



Offshore Schemes and Tax Evasion: the Role of Banks

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Abstract

We use mandatory Russian banks' reports to the Central Bank to construct a novel measure of offshore-banking. Individual bank involvement in offshore operations is calculated as a fraction of total transactions with foreign countries that go through offshore financial centers. We find that offshore-active banks perform less financial intermediation and focus more on international wire transfers. We show a positive relation between banks' offshore activities and tax evasion of companies doing business through these banks. Finally, we show that the Central Bank eventually responds to this behavior: offshore-active banks have higher likelihood of license revocation and criminal investigation against top-management.

JEL codes: G21, G38, H26

Keywords: financial institutions, offshore banking, tax evasion

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