

## Financial Services for Bank Formations



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Short overview of the formation of a  
New Zealand online bank (English  
version)

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### Introduction to New Zealand online banks

A New Zealand online bank (legally known as a "New Zealand financial services company authorized to provide banking services in accordance with the New Zealand Banking Act") can provide private persons as well as companies worldwide with banking services via the internet with no restrictions on the number of customers, deposit amounts or number of currencies. As part of the startup process, however, the laws of individual countries (banking acts) are to be observed.

A New Zealand online bank can provide nearly all the services that a bank with an A-license can provide. However, the name may not contain the word "bank." Variations such as Bankcorp or Bankgroup, etc., are nevertheless allowed. The services of a New Zealand online bank may include, but are not limited to, the following:

- deposits and lending
  - debit card and credit card services
  - issue of financial securities and instruments
  - cash management services
  - checking accounts
  - savings accounts
  - term deposits
- issue of CDs
  - wire transfers
  - payment handling
  - fund management
  - investment marketing

The company is not subject to regulations regarding the creation of capital reserves. Directors and shareholders may be of any nationality and may reside in any country.

Although the New Zealand online bank is not subject to the controls and regulations of the Central Bank, its activities are governed by various laws. Some of the most important of these laws are listed below:

- Bills of Exchange Act of 1908
- Cheques Act of 1960
- Companies Act of 1993
- Consumer Guarantees Act of 1993
- Credit Contracts and Consumer Finance Act of 2003
- Electronic Transactions Act of 2002
- Fair Trading Act of 1986
- Financial Transactions Reporting Act of 1996
- Investment Advisers (Disclosure) Act of 1996
- Personal Property Securities Act of 1999
- Proceeds of Crime Act of 1991
- Property Law Act of 1952
- Reserve Bank of New Zealand Act of 1989
- Securities Act of 1978
- Unclaimed Money Act of 1969

Our package offers a ready-to-operate, regulation-compliant online financial institution approved for banking services. This allows the buyer to concentrate on the offering of banking services. Our office in New Zealand will also ensure that the company is in compliance with local regulations and requirements.

**The package includes the following services:**

- an offshore financial institution authorized to operate as a bank
- certified company documents and company seal
- a registered office and an onsite agent
- all relevant documentation is provided
- registration of securities
- status as a recognized issuer
- Eurowire™ membership and setup fee

**Key characteristics of New Zealand offshore banks:**

Time frame for setting up a new, ready-to-operate offshore financial institution:	8-12 weeks
Minimum number of directors required:	1
Minimum number of shareholders required:	1
Audited annual report requirement:	Yes
Registered office and onsite agent requirement:	Yes
Annual fees:	USD 3,500.00

**Total price of the package: EUR 69,900.00**

**Additional fees for domiciling** the company in New Zealand (ordinary place of business) may apply depending on the service. This involves either setting up/renting a fully equipped office in New Zealand or via a business center such as [www.regus.com](http://www.regus.com). Minimum fees would total approximately EUR 200.00 per month. A Registered Office is included in the package; however, this may not satisfy the requirements for an ordinary place of business (see also DBA/non-DBA information, non-application of EU freedom of establishment laws).

If **trust management** is included, annual fees will total EUR 3,800.00. An agent is included in the package. However, particularly for Europeans, this depends on whether the place of business, i.e., for tax purposes, is located in an EU country.

An **online banking software** is also required, for which we recommend and offer NexorOne as an additional service. You are of course free to use any other banking software, although only NexorOne is offered by us.

Additional fees for bookkeeping and year-end accounts apply. We will arrange for a tax adviser in New Zealand for this purpose.

***NexorOne™ Online Banking System - Premium***

The Premium version guarantees unlimited services and applications in the area of online banking.

The cost is a one-time total of EUR 14,000.00.

The banking software is delivered as a CD-ROM and can be properly installed on any internet server. We will inform you of the internet server requirements. Additionally, a manual describing all the features is provided, and you will have the ability to call the hotline to clarify any questions and/or receive guidance via video conference.

### **Company website**

The company website may be hosted on a New Zealand-based server.

