barclays, which consulted with the government on the bill, and who considers itself a "partner" in the endeavour. There is the assumption that Ghana will eventually expand to allow for offshore insurance brokers, leasing agents, and providers of investment products (McCreery, 2007).

The Ex-president Kufuor's made an appeal when a delegation of Barclays Bank Plc; the Bank's Directors attended the first International Executive Committee Meeting outside Europe in Accra, paid a courtesy call on him at the Castle, Osu to assist the Government to establish off-shore banking in Ghana, on Wednesday March 30, 2005 (Ghana News Agency, 2008).

Ghana, on the 7th of September 2007 celebrated a historic landmark in its banking industry with the launch by Ex-president John Agyekum Kufuor's of In-Country Offshore Banking Services in Accra.

The facility, a joint venture of Ghana and the Barclays Bank, is the first of its kind to be established in West Africa and is seen as an important step towards the realisation of the Government's vision of making the country a major financial hub of the Sub-Region.

It would provide banking services to non-resident customers by creating a portfolio of assets and liabilities and other investment products. This way the country is expected to gain through more foreign exchange inflows, job creation and skills transfer in international banking.

The event was graced by former Nigerian President Olusegun Obasanjo, former Vice President Alhaji Aliu Mahama, Ministers of State, Members of Parliament and Government delegations from Nigeria, Togo, Cote d'Ivoire and Burkina Faso.

Ex-president Kufuor said the Government was fully aware of the numerous challenges and difficulties inherent in the operation of the facility and gave the assurance that the necessary safeguards had been put in place to stave off abuses. Legal and administrative measures, he said, had been enacted to provide the needed checks and balances within the economy in particular and society in general.

"These measures should promote best practices in service delivery. More importantly, they should affirm the good faith and determination of the entire society to make Ghana a safe, secure and peaceful environment for investment." Ex-president Kufuor, through whose initiative the offshore banking had become a reality, said the nation already was acknowledged as investor-friendly and asked that the "Project" should exploit this positive image in securing the confidence of foreign and domestic customers. It must help to transform the financial system for accelerated socio-economic development.

"It is gratifying that the results of the years of hard work on the macro-economy and the commitment to good governance are yielding fruits. The economy is stable, inflation and interest rates are declining while the Cedi maintains its value against major trading currencies."

The Government, he said, would continue to provide the leadership and create opportunities to enable as many Ghanaians as possible to set up private businesses, generate employment and create wealth. Ex-President Kufuor commended Barclays Bank for the introduction of innovative products, which coincided with Government's policy of expanding the private sector through the development of micro, small- and medium-scale local enterprises.

Among these are the "Aba Pa", which requires only four Ghana cedis to open a savings account, Vehicle and Assets Finance for businesses to procure equipment and vehicles and partnering "Susu" collectors to provide seed capital and other micro-banking products to customers.

The then Minister for Finance and Economic Planning, said the offshore banking was coming with the advantage of funds mobilisation for investment and access to credit. He said last year, 658 billion dollars was transferred from developing countries to the developed countries, noting that if about half of this had been lodged in such a facility in Africa, the pace of development of the Continent would have been tremendously enhanced.

Mr Frits Seegers, Chief Executive Officer, Global Retail and Commercial Banking, Barclays PLC, said Ghana was on course to becoming a world class, off-shore destination and pledged the Bank's support. "With this launch, together, we are opening huge opportunities for Ghana's future. This initiative will project Ghana into prominence in the financial solutions arena." (Ghana News Agency, 2007).

In line with Bank of Ghana's policy of licensing only reputable and internationally active banks to operate in the International Financial Services Centre (IFSC), the Central Bank on 28th August 2007 issued its first General Banking Licence to Barclays Bank of Ghana Limited, a fully-owned subsidiary of Barclays Bank PLC, UK to operate as an offshore bank.

The General Banking Licence allows Barclays Bank of Ghana Limited to operate the first banking business under the International Banking component of the IFSC. (Coomson, J. 2007).

Offshore banking is a prominent feature in offshore financial centres and now in Ghana, non- resident individuals and foreign companies can enjoy this facility. Barclays Bank (Ghana) Ltd – a branch of the world-renowned international banking group of Barclays has

been granted a General Banking License in Ghana. This allows the Bank to offer offshore banking products and investment options for non-resident individuals and foreign companies. It is therefore possible for non-resident individuals and foreign companies to open and operate offshore bank accounts in the country (McCreery, 2007).

2.7.3 Offshore Banking Products and Services in BBG Limited

The Offshore Banking Unit offers its customers accounts in three major currencies: USD, Euro, GBP. This means that costumers' accounts will be automatically credited with any amount received in any of these currencies directly. All funds in any other currency can easily be converted into any of these three currencies at competitive quotes. As and when required the bank assists costumers in any account in other exotic currencies through its worldwide network. For Ghanaians resident abroad the bank offers automatic opening of a local currency account once you have an offshore account. The bank can also provide can also provide your trusted relative or dependent in Ghana with an ID with which the person can get access into your account.

Currency Advisory Services:

On the basis of in-house forecast and analysis as well as day-to-day market developments the unit will be pleased to discuss with you(costumer) or suggest the currency evolutions, as may be anticipated by the market in conjunction with the underlying economic fundamentals. The final decision for the currency strategy would, of course rest with the costumer. Subsequent to this, the bank would be most prepared to execute on the costumers' behalf any instructions for a better monitoring of your currency profile.

International Money Payments

Inward Payments: Any amount received by the bank for the costumers account shall be credited free of any charges, whatsoever.

Outward Payments: The bank shall be happy to execute on the costumers behalf payments from their accounts with a one day value notice on all currencies, other than USD,GBP,EURO, whereby same day value will be applied ,however, with a cut-off time being 14hrs local time. According to normal banking practice, the overseas banking charges in respect of costumer transfers are for beneficiary accounts. If the costumer wishes that the beneficiary receives funds net of any overseas bank charges, these charges shall be from the costumers account.

Customers can open and operate both call and investment accounts in the three major currencies: USD, EURO, and GBP. There is also the option of a Corporate or Personal Deferred Debit Cards in US Dollar, Offering Worldwide Payment Facility, Instant Cash, Automatic Billing and Complementary Benefits. In addition, clients can request for Multi-Currency Cheque Books to enable clients have an instant mode of settlement.

Interest-bearing Call Account

Interest is calculated on the daily effective credit balances above USD 10,000 and paid to the customers account on a monthly basis with the interest being applied indexed to the LIBID rate (London Interbank Borrowing Interest on Deposits).

Interest on Fixed Deposit

Underlying interest rate applied to Fixed Deposit are indexed on the relevant LIBID rate and deposit periods are those generally available on the Euro-Market, ranging from 1 week to 360 days.

Foreign Exchange and Derivatives Transactions

Transactions include all currencies tradable on major Foreign Exchange Markets with quotes on an all-in basis. Discussions are made with clients in respect of Derivatives Transactions to assist them in better hedging of their loan portfolio and any cash flow mismatch.

Investments in International Securities

Purchases and sales of international securities through Barclays Bank worldwide network are made on behalf of customers with their consent.

Investments in Barclays International Funds (Sicavs)

With the consent of clients, an investment portfolio in Barclays International Funds (Sicavs), namely Equities, Bonds or Cash investments-orientated Funds is set up for them.

Structured Investments

In view of obtaining better returns on deposits, with the agreement of clients, a short, medium and long term principal guaranteed structured deposits are set up whereby the remuneration is linked to the performance of a specified Index (currency, stock indices etc).

Credit Facilities

BBG offshore unit gives financial assistance on a short and medium term basis for personal loans, working capital and asset purchases as well as long term credit structured finance in all currencies.

International Trade Instruments

BBG offshore unit offers facilities that accommodate issuance of Letters of Credit, Guarantees (Tender, Advance Payment Guarantee, etc...), Indemnities as well as Bill discounting and negotiation of Documentary Collections.

US Dollar Deferred Debit Cards

Clients who prefer US Dollar Deferred Debit Cards are at their disposal. This enables clients to have a worldwide payment facility, instant cash, automatic billing and complementary benefits.

