

Taking Stock: Steer clear of offshore bank

by *Malcolm_Berko*

Dear Mr. Berko: There's a bank called Millennium Bank that I discovered on the Internet, which is offering Certificates of Deposit for seven years that guarantee 9 percent. It's a subsidiary of a big Swiss bank that is in Zurich and because its subsidiary is on the island of St. Vincent and the Grenadines, the interest is tax-free, which makes the 9 percent yield even better. I'm 70 and just retired several months ago and have an Individual Retirement Account in a money market account at my local bank that yields 3.1 percent. This tax-free 9 percent yield guaranteed by the bank certificate would give me \$7,000 in additional income each year. My son doesn't want me to put my money there because he thinks it's very risky. In discussing this with my son, he asked his accountant friend, who doesn't know anything about this bank. But this accountant told my son that this certificate was not insured by the FDIC and that I should not make this investment. Well the 9 percent yield is terrific and to get my son off my back I suggested that I would put half my \$122,000 in that certificate. He actually got mad at me and demanded that I put all my \$122,000 in an insured certificate at my local bank. I told him that I did not like his attitude and was disappointed and sad in how he spoke to me. He apologized and asked me to write you. We have agreed and if you say this was good, he would accept your advice and I'd put this money in a Millennium certificate and he would back off. But if you told me not to do this than I would agree to put my \$122,000 in a certificate at my bank in here that is insured by the FDIC. Every delay (according to the man at the Millennium, whom I called on their toll-free number) costs me more than \$30 a day in lost interest, which is tax-free.

B.F.

Springfield, Ill.

Dear B.F.: Please do not be offended by your son's reaction. And please be thankful as well as mindful that your son seeks your best interests and believes he is giving you wise and caring advice. There comes a time in the lives of most mothers and fathers when the children become the parents and the parents become the children. Your son's reaction was a caring response, just as yours might have been when he was a strapping and considered something foolish.

During the past few weeks I've received scores of questions concerning this bank and its 9 percent certificates of deposit. A number of readers seem to think there's a relationship between this outfit and Millennium Bank of Virginia (a U.S. bank) where certificates of deposit are Federal Deposit Insurance Corp.-insured. Nothing could be further from the truth but the folks at the Millennium Bank in St. Vincent seem reluctant to strongly disabuse callers of this patently false relationship.

There's very little public data on this Millennium Bank. I cannot find an income statement, a balance sheet or a list of board members for this Caribbean home-ported bank. And I'm also unable to verify if this bank is a subsidiary of a Swiss bank headquartered in Zurich.

Millennium does appear to be a legitimate bank and is licensed as an offshore bank at the Web site of the International Finance Service Authority - St. Vincent and the Grenadines. However, I suspect if my two dachshunds (Sigmund and Freud) could complete the application and write a check, they'd also qualify to register as a bank in these lovely, bucolic Caribbean Islands. I suspect that the Millennium Bank does not conduct its business with the high degree of care and transparency typical of banks in this country and I can't even locate the names of its auditors to prove me wrong.

I can tell you with certainty that a CD at Millennium Bank is not FDIC-insured. I can tell you with a high degree of certainty that Millennium Bank is outside the legal reach of any U.S. governing authority and therefore you have zero protection if its officers or directors engage in illegal activities. I can tell you while your certificate may be tax-free in St. Vincent and the Grenadines, that they are fully taxable in the U.S. And I can also tell you if you fail to note this foreign certificate on your annual U.S. tax returns that you will be subject to an onerous penalty. Finally, I can tell you with certainty that you have do be dumber than a saltwater catfish if you elect to send your money to Millennium.

Your son is right on the mark. So please do not allow your greed to color your common sense. In this instance less is better.

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