- Maximum of 20 pages, feedback form, guestbook
- Terms and conditions and description of services as a PDF document and in HTML
- online form for opening an account
- link to the online banking system

Fees: One-time fee of EUR 4,900.00, plus monthly hosting charges of about USD 40.00.

### **Realistic cost overview for the first year (approximately, in EUR):**

- Formation package, including all services, one-year Eurowire membership, one-year Registered Agent and Registered Office: EUR 69,900.00
- Trust director: EUR 3,800.00 per year
- Registered Office (Regus): EUR 3,000.00 per year
- NexorOne online banking software: EUR 14,000.00
- Website: EUR 4,900.00

Per year, for subsequent years:

Trust president, if required: EUR 3,800.00  
 Registered Office: EUR 3,000.00  
 Eurowire™ membership\*: EUR 3,200.00

plus fees for tax adviser in New Zealand (bookkeeping and year-end accounts).

*Eurowire provides an electronic interface between the online banking system of the New Zealand bank and the correspondent bank.*

### **Shareholders**

The company must have a minimum of one shareholder. This can be a natural person or legal entity in New Zealand or in another country.

For tax purposes, it may be advisable to establish a foreign company (e.g., a Cyprus holding company). In the sample case of a Cyprus Limited, setup would occur as follows:

The New Zealand company generates income that is first taxed in New Zealand. Dividends (profit after taxes) are then funneled to Cyprus. Since New Zealand and Cyprus have a double taxation agreement and Cyprus does not tax holding companies, the dividends from New Zealand are funneled to the Cypriot Limited after a 5% withholding tax at the source and are not subject to taxes in Cyprus (the Cypriot Limited must be purely a holding company, i.e., holding only participating interests; otherwise it is subject to a 10% tax in Cyprus). If, then, another EU company holds shares in the Cyprus Limited company, the Cypriot dividends are funneled to that EU company tax-free per the EU parent company/subsidiary directive.

This is only one possible shareholder setup for the New Zealand company. The exact setup must be arranged on an individual basis.

## Structuring options under corporate law

As described above (under Shareholders), there are various structuring options under corporate law.

- Levels of shareholders:

1. The mandator/founder acts as a shareholder itself. Disadvantages may include: Tax withholdings in New Zealand, taxation of inflowing dividends including income tax for natural persons

2. A foreign capital corporation acts as a shareholder. Advantages may include: lower tax withholdings in New Zealand due to double taxation agreement, tax-free income receipts, concealment of actual ownership relationships

- Intermediary company for invoicing to New Zealand:

Establishment of an offshore company as an administration and management company that invoices the New Zealand company.

Advantage: Reduction of tax burden in New Zealand

## Additional services that can be provided:

Status as a recognized issuer and fulfillment of income tax obligations

- application for a tax ID from the tax authority for the offshore financial institution in order to meet tax requirements
- submission of application for and award of status as a recognized issuer, which allows the company to register securities such as term deposits and savings accounts.
- registration of securities that the company intends to issue, such as term deposits, savings and checking accounts. This enables the company to pay interest on registered securities to unassociated non-residents without tax withholdings and without having to disclose to the tax authority to whom the interest was paid. Note: As a recognized issuer, the company is required to pay a tax equal to 2% of the interest.

## Compliance with anti-money laundering regulations

- guide for offshore financial institutions including a chapter on the prevention of money-laundering, with sample anti-money laundering policy models
- an overview regarding customer identification, documentation of business transactions and reporting systems for suspicious transactions for fulfillment of the conditions of anti-money laundering legislation (Financial Transactions Reporting Act of 1996) and the Proceeds of Crime Act of 1991.

## Further support in complying with laws concerning financial institutions in New Zealand

- overview of the offshore financial institution's intended business operations and of the proposed actions for educating customers about local laws that may apply or impact the business.
- maintenance of an unclaimed funds log at the company's registered office in New Zealand and the required archiving of the log contents, as well as support for the company in fulfilling the terms of the Unclaimed Money Act of 1971, which governs the handling of unclaimed funds as well as associated yearly reports and payments.

## Payment means

- overview of intended payment means and the application of the Bills of Exchange Act of 1908, the Cheques Act of 1960 and the Electronic Transactions Act of 2002.
- application for and award of banking license for printing checks and for payment of check taxes (if applicable). Note: Bills of exchange are subject to check taxes of 5% per bill of exchange in accordance with the Stamp and Cheque Duties Act of 1971).

