

# A Checklist for Foreign Companies Opening a Bank Account in the United States



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**F**or a foreign company establishing business operations in the United States, is there a right way to open a bank account? Consider the what, why, when, where, and how.

## What do you want from the banking relationship?

A bank that offers tailored services to support your specific business needs can be a game-changer. Your banking relationship should go beyond providing transactional activities and lending options to offer you the support, services, and flexibility you need to help your business grow. Though potentially not needed now, a line of credit, term loan, or other financing option may be pivotal to manage cash flow or navigate downturns, and convenience and security are crucial, especially if your company leadership is located outside the United States.

When choosing a bank, consider its experience and resources. Banks with specialized financial teams that regularly work with various business models, growth plans, and operational challenges can offer valuable insights. Your banking professional can also be a significant resource for client referrals, warm leads, and networking opportunities. Additionally, your bank may offer tools and services to help streamline your business operations, such as integrating with your accounting software, restructuring payroll and bill payments, improving cash flow management, and aligning your banking and tax goals.



## Why you might need a bank account in the United States

1. Before choosing a new bank, consider if you need one at all. Reflect on whether having a U.S. bank account benefits you. Consider the following points: Will you need assistance with investments or business loans? This could include asset management or a high-yield savings accounts. Eligibility for select federal government programs require a company to have a U.S. bank account in place for two years.
2. Will you need a line of credit? If your business has not been operating long enough in the United States to establish credit or has a low credit score, it could be difficult to secure credit lines or business loans.
3. Do you require merchant services, financial consulting, or notary assistance? For example, you may need the assistance of a notary public if you are a retail business.

While renewing local businesses tax licenses, you will be required to provide your investor and sales valuations, which must be notarized.

4. Do you plan to frequently visit the bank? For example, will you need to withdraw cash regularly, have access to ATMs, access a safety deposit box, or need bank-certified checks?
5. Do you need to process U.S. payroll? Nearly all U.S. payroll providers require a U.S. bank account to process U.S. payroll.

If you answered yes to any of these questions, establishing a banking relationship is likely a necessary step to grow your business. However, if your U.S. operations are an extension of the foreign parent, investor, or group, the above services could be provided internally. If the U.S. operations are designed to sell products or services, and the primary reason for needing a U.S. bank account is to collect payments from U.S. customers, there are other convenient options available, such as alternative payment methods (APMs). APMs are any forms of payment that are not cash or a credit card issued by a major bank.

### Where should your bank account be located?

- **In your home country** — If you do not have a US entity established but you sell to the United States or pay suppliers in U.S. dollars (USD), opening a foreign currency/USD account with a local bank in your home country could be an option. A foreign currency account allows you to send and receive funds in multiple currencies, and you could save time (due to streamlined bank transfers) and money (by avoiding short-term currency fluctuations and high fees).

You can also open a merchant account, which links your customers' bank accounts and your company's bank account in order to process electronic payments, including credit card transactions.

- **Online** — According to [Statista Dossier](#) as of 2023, about 66 percent of the U.S. population (roughly 221 million people) had moved towards digital banking; that number is expected to grow to 79 percent by 2029. This trend has resulted in many online-only bank services, which can benefit foreign businesses as there is



typically no requirement for physical presence in the United States (although a U.S. company is needed in most instances). Online banks tend to offer lower fees and higher interest rates on deposit accounts, because they do not incur costs to open

and operate a network of physical branches. Like most brick and mortar banks, many online banks are insured by the U.S. Federal Deposit Insurance Corporation (FDIC). Before engaging with a bank, use the FDIC's online database [BankFind](#) to make sure you are working with a FDIC-insured bank.

- **Multi-currency digital bank accounts** — These digital accounts are offered by both bank and non-bank services and are available in multiple currencies, including USD. Fees under this option may be less than the fees for currency exchange services charged by most players in the online marketplace.

## When should you apply for a U.S. business bank account, and when will it be ready?

When planning your expansion into the United States, it may seem logical to visit a bank and begin establishing that relationship. However, it is advisable to first understand the necessary requirements for opening a bank account. Therefore, let us start from the beginning.

