

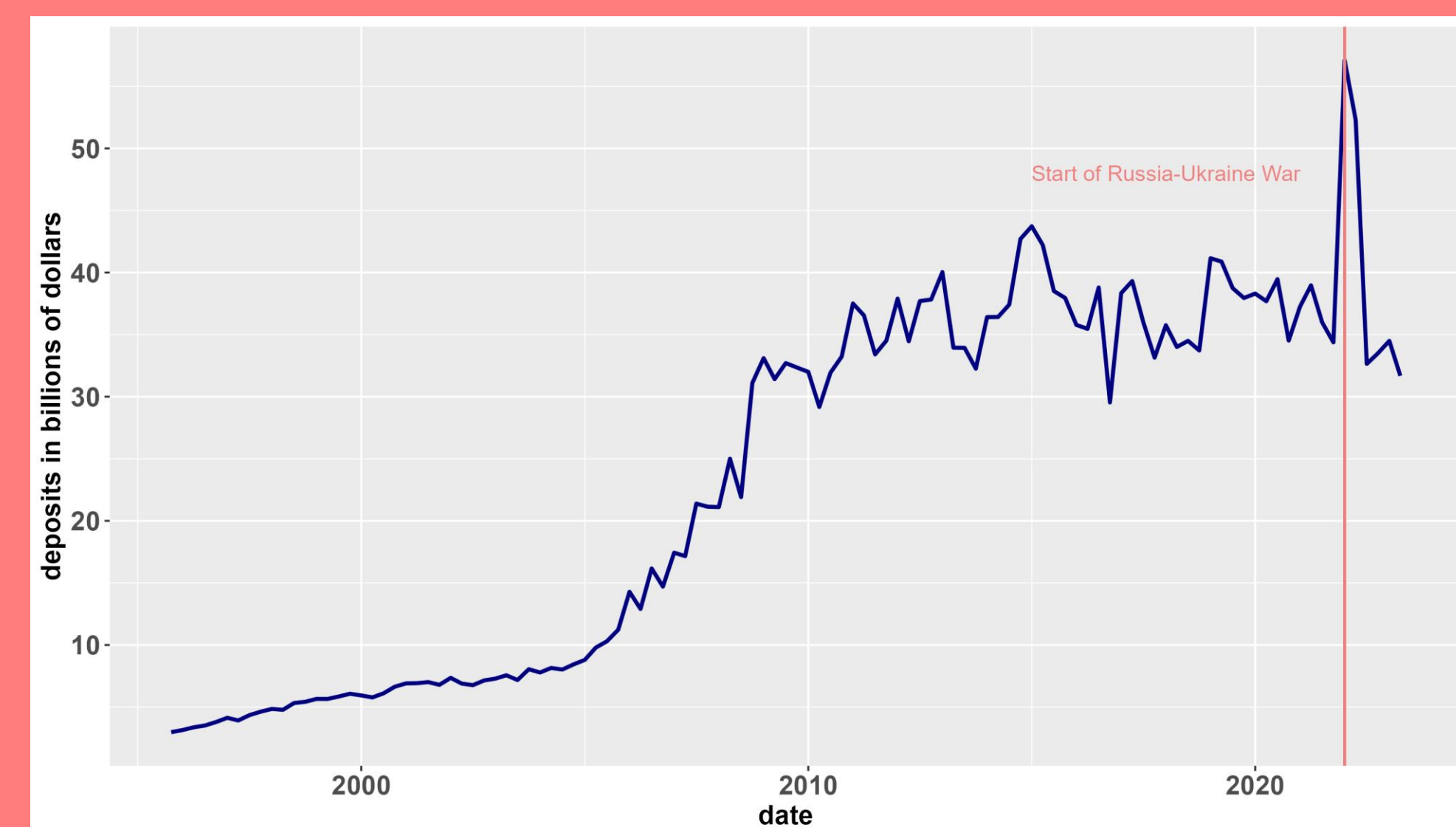
## Motivation

It is well-known that Russians hold wealth abroad. Zucman (2014) estimates that 50% of total Russian financial wealth is held offshore. Russia's invasion of Ukraine on February 24<sup>th</sup>, 2022, brought pressure on Russia's oligarchs and their offshore wealth like never before, with sanctions implemented by the US, EU, and other western countries. I attempt to track shifts in Russian wealth held abroad coinciding with the start of the war using the BIS LBS statistics.