Custody Services

BBG offshore unit offers custody services for Investment Funds.

Certain services offered by Barclays makes operating Offshore Financial Services much easier in Ghana compared to other banks.

Convenience

There is the availability of Telephone and Internet banking for clients and this enables easy accessibility to corporate or personal accounts anywhere in the world. In addition clients can use ATMs across the world for easy access to their accounts.

Security and Confidentiality

Privacy and confidentiality is an important element when it comes to offshore bank accounts and this advantage is firmly offered in Ghana.

Global Access

There is easy accessibility to accounts from anywhere in the world and also access to global investment funds and products (Mensah, G. 2008).

Barclays Offshore Banking also provide

- ✚ Provide banking services in Ghana to non-resident customers
- ✚ Create a portfolio of investment products in an environment of low or no taxation, high confidentiality and security
- ✚ Generate both interest and fee income from non-resident customers
- ✚ Attract investments from the Diaspora and the African sub-region

Attract funding for the domestic market and offshore clients

2.7.4 Benefits of offshore banking in Ghana

Operating Offshore Financial Services has a dual benefit, with one accruing to Barclays Bank Ghana and to the Ghanaian economy as a whole.

According to Gayhert (2008), the benefit of offshore banking will be felt in Ghana, as top domestic companies will be able to access the capital held in offshore banks. "Ghanaian companies already try to borrow offshore. They will now have the opportunity to still borrow offshore but the transactions will be easier to close". He also says the firms may receive better rates than from other offshore banks, because Ghana's offshore industry will be more familiar with the risks of doing business in the country. Ghana also stands to earn revenue from the taxes and registration fees offshore institutions will pay. Exactly how much is unknown. The Bank of Ghana is working with a multi-party steering committee to

set the fees, as well as create the exact regulations the offshore institutions will have to abide by. But, Mensah says the planned re-engineering will properly prepare Ghana for the rigors of offshore banking and he says the industry will lead Ghana to "develop a cadre of financial experts," increasing the nation's knowledge pool.

The Ministry of Finance is betting Ghanaians proficiency with the English language, and "high education levels" will help the country beat out offshore banks in other developing nations, while Ghana's lower labour costs will allow it to take business from more established nations. As Mensah says "we are in the same time zone as London [one of the biggest international financial centres in the world], we can do the same thing here as in Switzerland or in London but it might end up being a lot cheaper to bring that business to Ghana (McCreery, 2007).

Offshore Financial Services will obviously attract foreign deposits in foreign currencies, allows for financing solutions such as Aircraft Financing and Leasing, Trust Incorporation, Assets Management, helps to improve the banking environment and the economy in general, generates employment, contributes to the development of knowledge and skills, induces significant rise in auxiliary services (accountants, lawyers, consultants), increased deposits, loans and advances, positive impact on tourism, increased contribution of the financial sector to GDP (Mensah, G. 2008).

CHAPTER THREE

METHODOLOGY AND ORGANISATIONAL PROFILE

3.1 Organisational Profile of Barclays Bank Ghana Ltd

Barclays has operated in Ghana for over 90 years and has been closely associated with all phases of the country's development. The first Barclays branch in Ghana, the High Street Branch, was commissioned on St. Valentine's Day, February 14, 1917.

Initially wholly owned by Barclays Plc, the government of Ghana in 1972 acquired 40% in Barclays Ghana. This reduced to 10% and eventually in June 2003, Barclays PLC acquired the remaining 10% shares of the government of Ghana, making Barclays Ghana a wholly owned subsidiary of Barclays PLC. Barclays Bank Ghana Limited, an internationally networked bank is the lead player in Ghana's financial services sector. Barclays supports Ghana's vision of becoming the financial hub of West Africa (Mensah, G. 2008).

Barclays Bank of Ghana Limited currently has over 140 branches and 118 ATMs, including nine world class Prestige Centres, and a Premier Centre. The bank has presence in all the ten regions of the country that makes it easier to do business with them. It has kept pace with the development of Ghana and has consistently maintained excellent performance.

In recognition, it has received several awards over the 92 years of its existence in Ghana and has maintained the position of the most profitable bank for six consecutive years (http://www.barclays.com/africa/ghana/barclays_in.htm).

The bank has been recognised all over the world, for its achievements: from innovative products and exemplary people to charity work and sustainability initiatives (www.group.barclays.com, 2009).

3.1.1 The Bank's Vision:

This is driven by the Group's ambition to become one of a handful of universal banks leading the global financial services industry, helping customers and clients throughout the world achieve their goals. In this light, Barclay's strategy is to achieve good growth through time by diversifying its business base and increasing its presence in markets and segments that are growing rapidly. The strategy is based on the principles of earn, invest and grow (<http://group.barclays.com/About-us/Who-we-are-and-what-we-do/Our-vision-and-strategy>).

"Our priorities in 2008 were (and remain): to stay close to customers and clients; to manage our risks; and to progress strategy," said Barclays Group Chief Executive John Varley, in Barclays 2008 Full Year Results announcement (www.group.barclays.com, 2009)

3.1.2 Group organisation

Barclays is made up of two 'Clusters': Global Retail and Commercial Banking (GRBC), and Investment Banking and Investment Management (IBIM), each of which has a number of Business Units.

The third major area of the business is Group Centre. From Human Resources to Corporate Affairs, this area comprises all the essential Head Office support functions that help Barclays maintain strategic momentum.

3.1.3 Barclays Products and services

Barclays is a major force internationally in both corporate and retail banking. In 2002, Barclays launched Ghana's fully automated telephone banking operation. It was the first to

introduce online banking for its corporate clients with Business Master International. Pay Direct, an electronic payroll system was another first in the country. BBG's strength in product innovation is not restricted to technology only, with products like; Prestige Banking, Prestige Plus, Local Business and Business Solution. The Bank's products and services are divided into broad groups namely; Corporate Banking Products, Retail Sector Products and Treasury Products. Barclay's offers extended banking hours, focused and differentiated services to its chosen customer segments and exploits its competitive of VSAT technology to the benefit of its clients (www.gipc.org.gh, 2009)

Other products of Barclays include:

Commercial and business banking: Barclays supports businesses all over the world with services to suit their location, ambitions, challenges and scale, from local enterprises to multinational corporations.

Investment banking and investment management: Barclays investment services range from wealth management to investment banking and international asset management, through award-winning businesses and brands (www.group.barclays.com, 2009).

3.2 Research Design

This research is more of an explorative study which is a valuable means of finding out 'what is happening, seeking new insights, asking questions and assessing phenomena in a new light' (Robson, 2002:59). It is most useful when there is the need to clarify the understanding of a problem (Saunders et al, 2007). For the purpose of this research, a survey method was employed. A survey is a research technique that gathers information from a sample of people through questionnaire (Zikmund, 1999). It allows the collection of a large amount of data from a sizeable population in a highly economical way.

3.3 Sources of Data

Primary data were collected for the study.

3.3.1 Primary Data

Structured interviews, where standardised questions as well as non-standardised interviews were asked of all interviewees and the use of questionnaires were the sources of the primary data collected. A research survey questionnaire was designed to incorporate factors relating to the adoption, implementation and implication variables that arose from the literature.

Two separate questionnaires were used in collecting the primary data from Barclays Bank. One set of questionnaire was developed for the management of the bank and the other for customers of the bank.

Information was also sought from other banks that are not into offshore banking to find out the reasons why; thus the Ecobank, Standard Chartered Bank, Ghana Commercial Bank, Cal Bank and Agricultural Development Bank through non-standardised interviews which consist of semi-structured and unstructured interviews. In the data collection a deep understanding of data given was necessary. The method that is normally considered to be most suitable for this purpose is in-depth interviews (Patton, 1990). In order not to force the data, the respondents were asked to speak freely about their opinions on offshore banking.