- The first step is to select a state to incorporate and create a U.S. entity, typically a C corporation or limited liability company (refer to the Business Structure Chapter for more information). Typically, with the assistance of an advisor or attorney, this procedure is generally straightforward and completed documents can be processed within 24 to 48 hours.
- Once the entity is formed, you must file for a Federal Employer Identification Number (FEIN) (Form SS-4). This is the number you will use on your federal tax return. If the company officer who signs Form SS-4 is a U.S. citizen, you can apply for and obtain a FEIN online, immediately. If the signor is not a U.S. citizen, more processing may be required and the assignment of the FEIN could take two to three weeks. It's important to note that this as a number assigned at the federal level, therefore slower processing times may occur around significant events such as changes in administration and federal holidays.
- Once your FEIN is received, you can apply for a U.S. bank account.
- Depending on your selected bank, the state of incorporation, and other reasons, it can be hard to predict when you will finally have a U.S. bank account. It could take around three weeks to open, and in some cases even requires an in-person meeting with the bank.

## How does a foreign company open a bank account in the United States?

Banks undergo extensive customer due diligence procedures, not only to comply with anti-money laundering and anti-terrorism requirements, but also to guard against reputational, operational, legal, and concentration risks.

The Financial Crimes Enforcement Network (FinCEN) issued "[Customer Due Diligence Requirements for Financial Institutions](#)" (the CDD Rule) in 2018 to amend the Bank Secrecy Act regulations. Under the CDD rule, financial institutions must maintain this information and provide it to law enforcement agencies upon request. Banks must now collect information on client companies' beneficial owners and provide it to law enforcement agencies upon request.

Here is a list of essential documents you might need.

- **FEIN Confirmation Letter** — An FEIN confirmation letter (or Form SS-4) is required by banks for tax reporting purposes.
- **Corporate documents** — As proof of your entity's creation and how it will operate and conduct its business, required corporate documents may include Articles of Incorporation or Certificate of Incorporation, operating agreements, organizational minutes and bylaws, Certificates of Good Standing, or Certificates of Incumbency.
- **Beneficial ownership information** — Banks must identify any individual who owns 25 percent or more of a legal entity, and any individual who controls the legal entity.
- **Photo identification** — Banks generally require two forms of identification for the beneficial owners and the company representative opening the account; at least one of these must have a photo.
- **Proof of address** — Banks require the company representative to submit a personal proof of address. Foreign bank account statements are usually preferred, although utility bills may also be accepted.
- **U.S. business address** — Most U.S. banks will not open a business account without a physical [U.S. address](#). However, banks may accept the street address of a registered agent or a virtual mailbox service, especially if your business is one in which having a physical branch is impractical (such as purely online sales).

## Common pitfalls when opening a U.S. bank account

- **Incorrect or missing information** — This can delay the account opening process by weeks. Communicate with your bank to understand exactly what you need to provide.

- **Check-signing authorities** — Will your checks require one signature or two? Is this for all checks or only for amounts over a specified dollar limit? Set up a system of internal controls and make these decisions before opening your account.
- **DBA versus legal name** — Printing a doing-business-as (DBA) name instead of your company's legal name on checks could pose a problem. Due to increasing online banking fraud, most credit card merchant processors are required to match the entity's legal name to the one on the check.
- **Apostille requirements** — An Apostille is a specialized certificate that verifies a document as legitimate and authentic so it will be accepted in countries that are members of the Hague Convention Treaty. This is not a typical requirement but may arise in specific cases.
- **Minimum deposit** — As this may vary from bank to bank, it is good to verify your bank's minimum deposit requirements for foreign clients.

## Alternatives to traditional banking

In recent years, particularly following the COVID-19 pandemic, the intersection of finance and technological innovation has become increasingly prominent. Known as FinTech, these solutions have emerged as viable alternatives to traditional banking, propelled by the demand for accessible, versatile, and user-friendly financial services.

These solutions often promise greater security, lower fees, and enhanced efficiency by leveraging advanced technology to protect user data, reduce costs, and offer innovative products. FinTech companies compete to offer the best product for a range of offerings from seamless cross-border transactions and rapid payment processing to integration with accounting software and streamlined expense management. Other benefits often include mobile accessibility, enhanced customization, continuous innovation, and reward programs.

However, challenges remain, such as the lack of deposit insurance and issues with payment processing to some government agencies. In addition, U.S. payroll providers will usually not accept FinTech solutions. Users should carefully evaluate whether their chosen FinTech solution aligns with their financial needs before replacing the traditional bank.

Whether you are thinking of starting a business, are in the early stages of launching a startup, or have been running a business for several years in the United States, look for a bank that meets the specific needs of your company — not just in the short-term, but for years to come.

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