

**INTERNATIONAL PRIVATE BANKING IN THE NEW MILLENNIUM  
CONVERGENCE OF NEW OPPORTUNITIES AND CHALLENGES<sup>1</sup>**

**Remarks by**

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## Introduction

It is a pleasure to be here and to address the members of the Offshore Institute on this timely subject. Especially so now when we are exactly six months and 6 days into this new era. When I was given this topic for presentation, I was attending the conference sponsored by the Institute of International Bankers in Washington D.C. this spring. I recall in my perusal of the topics published by the distinguished presenters, including the United States Trade Representative, a member of Congress involved with the bank reform legislation, and the Vice Chairman of the Federal Reserve Board of Governors, that each of these speakers adopted a skewed perspective of this undeniably and increasingly globalized and internationalized marketplace. Their focus was honed in on how to tariff, legislate, and regulate within their spheres of influence, rather than embrace and foster the major forces that have created and will further hasten this milieu. The top federal bank regulator acknowledged the importance of the attendees by admitting that foreign banks play a critical role in the U. S. financial system, accounting for nearly 25% of total banking assets throughout the 1990s<sup>3</sup>. Yet, this banker particularly, ignored the reality that the *genie* is out of the box, that banking in this highly globalized 21<sup>st</sup> century won't be like the last, and that designing more rules and bureaucracy and international memorandums<sup>4</sup>, and even extraterritorial<sup>5</sup> and supra-jurisdictional protocols<sup>6</sup> won't put it back.

We need not take time here to raise and reexamine the conventional wisdom that commercial banking the world over is in decline. For example, in 1985, in the U.S., there were some 13,500 banks<sup>7</sup>. It is projected that by 2010 the impact of the divergence and convergence among financial services intermediaries, ushered in by intense competition and consolidation driven by the recent U.S. bank reform efforts, will reduce that number to around 5000 U.S. banks<sup>8</sup>. Further, in the U.S. alone, by 2010, when you include the presence of international banks, U.S. and international nonbanks, there is expected to be more than 15,000 entities<sup>9</sup> competing for each financial opportunity.

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1. This version of the presentation is delivered without the extensive footnotes and graphs. The writer apologizes that a copy was not timely delivered for inclusion in the conference publication, and for that reason a copy was asked to be included on the website of The Offshore Institute.

1. *WILLIAM T. JOHNSON, MA, JD, LL.M., President, Global Fidelity Bank & Trust Company, The Commonwealth of Dominica. Mr. Johnson formerly served as Chairman of a United States State chartered bank, and subsequently was elected Chairman of an international private bank, specializing in tax and asset management, international business corporations and international tax and trade assistance to private sector clients. Mr. Johnson formerly practiced corporate and tax law, serving national and multinational clients, licensed to practice in state, federal, and tax court, including the Supreme Court of the United States of America. A successful entrepreneur, Mr. Johnson created the first African-American owned cable television franchise in the U.S., and ultimately built and operated directly and indirectly such cable television systems in five states, surpassing one million homes passed before divesting these interests. Mr. Johnson serves on the boards of trustees of three universities, is on the Board of Visitors at his alma mater law school, is a United States Member serving a three year term as a Trustee and Treasurer for the International Association for Housing and Services to the Aging, served as an Executive in Residence, School of Business and Economics, The State University Of New York, at Plattsburgh [SUNY], and is a prolific writer and public speaker, with a number of law articles and theses published, including in the Harvard Business Review microfilms library.*

What I want to do now is share my views of *international private banking* in this new millennium, and admittedly, I want to influence your thinking about our future and what we must be prepared to do to embrace and foster, and defend our opportunities and interests. I am going to speak on the perceptions of this sector of the financial services industry that we can not run from and have to address, and identify those forces started in the 20<sup>th</sup> century that offer *international private banking* a comparative competitive advantage during this century. After I briefly disclose and discuss these relatively determinative forces which will accelerate through the use of technology, I will spend the balance of my time spotting those opportunities especially available to be developed by and for creative international private banks thorough partnerships and innovative entrepreneurship, and suggesting what is looming on the horizon that we will have to be especially aggressive in protecting our interests.