3.4 Sampling

In choosing the sample size, the branch of Barclays Bank located in the UNA Home building, Airport was considered since that is the only place the offshore banking service is provided here in Ghana. Purposive sampling used for selecting the respondents (customers) in the bank because of the small sample size and how informative those respondents were (Saunders *et. al.*, 2007). In all fifty customers were sampled in the Barclays Bank out of which there were eleven respondents. The concept of snowballing was used due to the difficulty in getting customers because of offshore banking.

Potential customers were also sampled out of which there were eighty-eight respondents. These respondents were sampled from a website geared towards academic research and surveys of which all categories of potential clients could be reached. There was however a basic criterion a potential client needs to meet such as not being a Ghanaian.

This is to find out whether offshore banking sector has any future prospects within the Ghanaian Banking Industry since it a new venture.

The other banks considered where offshore is not done was the Ecobank, Standard Chartered Bank, Ghana Commercial Bank, Cal Bank and Agricultural Development Bank of Adum High Street and Asokwa branches in the Kumasi Metropolis. The Branch managers within the selected branches were sampled.

3.5 Data Collection

Developed questionnaires were administered to the management of selected branches. This is because the study was explorative in nature; qualitative methods were chosen for data collection. Due to the intangible, variable and volatile nature of services, qualitative methods are particularly valuable in this context since they are better suited to handle ambiguous data (Gilmore and Carson, 1996). Customers were surveyed through the use of questionnaires by using snowballing and potential customers which were foreigners outside the country were also surveyed with the use of academic surveys website on the internet due to the difficulty in getting respondents. Interviews of the selected banks as well as the management of the offshore banking unit of Barclays Bank Limited were conducted.

3.6 Data Processing and Analysis

Usable data sampled from non-standardized interviews was drawn out by coding which involves identifying and dividing the research material into chunks or units by excluding the material that was of no value (Fisher, 2007). The data was also edited to check for legibility, omissions and consistency. Zikmund (1999) had said that, the editing process corrects problems such as interviewer errors.

Since the study is of an explorative nature, qualitative methods were chosen for data collection. Due to the intangible, variable and volatile nature of services, qualitative methods are particularly valuable in this context since they are better suited to handle ambiguous data (Gilmore and Carson, 1996).

In analysing the questionnaire, a descriptive analysis thus summarising categorical data into tables, histograms, line graphs and pie charts, means and frequencies; software packages

such as Statistical Programme for Social Sciences SPSS software and Microsoft Office Excel were used.

KNUST



CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

This chapter summarises the responses of management of Barclays Bank Ghana Limited; Offshore Banking Sector, the management of other banks namely, Agricultural Development Bank, Ghana Commercial Bank, Standard Chartered Bank, Stanbic Bank's, National Investment Bank, Ecobank, United Bank for Africa and Cal Bank as well as BBG Limited offshore customers and potential customers to the questionnaires and interviews. In all, five out of eight managers responded to the questionnaires, eleven offshore customers and eighty-eight potential customers were also surveyed. The responses were discussed in line with the set objectives.

According to the head of sales of the offshore sector, Barclays Ghana has been doing offshore since September 2007 and currently have about 200 customers. The trend of customers since its inception has been increasing. The distribution of customer is almost worldwide but specifics cannot be given for privacy sake.

4.2 Prospects of offshore banking in Ghana

The main benefit of Offshore Banking is its attraction for foreign deposits in foreign currencies. Barclays intends to attract large volumes of deposits, which will form the basis of developing more lending solutions to Ghana's private sector, and will help generate employment and create wealth.

What makes a good financial services centre are factors such as good regulatory systems, good international reputation and banking system, a stable political environment and finally a strategic geographic position. Ghana has a strategic geographic position whiles the other

factors could always be worked at (Financial services centre and offshore banking in ghana: Barclays_bank_ghana_limited_experience).

In addition to the factors mentioned above, factors such as the awareness of potential customers of BBG Limited offering offshore banking services and their interest in having an offshore account were also taken into consideration in exploring the prospects of offshore banking in the Ghanaian banking industry,

4.2.1 Good Regulatory Systems;

Good regulatory systems are vital tool of offshore financial services if it is to take an upward trend. The research conducted found out what prospective clients thought or perceived the regulatory system of Ghana to be. Their perceptions will give an indication of their level of interest in doing offshore business in the country.

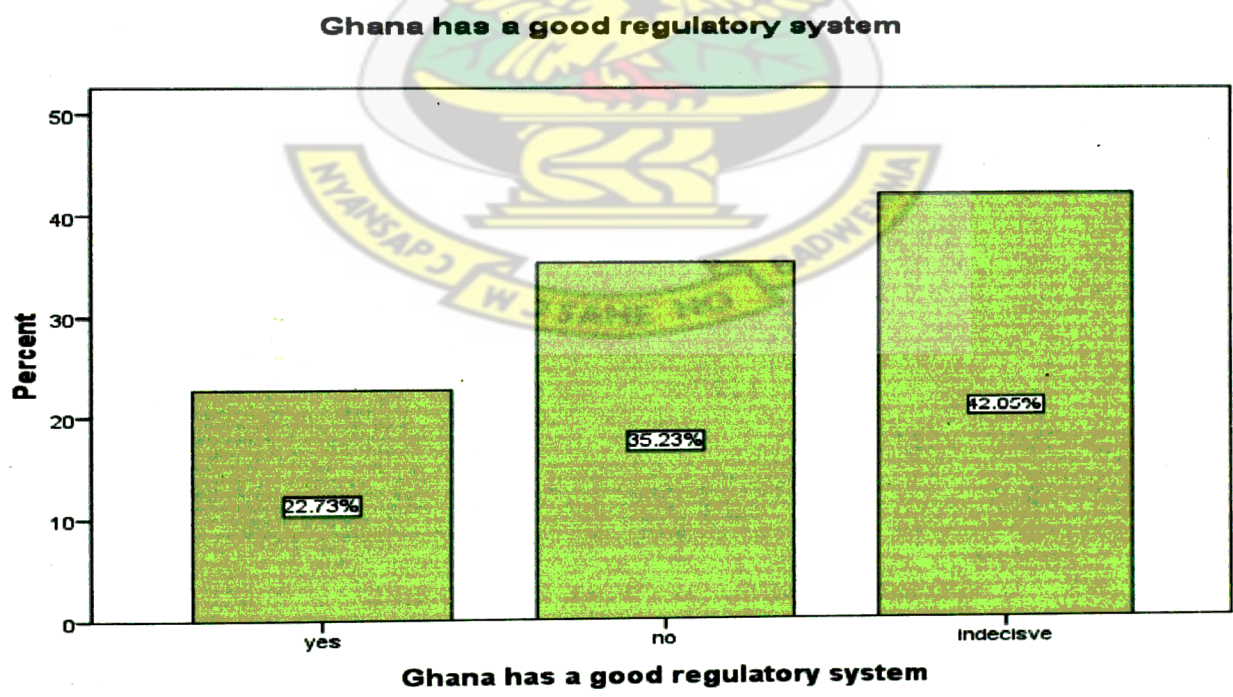


Figure 4.1 Ghana has a good regulatory system

From the research, it was revealed that 22.73% of the prospective customers said that Ghana had a good regulatory system and 35.23% responded no. A greater percentage (42.05%) as shown in figure 4.1 of the prospective customers were indecisive as to whether Ghana has a good regulatory system or not which will invariably affect BBG Limited Offshore Banking Unit. The Ghanaian Banking Industry needs to work on setting up a very good and efficient regulatory system in the industry if it wants to see a progressive trend in the International Financial Sector. This is because in the long run it affects the perception prospective clients and would either attract or repel them from doing offshore business with the country.

4.2.2 Good International Reputation

Offshore Financial Service Centre cannot be excelling in any jurisdiction without a good international reputation. Ghana seems to have a good reputation on the international front.



Figure 4.2 Ghana has a good international reputation

This was evident from the research with about 70.50% of respondents agreeing to that fact as shown in figure 4.2. An obvious reason is the stable and peaceful political runnings the country has had over the years of going democratic like peaceful elections and the changing of government. This was the more reason why among other reasons why the US President Obama visited the country. 12.5% of respondents thought Ghana did not have a good international reputation while about 17% of the respondents stood on the fence. This shows that a cumulative total of approximately 30% had a second opinion about Ghana's reputation internationally. The Government of Ghana therefore in collaboration with the Ghanaian Banking Industry needs to put in measures of maintaining and or improving its reputation by maintaining law and order in the country among other things.