## NexorOne Online Banking Software

The NexorOne™ Online Banking System is a entirely online account manager for pooled funds. It generates messages to the administrator transmitting the instructions from the users. With a user friendly menu and thoroughly tested, completely self customizable interface the software provides a solid platform allowing your customers to feel confident that they are backed by a stable institution. Making use of every available advantage of the internet and online banking, the system gives the users the ability to execute every kind of transaction and use all the services offered by the financial institution on a cross-browser compatible interface. It makes it the perfect tool to have a low cost interaction with customers, while still able to tend to all their needs. The users are able to transfer money in/out/between accounts and to debit cards (optional).

By safely empowering the users to request transactions online, assisted by the system, the administrator has only to accept or cancel operations while viewing on screen all the information needed to take the decision. Since all the transactions are performed through the system only, the accounting and detailed customizable reports are always in real time and up to date. Additionally, the system keeps a detailed trail of all activities, making it very easy to narrow down precisely when those activities occurred. The system can automatically generate revenue by applying customizable transaction fees predefined by the administrator. The system offers the ability to handle accounts in different currencies, as well as a multi-language capable interface to expand to distinct international markets and the multi-region friendliness for defining all the different formats.

Online banking system for account management and secure messaging with customers

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### Interfaces and Options:

Main features the **Administrator** is able to access:

- System messages – Generated when the users request certain transactions, automatically processed and replied to when executed by the administrator. These transactions require individual attention for completion.
- User messages – secure messaging within the system. Either manually generated by the users when contacting the administrator or by the administrator himself to create messages to an individual user or a general message to all users.
- System Log – serves as a log of all the activities in the system by keeping records of all the changes made by either the users or the administrator.
- Profile editor – create or search-view and/or modify users profiles in the system as well as to modify the administrator's profile.
- Account manager – create or search-view and/or modify accounts to then activate, inactivate or block them. Also, to associate optional card accounts to enable users to transfer funds to them.

- Manual transactions – to manually *debit* or *credit* any account in required instances. An additional feature is the ability to select the revenue option which will include the transaction as a generated fee (thus appearing in the administrator *Revenues Report*).
- Revenue manager – to manage the revenues generated either automatically by the system or manually by the administrator.
- Portfolio manager – to administrate and manage user's passive portfolios.
- Reports
  - Specific User Reports
    - Specific user – Specific account – All transactions
    - Specific user – Specific account – Ranged executed transactions
    - Specific user – All accounts – Executed transactions
    - Specific user – All accounts – Balances
  - Global System Reports
    - All users – All accounts – Balances
    - Manual transactions
    - Revenues generated (Manual, System or Both)
    - Balance sheet
    - System overview
- System configuration settings – where the administrator can customize the system as well as the initial setup of the account types, transfer fees, etc.

Main features the **Users** are able to access:

- Account balances – which shows all accounts with current/available balances, including optional associated debit card accounts. Additionally the user may view the last 10 transactions of any account for a quick overview.
- Messages generated by the system – when any transaction request has been executed (i.e. a requested wire transfer, manual transactions applied to an account or changes in the user profile).
- Messages sent by the administrator – contacting the user specifically or a group of users for announcements.
- Incoming wire transfers – to transfer funds from an external bank into any account. The system will guide the user to create a print out of a pre-elaborated page with the needed information such as the correspondent bank information and the user's personal reference account number. This can then be faxed by the user to his bank.
- Outgoing wire transfers – to wire transfer funds out of any account. The system will provide an on-line form with the needed details for the wire transfer to be later executed by the system administrator. Includes the option to select which transfer fee to apply (i.e. standard or express).
- In-house transfers – to transfer funds between accounts of the same user or to transfer funds to an account of a different user.
- Optional Debit Card funding – this creates a request to the system administrator to execute a debit card funding (only debit card accounts pre-associated to any user). Includes the option to select which transfer fee to apply (i.e. standard or express).
- Profile editor – to view/modify the user's profile and password in the system.

