

# Difference Between Offshore and Onshore Banking



## . Offshore Banking

- Offshore banking originates from the **Channel Islands** being "offshore" from the United Kingdom.
- An offshore banking is one which is located in a different jurisdiction from its investors or depositors reside.
- An offshore banking has a history and reputation in the home country.
- An account in offshore banking is known as an offshore account.
- A company or an individual maintain the offshore account for tax benefits and many other legal benefits.
- In Offshore banking, one can open a multi-currency account which accepts deposit and withdrawals in different currencies.
- One can also open a multi-currency account with several account numbers, each named in a different currency.
- An offshore banking is licensed by offshore banking legislation in the foreign domain that gives financial and legal advantages like privacy, low taxation, and security against the political and financial environment.
- An offshore banking accepts deposits and investments from non-resident individuals and companies.

## Types of Offshore Banking

### **1) Private banking institutions**

Private banking institutions mainly focus on the high-level investors. It designs the exclusive investments services and products for the targeted customer.

## **2) Retail and commercial banks**

Retail and commercial banks focus on the medium and small level investors.

In this, the services are not specifically designed but are for the mass.

### **Onshore Banking**

- Onshore Banking is the banking activity which is undertaken within the jurisdiction and territories of a nation or a sovereign state.
- An onshore banking is nothing else but your typical branch of the bank in which you maintain saving or a current account.
- An onshore banking operates under the rules and regulations governing all banking institutions in this country.

### **Difference Between Offshore Banking and Onshore Banking**

#### ***Meaning***

- An offshore banking is one which is located in a different jurisdiction from its investors or depositors reside.
- Onshore Banking is the banking activities which are undertaken within the jurisdiction and territories of a nation or a sovereign state.

#### ***Privacy and Secrecy***

- In offshore banking, Authorities, regulators and even governments cannot access information except few exceptions.
- In Onshore banking, there is a standard privacy and security policy.

#### ***Stability***

- In offshore banking, the stability remains neutral in any situation like wars, economic up-down, rules and regulations and political changes. All this are not going to affect the account.
- In onshore banking, all type of adverse conditions affects the account.

#### ***Initial Deposits***

- In offshore banking, the initial deposit is in large amount.

- In onshore banking, the initial amount is much lesser than the offshore banking account.

### ***Flexibility***

- Offshore banking is highly flexible because it serves the specific services as per their need. It has a high level of personalization.
- Onshore banking is not flexible but it provides services up to a certain extent of personalization.

### ***Reputation of Client***

- Offshore banking has a high level of goodwill because of high net worth customers who deal in international trade.
- Onshore banking has a normal level of reputation in the market because the customers are from the national boundary.

### ***Eligibility of Customer***

- Only non-resident individual can open an account in the offshore banking.
- In onshore banking, the standard eligibility requirement is followed.

### ***Tax benefits***

- An offshore bank account has no tax or a negligible tax.
- An onshore bank account has standard tax rules.

### ***Rules and Regulation***

- Offshore banking has minimum rules and regulation.
- Onshore banking has to follow standard rules and regulations of many authorities like tax department, central bank and government.