### **What is international private banking?**

There was a time when you could ask a U.S. banker, or a foreign bank executive: "what does *international private banking* mean" and the answer would be that one of their best customers could go to one of the foreign-based bank offices and obtain limited financial services. We all know the problems U.S. banks had in trying to resolve the issues of whether foreign funds deposited in foreign branches were collectable in the U.S. by those depositors<sup>10</sup>, and whether those deposits were backed by U.S. deposit insurance<sup>11</sup>. Merely providing some services to your customer when they travel abroad is hardly international private banking, nor is trying to be all things to every customer. There is a place for the niche player, that international private bank able to devote the time and resources of experts to accomplishing the financial objectives of the client in a manner nearly unmatched by institutions burdened with substantial regulatory limitations. The time is now.

*International private banking* is emerging as a vehicle that can efficiently and effortlessly transact and transport bank financial products and services unhindered by often artificial and political barriers<sup>12</sup>, while protecting the confidentiality and privacy of the bank customer nearly anywhere on the globe<sup>13</sup>. There is a big difference between these two viewpoints of both *private* and *international*.

Underlying the expansion and attractiveness of *international private banking* in the 21<sup>st</sup> century, and the emergence of such institutions as comparative competitive models to be emulated are some significant and implicit assumptions, and our understanding of the continually evolving forces already well underway during the 20<sup>th</sup> century. Among these implicit assumptions are the rights to globalization<sup>14</sup> and for privacy<sup>15</sup> in conducting financial transactions, and the recognition that in the 21<sup>st</sup> century transnational and cross border transactional financial activity<sup>16</sup>, services and products will increasingly become interwoven into the very fabric of our daily lives. It should be no secret then, that money and its deployment or its absence when operated through financial intermediaries makes the difference between the **have** and the **have-not** nations<sup>17</sup>. Therefore, in this financially interdependent and competitive marketplace, those countries without a diversified and

energized banking and financial infrastructure are vulnerable to capital flight, its citizenry exhibiting meager savings discipline, and its internal development being subject to higher rent paying<sup>18</sup> for foreign investment capital and debt.

### **Address biased perceptions of international private banking**

To many in our financial services industry, the words: "*international private banking*" is scary and painted with suspicion. We are often portrayed as carrying millions in cash in the boots of our automobiles, or readily accepting such cash deposits in the airport lounges. It is not reported in the media the scant evidence of such conduct, especially so when compared to the significant misconduct<sup>19</sup> which cannot be covered up involving the so-called major First world financial institutions.

Nevertheless, until recently the prestige of international private banks were assaulted from every quarter. It wasn't until the last decade when it was discussed openly that silently trying to run parallel with us, as a competitive move to retain existing and to attract wealthy foreign customers, were domestic banks in the U.S. and Europe, all establishing "offshore international private banks" through Edge [and Agreement] Corporations<sup>20</sup> and International Banking Facilities<sup>21</sup>, and in some cases through creation of *de novo* or acquisition of well established offshore financial institutions in the Caribbean or other well-known global tax centers. It would appear that such international private banks are O.K. so long as they are owned and operated by First world domestic banking institutions.

Despite all the laws and regulations advanced, and the related higher cost burden and pernicious trampling of the privacy rights of its citizens by the U.S. government to restrain the conduct of its banks, including forfeiture of the bank charter, the steady flood of laundered dollars finds its way back into circulation and the U.S. economy. We are not the destination of choice for money launderers<sup>22</sup>; rather we cater to wealthy families and customers who seek privacy and confidence in the confidentiality of their financial transactions and management of their assets. In this context, we are scary! It is incumbent on us to maintain our high standards in selecting and knowing our customers, because as fundamental to our existence to expand is the belief in many regulatory quarters that no bank customer has either a right to privacy or confidentiality in his or her financial transactions anytime<sup>23</sup>.

### **Forces pushing the success of international private banking**

#### **1. Increased mobility of capital**

During the last decade of the 20<sup>th</sup> century, advances in technology have been adopted which removed the delays in the rapid deployment and redeployment of the flow of money and investment capital anywhere on the globe<sup>24</sup>. Communications technology has created the climate where information on local political and economic conditions can be immediately distributed worldwide instantly, and thereby reducing risks and increasing the global investor's ability to seek and reach the most efficient market for his capital. The rise of global portfolios have become an important investment diversification

tool as a result of the elimination of the previously existing barriers of currency exchange and capital export restrictions<sup>25</sup>. Countries must clearly compete to retain and to attract capital from all over the globe.