4.2.3 Good Banking System

With a cumulative percentage of approximately 65% of respondents thinking the Ghanaian banking system is not good (25.00%) or are indecisive about it (39.77%) as shown in figure 4.3, it raises a concern for the Government of Ghana probably in collaboration with the Ghana Banking Industry to take a second look at the systems in place if there is the need to put in proper structures and amend certain laws to make the system better and meet international standards.

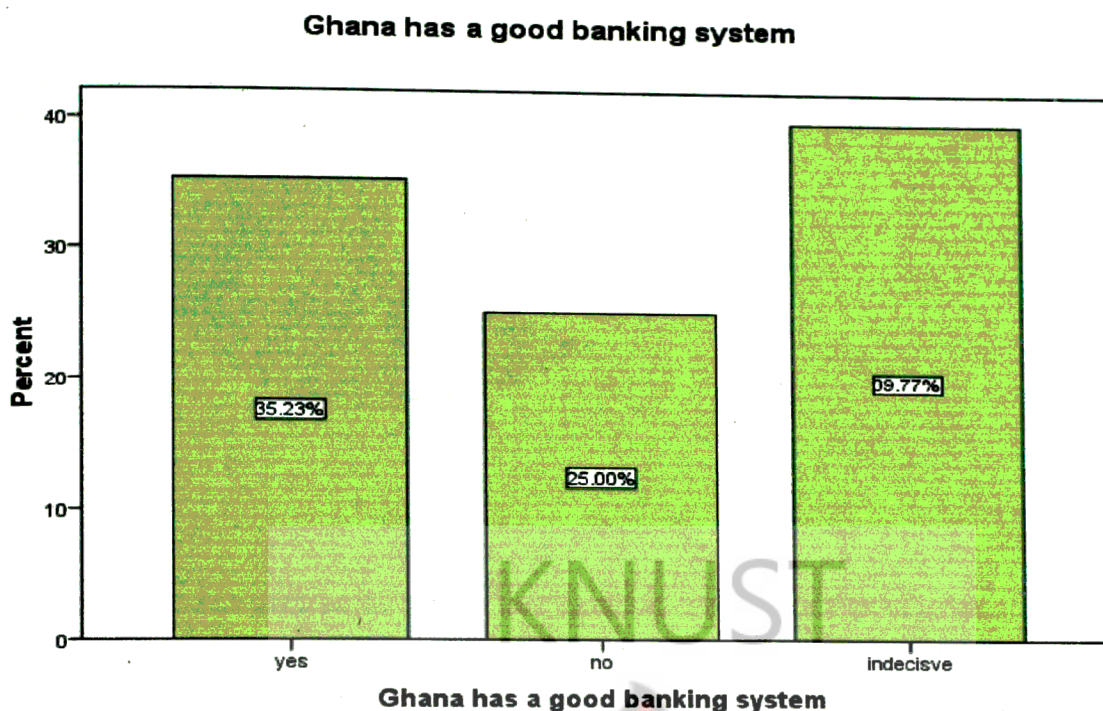


Figure 4.3 Ghana has a good banking system

If a greater percentage of prospective clients have the general notion that the banking system is not the best here in Ghana, it will be a good enough reason for them not to even consider doing offshore banking in Ghana and for that matter BBG due to the sensitivity nature of the offshore banking services.

4.2.4 Awareness of Potential Customers of BBG Limited Offshore Banking Services

The success of offshore banking in Ghana depends on the patronisation of the product by potential clients. For other banks to get involved, the market should be there for them to tap.

In determining the awareness level of customers concerning offshore banking services provided by BBG Limited, it was realized that a greater proportion (67.05%, see fig. 4.3) of the respondents were ignorant about BBG Limited's Offshore banking.

Do you know BBG has offshore banking services

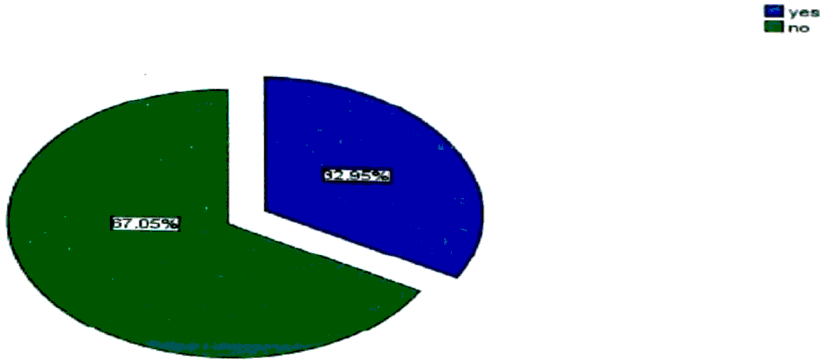


Figure 4.4 Customer awareness of offshore banking services in BBG Limited

The percentage of prospective customers (67.05%) who are ignorant about BBG Limited offshore financial services is enormous. More needs to be done to create much awareness about its offshore banking services.

4.2.5 BBG Limited Offshore Banking Service as a Competitive Tool

In exploring how BBG has used the offshore banking as a competitive tool, the management of the offshore banking sector was interviewed to find out whether they were making a head way.

The management revealed that the offshore financial service in BBG is growing rapidly and in a few years will make a significant impact on the country's Gross Domestic Product (GDP). This shows that apart from impacting positively on the country's image as an investment destination of choice, would make available a pool of capital inflows that institutions and companies could tap into to spur the country's economic development. It

also would enhance the country's status in the global financial market and as a leader in the West African Sub-Region as well as increase the capacity of the Bank to lend to neighbouring countries or institutions in the sub-region.

Even though they could not give the exact offshore banking is having on their profit levels due to confidentiality and the sensitivity of that information, they however added that their inflows in terms of deposits, customer levels as well as incomes have also increased. It can therefore be inferred that offshore banking at BBG Limited have had a positive impact on their profit levels so far which is the core reason for doing business since it is a profit making organisation. Ms Addo, head of the offshore banking unit said although offshore banking could be a potential avenue for money laundering, Barclays Bank had put in place a rigorous system and procedures to ensure that such monies did not find their way into the system.

4.2.6 Interest of Other Banks in Offshore Banking

The Study brought to light a misconception or misunderstanding of off-shore banking by the management of other banks. For security and image reasons names will not be mentioned here. Out of the 10 banks interviewed, 6 of them thought they were offering offshore banking services whiles they were actually offering some products and services of International Banking like Foreign Currency Account, Trade Finance, Link-to-Home Account and Money and Foreign Market Trading. The management of these banks had the perception that once they offer some banking services and products to Ghanaian customers outside the country, it is offshore banking and others actually argue that it just a matter of what name is given to whatever service or product given by the bank.

However, with careful explanation of what off-shore banking really entails and the category of customer who qualify as offshore customers, they agreed they do not offer such service and said they might consider offshore banking in the future.

The management of other banks like Agricultural Development Bank for instance had a Foreign Department where they do international banking they call 'Homelink' which is for Ghanaians living outside the country. The management mentioned lack of international presence, mobilisation of foreign currency and liquidity as factors preventing them from operating offshore banking services.

The management of Ghana Commercial Bank said they do not see a market for this product and getting customers will be a difficult task. They also made mention of human resource and expertise in this field of specialisation. Since it is quite a sensitive and delicate area, people with specialised skills and expertise are needed if it should be successful venture. They however envisage that it is a venture they would like to explore later in the future since they totally agree that it is profitable if the right structures are put in place. However, GCB does International Banking with products such as Foreign Accounts, Forex Accounts, Link-to-Home Accounts and International Trade Finance for importers and exporters which are for Ghanaians living both in and outside the country.

