

Article review on offshore bank accounts

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Article Review

I agree with Holman on the issue of the invasion of financial privacy of innocent citizens. Offshore bank accounts should not be criminalized. Rather, offshore bank accounts play a key role in international diversification. This is especially so in times of government regulations and currency controls which are getting stricter. Offshore banking provides a way for having part of one's wealth outside his or her country to avoid the risk of confiscation of assets and government freezes. However, the problem is that offshore bank accounts have always been associated with the negative things. They are viewed as avenues for corrupt individuals and criminals to store their wealth. They are viewed as avenues for money laundering and evasion of taxes. However, the recent global financial turmoil led to a need for the regulation of international markets. Such regulations target the wealthy who are somehow victimized because of their riches. For example, wealthy people are sometimes required to pay higher taxes. Holman uses the example of French President Francois Hollande campaign finance chief who promised “confiscatory taxes on millionaires” (Jenkins, 2013). Therefore, banning transactions that occur across borders would be killing the international financial markets. All governments cannot have similar tax laws because this will kill the significant incentive for responsible taxing by governments. The conflict or dilemma lies in determining which of the bank accounts are for legitimate people and those that are for ill motives by persons such as criminals, money launderers, tax evaders and corrupt individuals. For example, African dictator Mobutu Se Seko was alleged to have stashed a lot of money in Swiss bank accounts. However, freezing such assets is difficult

because the Swiss government had enacted a law that imposed criminal penalties on bankers who betrayed the secrets of their clients. Therefore, the dilemma in international financial markets is the enactment of regulations and guidelines that ensure foreign depositors' privacy is respected while at the same time, criminals, tax evaders, money launderers and corrupt individuals do not get away with stashing “ loot” in offshore accounts.

References

Jenkins, H. W. (2013, April 2013) An Oldie: The ‘ Offshore’ Witch Hunt. The Wall Street Journal, 2013.