## 2. Rise of global labor pool and middle class

The collapse of the worldwide investment barriers and the correlative technological advances facilitating global investment portfolios also exerted pressures favoring the free flow of labor and education. We see this more evident among the highly educated and those workers proficient in multilanguages and with much needed technical skills. Today it is not uncommon to find, because of the relaxation in immigration rules and visa restrictions to attract investment capital and labor, that high level executives and support staff for multinationals and entrepreneurs are spending substantial time in other jurisdictions and developing enduring ties.

In addition, another benefit of globalization fostered by technology has hastened the decline in traditional national, religious, racial and social constraints regarding marriage and the family. Members of such families seek out the best educational and employment opportunities wherever they are located. It is not uncommon to see entire families from Taiwan, India, Iran and Iraq travel to America to visit and work for relatives and later return home or to another country after gaining both. This worldwide educational and labor market tends to both create enriched multinational families and spread out families and thereby establish a sizable emerging global middle class<sup>26</sup>.

It should not therefore be surprising that the wealth of these rising extended multinational families need to be managed, and will by necessity be ultimately distributed in ways that do not respect artificial political and territorial regulatory barriers. Family beneficiaries may well live under multiplicitous legal and taxation systems that diverge from one another, and may be unlike that of the jurisdiction exercising authority over the underlying investments or assets being managed. This territorial incohesion of families and assets further opens the door for the deployment of investment capital and expertise based upon family and local ties at a comparative competitive advantage to locations never previously significantly exposed to external capital sources.

## 3. The well-settled perspective of globalized culture

During the 19980s and early 1990s, when America and much of the world were experiencing and waging intense competition for the attraction and relocations of facilities for multinational corporations<sup>27</sup>, transnational business development created the views that money and investment capital were country-neutral, and that the pursuit of higher shareholder value and stock price was paramount. Rather than just the elite of the world recognizing that territorial borders had always been treated as archaic barriers to maximization of corporate, individual and family wealth, these emerging wealthy multinational families, already dispersed worldwide, saw no reason as well to not embrace the emerging technological tools making financial allegiance to one jurisdiction increasingly tenuous.

#### 4. The successful emergence of offshore jurisdictions

By the late 1980s it became clearer that maintaining colonialism was expensive, and allowing self-determination and protection of dignity and human rights in these colonies under self-rule as a nation state sovereign was the way to go in reducing this burden. Hence the rise of so many smaller nations with the right to issue passports, enact internal laws, control their borders and fly their own flags<sup>28</sup>. Noteworthy is that in these sovereign nation-states, besides serving as an unregulated bazaar or way-stations for free capital; with little else to sustain them, they have functioned as *filters* in the worldwide free flow of capital<sup>29</sup>.

Most of these nation-state intermediaries typically are island nations. They lie directly offshore the country that is the destination for freed capital. Alternatively, they can be found offshore the jurisdiction from which capital has been freed. Once offshore, the capital becomes essentially untraceable by the source country for purposes of taxation and other forms of regulation. It is then invested in the import market, but at favorable rates and deregulation. The Caribbean islands nations and Bermuda performs this function for the U.S. The Channel Islands perform the same function for the United Kingdom and Europe.

As briefly touched on above, offshore jurisdictions and their institutions, despite incessant onshore criticism, could not thrive without tacit onshore tolerance, if not active support. An example is the U.S., a major capital-importing country that has encouraged and permitted offshore jurisdictions to draw in capital from other high tax and regulatory states in Europe and Asia. The U. S. has historically afforded massive tax benefits for foreign investment in an undeniable effort to lure the capital<sup>30</sup>. Since all residents and citizens of the U.S. are taxed on worldwide income, the offshore platform permits investment in the country without experiencing the full brunt of federal taxation<sup>31</sup>.

Conversely, offshore jurisdictions are agnostic. They can and surely do absorb capital as well from the same countries in which capital is invested. Consider again the U.S. as an example. As a direct result of the high price of malpractice insurance in response to huge tort recoveries, offshore jurisdictions have marketed trust related legal and financial structures affording asset protection from onshore litigants<sup>32</sup>. Similarly, the significant tax burdens and regulatory demands on wealthy and the increasingly growing middle class customers that are not technologically challenged, are responding to products and services offered by such offshore banks and trust companies.