- Reports
  - Specific account transactions
  - All accounts executed transactions

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### Customized Solutions and Enhanced Support

We offer a complete solution to all our clients' needs, which means that after NexorOne™ is bought as a stand alone package, we'll back you up with all the tools you might need.

- If you have the IT staff but just need help with the initial setup, installation and integration with your website, we offer an *Installation and Integration Support*.
- If you need our IT staff to help you with the software as an ongoing support team, we offer an *Active License and Support*.
- If you don't have the IT team nor the facilities and servers to host the system, we offer a complete *Hosting Solution Package* which comes with a support contract and the necessary security measures to run your system.

### Technical Overview

The NexorOne™ online banking system has been developed mainly using PHP. It's a server side setup that deploys dynamic content that interacts with the MySQL database to supply the information through a user friendly interface. This is a very powerful and scalable solution that is affordable as needs grow. Since the system is fully internet cross-browser interface only, it's not bound to any specific browser, software or to any operating system, offering total hardware and software flexibility for the administrator and the users of the system.



#### User Interface Specs

- User friendly interface with easy navigation menu
- Export to Excel and Word options throughout the system
- Print and Email information from different screens
- Wire Forms developed according to SWIFT format standards
- Resolution: 800x600 minimum, 1024x768 preferred
- Fully Cross-browser compatible:



#### Minimum Suggested Server Requirements

- PHP Version 4.3.7+
- MySQL 3.23.54+
- Linux Operating System 2.2+
- Web Server with SSL and PHP support (i.e.

- Apache Web Server 1.3.33+)
- SSL Certification for Cryptographic Security

#### Usability

- Multi Currency support
- Multi Administrator
- Multi Region Friendly (i.e. formats)
- Multi Language capable
- Customization options (i.e. colors, logos, titles)
- Debit Card Packages integration
- Detailed real time reporting
- System has confirmation messages with information showing the requests, before executing them.
- Accounts have current funds and available funds (i.e. when transfers are requested the funds are no longer available, but stay current until the transaction is executed or denied by the administrator)



#### Security

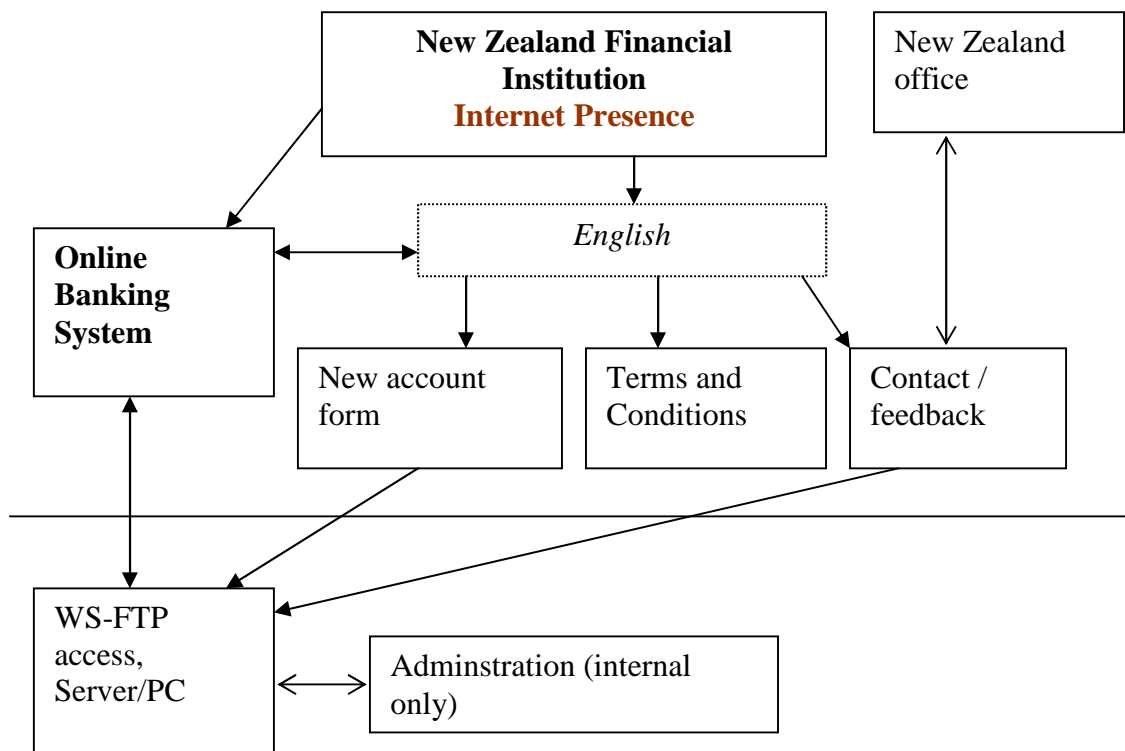
- SSL Security Oriented (128bit or 256bit).
- The system utilizes a combination of ICISA (International Computer Security Association) and PHPSecurity Consortium approved security technologies to protect data for the Financial Institution and for the Users .
- The combination of Username and Password is the first layer security to login.
- The users are forced to change their automatically generated passwords once they login to the system for the first time.
- The Security Key, acting as a second layer security, is a secret pin code that the user has to input within the system to be able to execute transactions. This Security Key is generate by the system and kept encrypted; shown only once to the user, makes it impossible to break.
- All sensitive information stored in the Database has MD5 encryption.