The management of Standard Chartered Bank mentioned the risk involved, the image and reputation damage if proper structures are not put in place. They said they might consider offshore banking in the future but were more concerned with having a good image and reputation since offshore banking has with it an icon of money laundering.

Stanbic Bank's management did not say much except that they are still putting in the right structures and will soon come out with it when they are through. The managing director had

once said Stanbic would be one of the financial institutions to operate an offshore banking facility in the country, but the timing would be fixed to fit Standard Bank's global business plan.

The management of National Investment Bank said they are working within their parameters and ACT and would not comment on offshore banking. It is believed that these are some of the reasons why other banks are not offering offshore banking services.

4.2.7 Satisfaction of Offshore Clients

The study revealed that a greater percentage of the respondents (45%) perceive the offshore service provided by BBG to be good and about 18% thought it was moderate, however none thought it was excellent (see Table 4.1). At least 81.9% (i.e. 36.4% + 45.5%) of the customers perceive offshore banking by BBG as good with none saying their service is poor. If clients are satisfied, there is a greater likelihood that that they will recommend BBG to other colleagues.

Table 4.1 Service provided by BBG offshore bank

	Frequency	Percent	Valid Percent	Cumulative Percent
Excellent	0	0.0	0.0	0.0
Very good	4	36.4	36.4	36.4
Good	5	45.5	45.5	81.8
Moderate	2	18.2	18.2	100.0
Poor	0	0.0	0.0	0.0
Total	11	100.0	100.0	

4.3 Challenges of Offshore Banking in the Ghanaian Banking Sector

In identifying the challenges of offshore banking in BBG Limited, certain factors like satisfaction of offshore clients, interest of potential clients, government regulation and laws and customer perception were looked at.

Table 4.2 Try another bank in Ghana if it were offering offshore banking

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	1	9.1	9.1	9.1
	No	10	90.9	90.9	100.0
	Total	11	100.0	100.0	

From table 4.2, the study also revealed that only about 9% said they would like to try out another bank in Ghana if it were offering offshore banking services. This is not a good indication of future prospects of offshore banking in Ghana. If existing customers have lost interest, it will definitely have a rippling effect on potential customers.

Table 4.3 Any difficulties, challenges or fears faced

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	8	72.7	72.7	72.7
	No	3	27.3	27.3	100.0
	Total	11	100.0	100.0	

Table 4.3 shows that about 73% of offshore customers have expressed some level of challenges and or fears faced with approximately 27% saying they had no fears at all. For offshore banking to thrive, customers fears, challenges or any difficulties should be

minimised considerably for customers to have full confidence in doing business with the bank.

Table 4.4 **Reasons for Difficulties, Challenges or Fears faced**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid				
government regulations	3	27.3	27.3	27.3
any political instability	1	9.1	9.1	36.4
delay of transactions and network problems	1	9.1	9.1	45.5
no comment	1	9.1	9.1	54.5
political and economic state not stable	1	9.1	9.1	63.6
political and economic state shaky	1	9.1	9.1	72.7
political and economic.	2	18.2	18.2	90.9
political, economic and network problems.	1	9.1	9.1	100.0
Total	11	100.0	100.0	

Out of the 11 respondents, 6 of them which are 54.54% mentioned political and economic instability as their main fears whiles 3 respondents which constitute 27.27% mentioned government regulations. One respondent which constitute 9.09% mentioned network problems and delay of transactions with one respondent making no comment (see Table 4.4). There is therefore the need for BBG to differentiate itself despite the worldwide economic downturn which has obviously trickled down to all sectors in order to maintain or even increase the level of trust and confidence clients have in them.

The Bank, she said, was drawing on the expertise of its staff in London and Mauritius to ensure the smooth take-off of the operations. Mr Dela Selormey, Head of Banking Supervision of Bank of Ghana, said the Bank had in place a sound regulatory environment to ensure a smooth take-off.

4.3.2 Government Regulation and Laws

The management of Barclays Bank Ghana Limited, Offshore Banking Unit revealed some constraints they are facing in the provision offshore banking services. It was disclosed that the full legislation that supports offshore business has not been passed and the centre has not been fully set up and so they are limited offering the full complement of offshore banking services. A typical example is that companies cannot incorporate in Ghana and for that matter BBG offshore banking unit cannot incorporate companies as offshore companies.

4.3.3 Interest of potential customers in doing offshore in Ghana

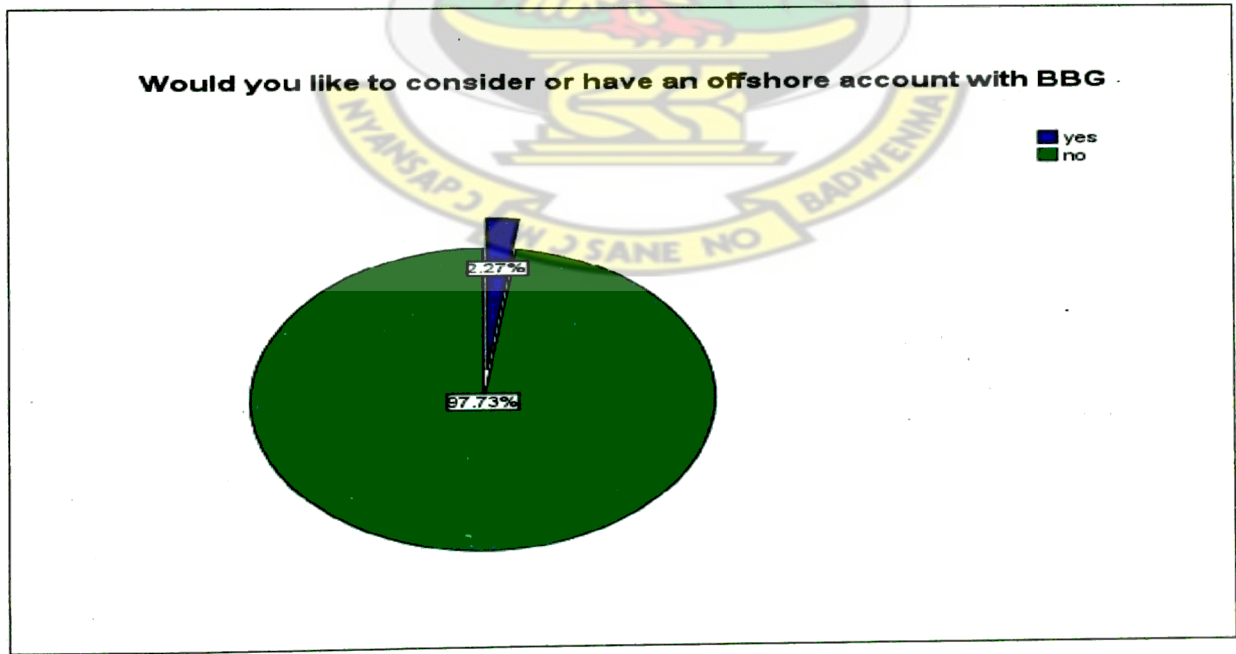


Figure 4.5 Potential Clients interested in BBG Limited Offshore Banking

From the research, an insignificantly small number of the potential customers (2.27%) would consider BBG for their offshore financial services with the greater percentage of 97.73% not wanting to consider it at all (Fig 4.5). This is an alarming revelation coming out of this study and it gives an indication that the prospects of offshore banking here in Ghana is on the very low side.

The reasons given by potential customers are shown in figures 4.6a to 4.6e.