Almost common now are these offshore centers offering facilities supporting international trusts<sup>33</sup>, international business corporations<sup>34</sup>, captive insurance companies<sup>35</sup> and substantial international cross border and transnational activities and functions for foreign sales corporations<sup>36</sup> and personal financial holding companies<sup>37</sup>. The death of distance is a key factor, assisted by technology, in making offshore international banks extremely attractive to more U.S. residents. This is exactly why the U.S. Treasury, the

Internal Revenue Service, and even the Securities and Exchange Commission offered new legislative initiatives<sup>38</sup> to Congress to curb this trend.

There are other forces driving the new competitiveness of international private banks, but the above mentioned explain why we are here, and sets the stage for what may come from further developments of competitive financial products and services using advances in technology.

### **Opportunities for international private banks in the new millennium**

If I were assessing the health of international private banking, particularly with a view of eyeing where this sector of the financial services industry can improve, I would look at a quick industry balance sheet:

1. Total offshore investments are estimated between \$5.0 trillion USD and \$6.0 trillion.
2. Caribbean bank deposits are now over \$3.0 trillion USD compared to \$2.0 billion in 1980. A startling rate of growth.
3. It is estimated that the Caymans Islands alone have more American dollars than do all the banks in New York City.
4. About 1 in 4 North Americans, who earn more than \$100,000 a year, now invest some funds offshore.

Similar report cards were turned in for offshore international private banks located in Europe and Asia. Trillions of dollars and other currencies are managed in these institutions as well. It was reported in a trade publication that nearly one half of all U. S. dollars resting overnight in U.S. banks arrived there through an international private bank located offshore somewhere in the world.

One final point on the competitiveness of offshore international private banks<sup>39</sup>, as compared with domestic [onshore] foreign banks doing business in the U.S., and just to give some meaningful scale; at the end of 1999 about 25% of the total bank assets held in the U.S. were derived from international banks doing business in the U.S. as branches and agencies:

Financial Benefits Provided by U.S. Banking Operations of International Banks  
Total Assets \$ 1.34 trillion

Total Commercial and Industrial ("C&I") Loans \$ 316 billion

Total Loans Acquired in Syndications (including unfunded loan commitments)  
\$ 506 billion

Total Outstanding Standby Letters of Credit Issued on Behalf of State and Local Governments and other U.S. Borrowers	\$ 451 billion
Total Investment in U.S. Government Securities	\$ 93 billion
Total Notional Amount of Derivatives Contracts	\$ 6.09 trillion
Net Capital Available To U.S. Borrowers	\$ 158 billion

If nothing else, these numbers show that international private banks, when compared to domestic foreign banks operating facilities in the U.S., serve a valuable niche in the total financial services marketplace, and should now seize its opportunities to craft and interpose a global comparative and competitive approach to designing products for this new millennium.

### 1. Internet Banking Opportunities

A day doesn't go by when we read of new deals being announced for Internet banking. In the U.S. alone, where there are still banks on nearly every corner except in the inner cities and in low and moderate income communities, a significant number of banks are still stalled in recognizing and taking market advantage by using the Internet's powerful and cost-effective communication infrastructure for attracting and maintaining its retail and business customer base. A quick check before this conference reveals that there were less than 500 U.S. banks with active websites offering some services to its customers<sup>40</sup>. A recent study done by Booz, Allen & Hamilton indicates that Internet banking improves productivity<sup>41</sup> and when used to reduce the daily reproduction and distribution of paper drawn transactions, decreases operating and transactional costs. For example, a transaction over the phone costs \$.54, at an ATM it costs \$.27 and via the Internet the cost is \$.01<sup>42</sup>.

Quite frankly, the time to respond to this incremental market is ripe with recent polls conducted in the U.S. by Jupiter Communications disclosing that some 35 million households are connected to the Internet<sup>43</sup>, and that traffic doubles every 100 days; that 50% of the users tend to be middle to high income from professional or managerial positions; that users are very comfortable in never setting foot in the local brick and mortar bank facility; and that business-to-business Internet users have been part of the fastest growth, and are expected to reach in B2B commerce some \$1.3 trillion dollars by 2003. Consider also that in the U.S. more than 80% of all businesses are equipped with PCs of which 75% have Internet access<sup>44</sup>. Further 75% of all Fortune 500 companies have migrated to virtual office environment requiring Intranet access<sup>45</sup>. Small businesses represent more than 99% of employers, and 75% of all U.S. based employers having fewer than 10 employees are looking for cost-effective ways to conduct their business and raise capital from their home/offices<sup>46</sup>.