### Internet presence with an online banking system

If you wish, we can set up your internet presence with a connection to the online banking system and hosting on a New Zealand-based server. This type of internet presence can be the **deciding factor in the operation of the financial institution**. It is essential to offer customers the ability to open an account online as well as view, download and acknowledge the terms and conditions.

## Procedure for establishing a link between the online banking system and the reference bank

You will need a “human interface,” so to speak, between the online banking system and the reference bank account of the New Zealand offshore bank (a bank in the Netherlands). **Keep in mind that the online banking system is in English. Your staff should therefore be proficient in the English language.** Customers of the New Zealand offshore bank log into their online account with the New Zealand offshore bank using a password. There they can conduct funds transfers, for example. The transaction is then carried out accordingly via the reference bank.



## Intermediary administration and management company

You have to option of establishing an offshore company (in the BVI, Belize or Seychelles) as an administration and management company that invoices the New Zealand company. Income before New Zealand taxes is funneled through the intermediary to the offshore company, thereby reducing the tax burden in New Zealand.

### The most important advantages of an offshore company are:

- Anonymity (no public commercial register, no law enforcement or fiscal extradition agreements)
- Concealment of your personal data by an attorney (formation phase)
- Discretion
- highest degree of data protection
- guaranteed liability protection without capital stock requirements
- tax exemption
- no taxes on any income
- administrative exemptions
- no bookkeeping requirements
- no financial reporting requirements

- no record keeping
- no accounting
- no proof of use of funds required
- no tax advisory costs
- no audits
- no proof of formal qualifications required
- nearly all business activities allowed

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### **Fees for business formation, British Virgin Islands Offshore IBC**

■Formation of the corporation including the following services:	EUR 1,690
■Evaluation of the company name	
■Creation of memorandum	
■Creation of articles of incorporation	
■Preparation of formation applications	
■Submission to commercial registry	
■Payment of formation fees	
■Delivery of certificate of incorporation	
■Delivery of memorandum	
■Delivery of articles of incorporation	
■Delivery of share certificates	
■Exclusive document portfolio including the following documentation	
■Minutes of Board Meetings	
■Decision regarding account opening	
■Decision regarding office rental	
■Decision regarding appointment of a corporate attorney	
■Decision regarding appointment of a financial auditor	
■Employment contract	
■Patent rights clause for employment contract	
■General power of attorney	
■Substitute power of attorney	
■Purchase contracts	
■Sale contracts	
■List of directors	
■List of shareholders	
■CD-ROM with all important templates and forms	
■Mailing costs	
■1 year Registered Office	EUR 290
■1 year Registered Agent	EUR 290
■1 year administration and offshore lump-sum tax	EUR 790
■ <i>offshore</i> Banking, Isle of Man: Internet banking, credit card	EUR 980
Exclusive document portfolio including all documentation	included
■Apostille	EUR 90
■Anonymity via registration of an attorney as director in the formation phase	EUR 790/year

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**Complete BVI package: EUR 4,920.00 plus sales tax if applicable**