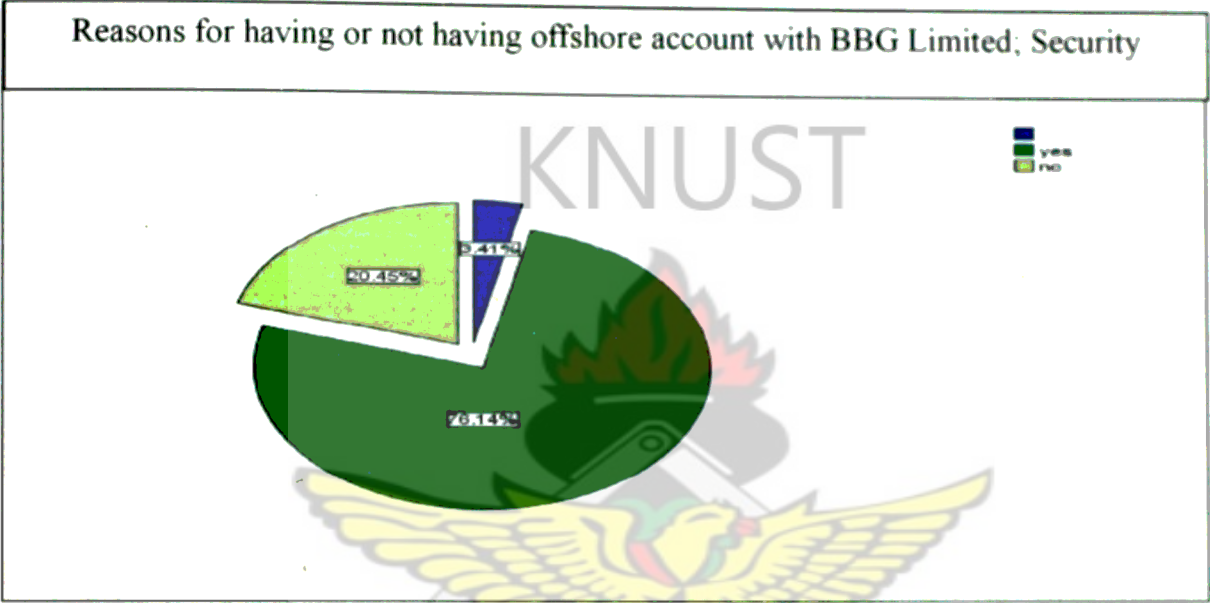


Figure 4.6a

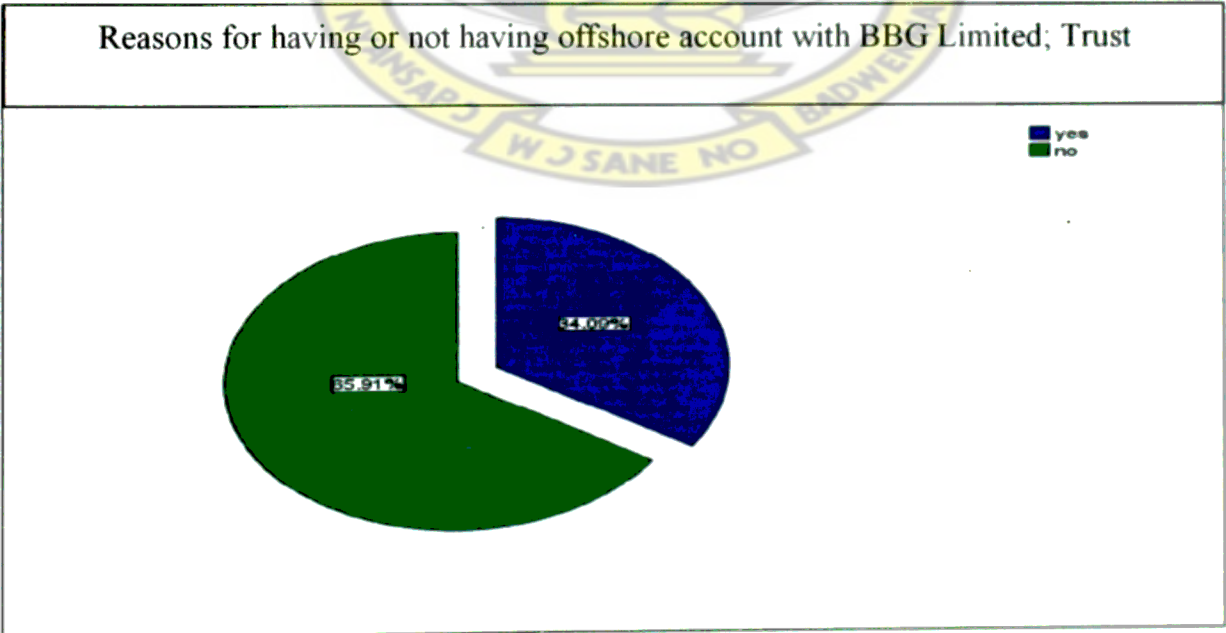


Figure 4.6b

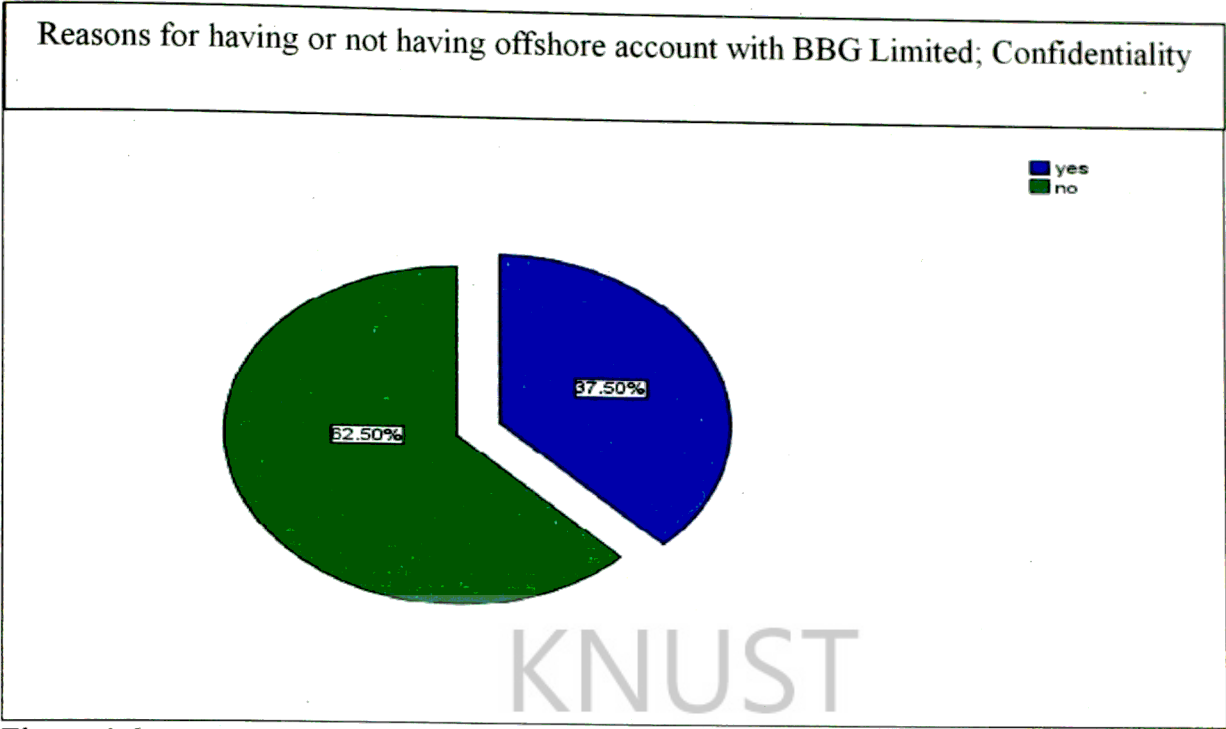


Figure 4.6c

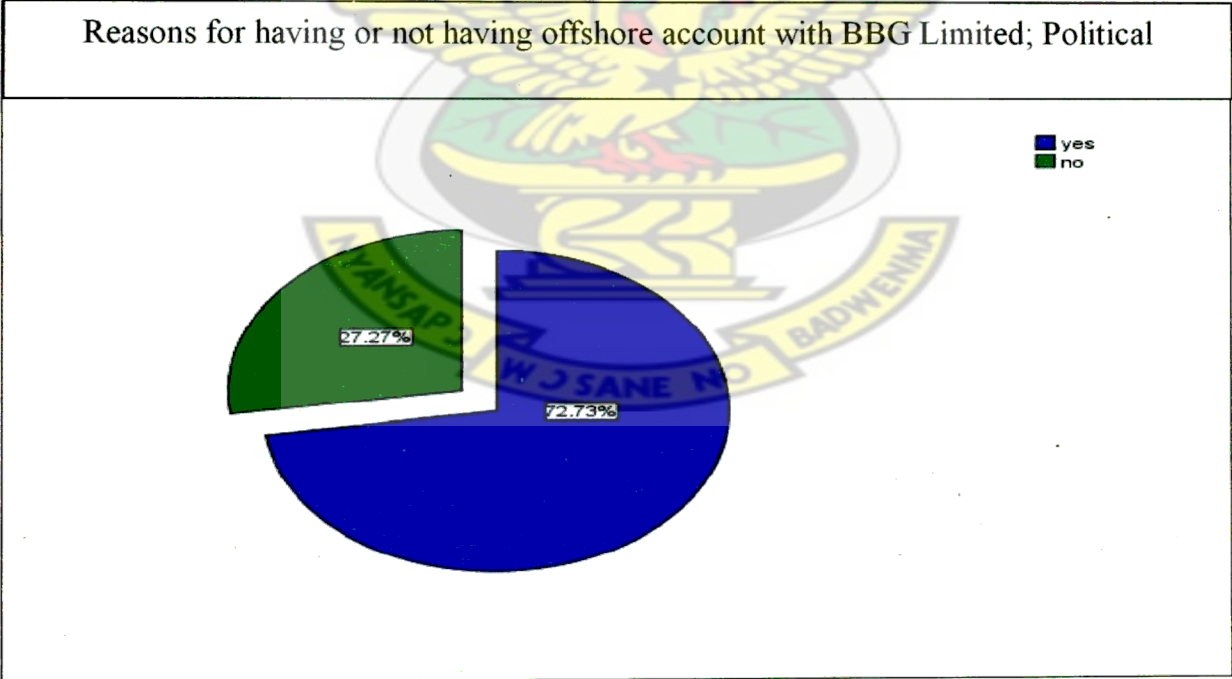


Figure 4.6d

Reasons for having or not having offshore account with BBG Limited, Economic



Figure 4.6e

Figures 4.6a to 4.6e shows that of 76.14% and 72.73% of respondents did not want to transact business because of security reasons and political instability respectively. It also shows that 37.50% concerned with issues of confidentiality and 34.09% of them were not interested due to lack of trust. A greater proportion (80.68%) was however concerned with the economic state of the country which seems to be the most repelling force.

Other reasons mentioned are the risk involved, no interest in dealing with African countries, and no interest or ties whatsoever with Ghana, unreliability and the high fees.

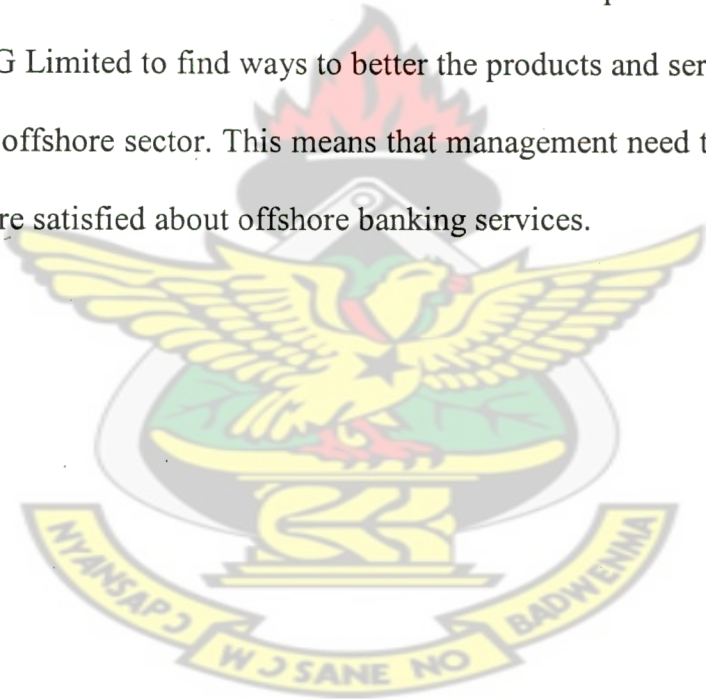
Success factors like security, customer trust, political instability, confidentiality and the general economic state of the country seem to be confronting BBG Limited potential customers. BBG needs to put in measures and strategies to minimize these impeding factors.

4.3.4 Offshore Customer Satisfaction

Table 4.5 Service provided by BBG offshore bank

	Frequency	Percent	Valid Percent	Cumulative Percent
Excellent	0	0	0	0
Very good	4	36.4	36.4	36.4
Good	5	45.5	45.5	81.8
Moderate	2	18.2	18.2	100.0
Total	11	100.0	100.0	

Table 4.5 shows that none of the respondents perceived offshore services by BBG as excellent. 18.2% perceive the services as moderate. This poses a challenge to the management of BBG Limited to find ways to better the products and services it provides for its customers in the offshore sector. This means that management need to do a little more to make customers more satisfied about offshore banking services.



CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY OF FINDINGS

It was identified that a greater percentage of offshore customers (73%) expressed some level of challenges, difficulties and or fears with the main reason being political and economic instability which consisted of 54.54% of the offshore customers and the next greater percentage which constituted 27.27% of the customers mentioned government regulations. It can therefore be deduced that a greater percentage of the customers are concerned with the political and economic state of the country as well as the government regulation since the operations of the full concept of Offshore banking have been hampered because of some of the ancillary laws like the non-bank financial institutions law, trust laws and the revision of the companies code have not been passed.