What keeps these potential customers just sitting there is not the lack of technology or the cost, rather the heavily regulated and the selectively anticompetitive infrastructure of

the U. S. banking participants themselves<sup>47</sup>. The attitude still is: "*so long as nobody else is forcing me to do anything, let those dogs lie quiet*". An attitude not unlike the U.S. telephone industry that sat on wonderful innovations and products because there were no competitors pushing them and they were allowed to operate extremely profitably using old products and technology. Who else was out there that could compete with them with these products giving the regulatory environment? No one, they thought! Well, we all know the ultimate answer to that. This situation may not last much longer for U.S. banking either under the new reform legislation, and the determined efforts now emerging globally to invade this industry using the Internet to hawk financial products and services.

International private bankers must understand that in this new millennium, assisted by rapid changes in technology, the customers will increasingly define the terms of the competition. All of us were shocked to witness the success of Ebay, Amazon.com, Priceline.Com in time and again demonstrating that wherever you are in the world, if you have the PC connected to the Internet, you are a participant in the global marketplace. The distance between the customer and the supplier of the product or service did not matter, where the competition was viewed by the customer as resting on his confidence in his or her perception of **Cost, Time, Quality, Convenience, Culture, Information, Knowledge, Choice and Opportunity**<sup>48</sup>.

### **Recent developments**

We will see the entrance of nonbanks capable of unbundling and outsourcing financial products that the U.S. banking regulators would prefer to see handled through the divergence and convergence of such services and products operating through financial holding corporations. Companies like Charles Schwab and American Express, and new nonbank players like Nationwide Insurance have the skills to commoditize certain financial products<sup>49</sup>, and will do so and eat bits and pieces of the industry until there is little value for those financial institutions foolish enough to continue trying to offer everything.

No one seriously thought Charles Schwab would be successful in offering online stock trading, and are watching in dismay to see this firm begin offering traditional banking services through outsourced and joint venture arrangements, ranging from letters of credit, mortgages, asset management, estate planning, commercial loans and trust services.

In addition, already we are seeing companies that know how to sell through customer contact, like Nordstrom's, applying for a U. S. unitary thrift charter<sup>50</sup>, and Ito Yokado, Japan's largest successful and profitable retailer on March 9<sup>th</sup> 2000 applied as well for a bank license in its home country<sup>51</sup>. This Japanese firm runs the Seven-Eleven convenience store chain and supermarkets, and has in place a nationwide network of 9,300 stores and restaurants serving some 9 to 10 million customers a day. Ito Yokado is expected to create or join an Internet banking strategy whether or not its bank charter is granted. This led to the filing for a bank charter as well by Sony, the Japanese electronics

company, and already an owner of insurance and online brokerage units. Sony expects to begin competing for retail customers through the Internet<sup>52</sup>.

In the United Kingdom, First-e, the only pure Internet bank in the UK, announced on March 7, 2000 its plans to merge with Uno-e, its Spanish counterpart, in a deal valued at Euro 2.4 billion, creating Unofirst<sup>53</sup>. Involved in this transaction was Morgan Stanley Dean Witter, a backer of the UK component. Two days later, JP Morgan, the U.S. investment bank, launched an e-finance unit called LabMorgan<sup>54</sup> with a \$1.0 billion USD annual budget for 2000, and for investments to be developed in creating e-commerce ideas and projects in financial services. Hence a large pool of capital has been placed upon the table for international private banks with ideas on how to seize the initiative and designing financial products and services for global distribution. The Internet is positioned to be an international marketplace, where being offshore and having the ability to combine technology with high interest returns and other comparative competitive benefits should be exploited.

## 2. Create or refine existing competitive financial products

E-wallet, cybercash, and private digital currency are on the horizon and coming fast<sup>55</sup>. While the United States economy at the birth of the Internet seemed to be leading the world in the adoption of new computer and internet-based technology, substantial and explosive growth in 1998 and 1999 of PC sales<sup>56</sup> and telephony<sup>57</sup> in Europe, Asia, including China and Taiwan, the Middle East and Eastern Europe and Africa gives evidence that a huge e-commerce marketplace is emerging. With the proliferation and popularity of B2B and B2C commerce<sup>58</sup>, an opportunity is developing on how to efficiently, effortlessly and securely pay for and/or authorize the purchase or sale of financial service products.