It was also found out that most potential customers, thus about (67.05%) did not have knowledge about BBG doing offshore and most (97.73%) did not want to have an offshore account with BBG if they so wish to hold such an account. The predominant reasons given as revealed from the study were that of security reasons, political instability, issues of confidentiality, government regulations and laws, economic state of the country and lack of trust. A greater proportion (80.68%) was however concerned with the economic state of the country which seems to be the most repelling force. The other reasons revealed as per the research were the risk involved, no interest in dealing with African countries, no interest or tie whatsoever with Ghana, unreliability and the high fees portrays an issue of perception about African countries. BBG therefore needs to put in a lot of effort to differentiate itself and prove that it can deliver quality offshore products and services in spite of all odds.

5.2 CONCLUSION

It was deduced that BBG Limited was increasing their profit levels with the provision of offshore banking services and in effect affect the country's GDP. Other banks that have the capability to offer offshore banking services should do so as it would boost their profit levels and make the economy vibrant. That notwithstanding, interest of potential customers was on the very low side and so we can therefore conclude that offshore banking services have a long way to go in the Ghanaian Banking Industry. Political instability, coupled with the economic state of the country and the general perception of African countries with Ghana being no exception was among the reasons given. The industry in collaboration with the Government of Ghana should therefore pay much attention to these issues raised by prospective customers if the sector is to be used as a tool for economic development.

Despite the numerous advantages of offshore banking, BBG Limited still is the only bank offering such services with the other banks not embracing it. This was attributed largely lack of proper structures and systems to support offshore banking, meeting certain requirements, security and image reasons and a misunderstanding of what offshore banking really is. Perhaps more education and sensitization as well as the putting in place of proper structures and systems are needed to align other banks with offshore banking which can be used as a tool for pursuing organizational growth. It can therefore be concluded that offshore banking though very useful when applied appropriately has challenges that needs consideration.

Given the number of potential customers who perceive Ghana to have a good international reputation (70.45%, see Fig 4.2), it can also be said that offshore banking has a bright future in the banking industry. Though it may be facing certain challenges such as the aura that comes with it as a haven for money laundering and crime, with effective systems in place, these challenges can be overcome.

RECOMMENDATIONS

5.3.1 Introduction

The negative perceptions about Offshore Banking in general have posed a challenge in the offshore sector in Ghana as well as laws and regulations governing it and the stretching targets for Offshore Banking. For Ghana and so BBG Limited, we cannot also leave out the general perception prospective clients have about African countries in terms of security, confidentiality and issues politically inclined.

5.3.2 Implementation of Laws and Regulations

Ghana is still in the preparatory stage of dealing with the threats posed by tax evasion and organized crime. A new Anti-Money Laundering Bill working its way through Parliament and I recommend that parliament needs to take a critical look at it and passed the bill which will in turn better prepare Ghana for the often complex transactions that come with offshore finance. It should be noted though that all the legislation can do is minimize the risk and increase the difficulty and cost for money launders but it cannot totally wipe it out. The anti-money laundering legislation should then be supplemented by the adoption by offshore banks of a comprehensive, 'know-your-customer' self-regulatory policy, endorsing the Basle Principles on money laundering.

5.3.3 Enforcement of Laws and Regulations

According to Professor Anthony Aboagye the head of the Department of Finance at the University of Ghana, Legon thinks Ghanaian financial professionals in terms of auditing can handle most of the load saying there is "no question about the quality of auditors".

The concern here is about multinational corporations and their increasing use of Financial Engineering, a complex form of finance used in risk analysis. Trainings and workshops

won't be enough to train auditors to recognise when these systems are being applied suspiciously. Knowledge and expertise can only be gained from years of working in this field. The success of offshore banking in Ghana depends on its ability to properly police the new industry in respect of all the fears and challenges expressed by existing and prospective customers as per this research.

The laws, regulations, terms and conditions of offshore banking are needed to be followed strictly by both BBG Limited as a bank and customers should be done so with no exceptions. BBG Limited should not relax or get complacent especially seeing that their effort is yielding positive results and they are seeing an upward trend. It should also exercise due diligence over vetting customers.

5.3.4 Government of Ghana to put in measures to minimize the risks of Ghana being used as a centre for unlawful activities

The Government of Ghana should not be complacent and should take a preventive role and implement both legal and financial initiatives to minimize the risks of its centre being used for money laundering activities as no type of financial institution is immune from money laundering.

As economist and Cato Institute fellow Dr Richard Rahn writes, successful off-shore banking communities like the Cayman Islands do everything possible to keep the money that flows through its bank clean. Otherwise, he argues, the banks would be unable to attract the massive institutions that make the tiny nation the world's fifth biggest financial centre (McCreery, 2007).

Implementing the fight against dirty money means adhering to a regime designed both to uphold a certain conception of public law and order and to protect these banking establishments through reducing a wide range of risks.

5.3.5 BBG Limited to put in measures to minimize the risks of being used as a centre for unlawful activities

It is recommended that Barclays Bank Ghana Limited, Offshore Banking unit is serious about doing all it can to detect and deflect money laundering, while at the same time guaranteeing confidentiality and privacy to those wishing to undertake legitimate business. BBG Limited to recruit and train personnel who will always be on the move and researching to set up new internal procedures and acquire expensive or upgraded computer equipment specially tailored to the fight against money laundering and the financing of terrorism having in mid that academic programmes in these areas are embryonic. This will increase the confidence levels of customers and prospective customers.

Barclays also needs to work closely with the Government of Ghana especially the ministry of finance and economic to solve the issue of government regulations and the passing of the full legislation that supports offshore business. This will boost up the level of confidence, trust and sense of security of customers. Satisfied customers definitely have a rippling effect on potential customers.

5.3.6 Knowledge, awareness and interest of potential customers

The study indicated that potential customers who were aware of BBG Limited's offshore business were very few (see figure 4.4) and their interest in having an offshore account with BBG Limited was also on the very low side (see figure 4.5). The management of BBG Limited therefore should therefore promote its offshore business and generate or rekindle the interest of potential customers. Since offshore business has with it a bad reputation of money laundering, issues of trust confidentiality and security, BBG putting in structures and systems that will boost customer confidence as well as working with GoG to maintain a stable and peaceful political environment to encourage potential customers.



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Appendix

List of offshore financial centres

Antigua and Barbuda	Labuan, Malaysia
Bahamas	Liechtenstein
Barbados	Luxembourg
Belize	Malta
Bermuda	Macau
British Virgin Islands	Mauritius
Cayman Islands	Monaco
Channel Islands (Jersey and Guernsey)	Montserrat
Cook Islands	Nauru
Cyprus	Panama
Dominica	Saint Kitts and Nevis
Ghana	Seychelles
Hong Kong	Switzerland
Isle of Man	Turks and Caicos Islands

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QUESTIONNAIRE (Offshore Customers)

This questionnaire seeks to collect data about **the challenges and prospects of offshore banking in the banking sector in Barclays Bank Ghana**. The information collected will be used for academic purpose only. Please take some time to answer the questions that follow. Please tick or provide your own answer where applicable.

1. Sex: Male ☐ Female ☐

2. How long have you been doing business with Barclays Bank Ghana (BBG)?
0-5years ☐ 6-10years ☐ 11-15years ☐ 16-20years ☐
21 and above ☐

3. How often do you transact business with the bank?
Daily ☐ Once a week ☐ Two to three times a week ☐
Once in a month ☐ As and when necessary ☐

4. In what currency is your account?
Dollar ☐ Pounds ☐ Euro ☐ Cedis ☐ Other specify [.....]

5. What do you normally do?
Deposit cash ☐ Withdraw cash ☐ Deposit and withdrawal ☐
Seek information ☐ Money transfer ☐ Other specify [.....]

6. Name of the country or state where you are resident

.....

7. Is Barclays Bank the only bank you transact offshore business with?
Yes ☐ No ☐

If **YES** then skip to question 10

8. What is/are the names of the other bank(s)?

.....
.

9. Where is/ are they located?

.....

10. In your opinion, Barclays off-shore banking is

Excellent [] Very good [] Good [] Moderate [] Poor [] Very poor []

11. Do you face some difficulties, challenges or fears in your dealings with Barclays?

Yes [] No []

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12. Possible reasons for difficulties, challenges or fears in your dealings with Barclays

Government Regulations [] Confidentiality [] Political [] Economic []

13. State any other difficulty or challenge you have ever faced or still facing

.....
.....
.....

14. Would you like to try out another bank in Ghana if it were offering off-shore banking services?

Yes [] No []

15. Give reason(s)

.....
.....

16. Any benefit(s) derived from doing off-shore banking with Barclays Bank, Ghana.

.....
.....
.....

QUESTIONNAIRE (Potential Customers)

This questionnaire seeks to collect data about **the challenges and prospects of offshore banking in the banking sector in Barclays Bank Ghana**. The information collected will be used for academic purpose only. Please take some time to answer the questions that follow. Please tick or provide your own answer where applicable.

1. Sex: Male [] Female []

2. Name of the country or state where you are resident

.....

3. Do you have an off-shore bank account somewhere?

Yes []

No []

If **NO** then skip to question

4. What is/are the names of the bank(s)?

.....

5. Where is/ are they located?

.....

6. Doing off-shore banking with the above named bank is

Very easy []

Easy []

Difficult []

Very difficult []

7. Give reason(s) for your answer

.....

.....

.....

8. Do you face some difficulties or challenges in your dealings with your offshore bank?

Yes [] No []

9. State any difficulty or challenge you have ever faced or still facing

.....

.....

.....

10. In your opinion, off-shore banking with the above named bank is

Excellent [] Very good [] Good [] Moderate [] Poor [] Very poor []

11. Would you like to try out a bank in Ghana if it were offering off-shore banking services?

Yes [] No []

12. Give reason(s)

.....

.....

.....

13. Would you like to have an offshore bank account?

Yes [] No []

14. Do you know BBG Limited has offshore banking services?

Yes [] No []

15. Would you like to consider or have an offshore account with BBG Limited?

Yes [] No []

16. If no, tick the appropriate reason(s). **Tick as many**

Security reasons [] Trust [] Confidentiality [] Political [] Economic []

17. Other reasons why you would not consider an offshore account with BBG

.....

.....

.....

.....

18. In your opinion, does Ghana have a good international reputation?

Yes []

No []

19. In your opinion, does Ghana have a good regulatory system?

Yes []

No []

20. In your opinion, does Ghana have a good banking system?

Yes []

No []