Again, let us look at the U.S., the biggest market close to us as baseline. The United States is not at the forefront in the adoption of electronic money systems<sup>59</sup>. Adherence to traditional payment systems, check and cash, is very strong<sup>60</sup>. The United States is the only developed country in the world where check use is still increasing, with the number of checks written growing at a rate nearly as fast as the overall economy<sup>61</sup>.

Use of cash is extensive as well. Americans still use cash for about three-quarters of all Transactions<sup>62</sup>. The total U.S. supply of coin and currency now comes to \$550 billion, about one-third of which is actually circulating in this country (the remainder is held abroad). But even after subtracting estimated foreign balances, the supply of outstanding coin and currency comes to \$670 per capita, which strikes most people as incredibly large<sup>63</sup>.

For many years, observers in the U.S. have looked forward to the advent of electronic money, a system that uses either a computer chip or another electronic device to record payments and debits automatically<sup>64</sup>. There are obvious efficiency advantages in terms of ease of handling and record-keeping for consumers, merchants, the banking system, and the Federal Reserve<sup>65</sup>. Use of electronic money systems appears to be growing in at least

a few foreign countries. But in the U.S., growth of electronic money systems is sluggish--well behind earlier predictions, well behind the growth of credit and debit card use, and way behind the growth of other types of electronic commerce. Even fervent advocates of electronic money will admit disappointment at its rate of adoption<sup>66</sup>.

Improvements in technology and security software have made electronic money more viable than ever. This term is normally taken to refer to a stored-value product, where a prepaid balance of funds is recorded on a card or personal computer controlled by the consumer and updated automatically as payments are made in or out. The stored-value balance would be recorded as a liability of the institution, financial or otherwise, that issues the card<sup>67</sup>.

Early stored-value cards recorded the account balance on magnetic strip, but magnetic strip cards can be difficult to reload and are easy to tamper with<sup>68</sup>. New model smart cards record stored value through an embedded microprocessor chip, which permits sophisticated encryption to protect against counterfeiting. These cards can also be used as credit cards, debit cards, or repositories of other identifying information for the consumer<sup>69</sup>.

More rare however, electronic money systems can also be computer based<sup>70</sup>. Under these systems, variously called e-cash, cyber coins, and cyberbucks, computer software generates electronic (virtual) tokens that serve as cash<sup>71</sup>. The seller has to verify the tokens, and the issuer may have to settle them<sup>72</sup>. One way to assess the potential of electronic money is to analyze the benefits and costs of electronic money, as compared with alternative ways of making payments<sup>73</sup>. In Internet commerce situations, as the portals of buying opportunities expand, an international private bank involved payment system for clearance offers tremendous potential.

Finally on this point, and ignoring the privacy issues raised by those jurisdictions still desirous of using the payment system to track down debt and tax scofflaws, drug dealers, and other criminals, a case is being made for digital private currency backed by precious and noble metals issued by an international private bank<sup>74</sup>. Here the currency would be free from fear of insolvency of the issuer, and would be treated like cash, yet able to be authenticated on the Internet, and cleared just like existing credit/debit transactions<sup>75</sup>.

### **Challenges for this millennium**

Let me wrap it up by highlighting two challenges among many looming over the horizon we must be able to anticipate and prepare ourselves to combat:

1. Operating in a global context is fraught with problems, and will be more so in the coming decades when the framework for how to do business, how to create and enforce our e-commerce transactions and agreements are being written and rewritten<sup>76</sup>. The void is likely to be filled by several mutijurisdictional and supraterritorial memorandums of understandings<sup>77</sup> and protocols until the legal infrastructure is carefully woven into place. Meanwhile, what law governs the

Internet?<sup>78</sup> What exposures to liability will we have as international private banks for selling our products which may be prohibited or taxed by a foreign jurisdiction?<sup>79</sup>

2. There is a need to provide our input into the development of a universal legal effect of international electronic signatures and documents<sup>80</sup>. Further, when the sale or purchase of a financial product can take place instantly, handling payments under traditional letters of credit standard terms are rendered meaningless; especially since there may not be any clue where either the buyer or seller resides or the creditworthiness of either<sup>81</sup>.

WTJ