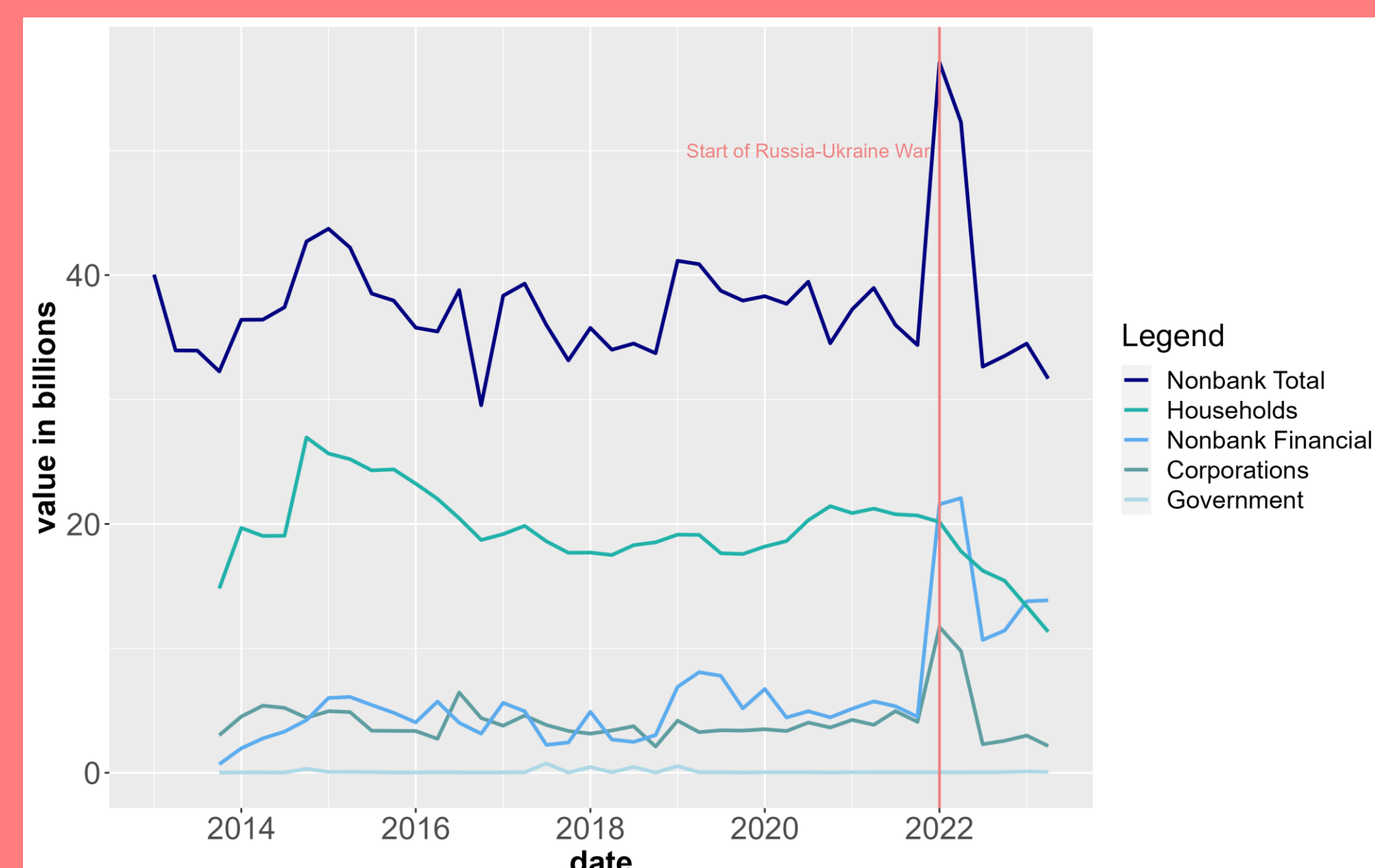
## Data and Background

I used the Bank for International Settlements (BIS) Locational Banking Statistics (LBS) for this project. These statistics allow me to observe loans and deposits held by Russians in BIS reporting countries (ex: Russian loans and deposits in Switzerland). I can also view a sector breakout for loans and deposits held by Russia in all BIS-reporting countries. As of 2020 there were 48 BIS reporting countries including Switzerland, the US, and Great Britain (BIS 2020).

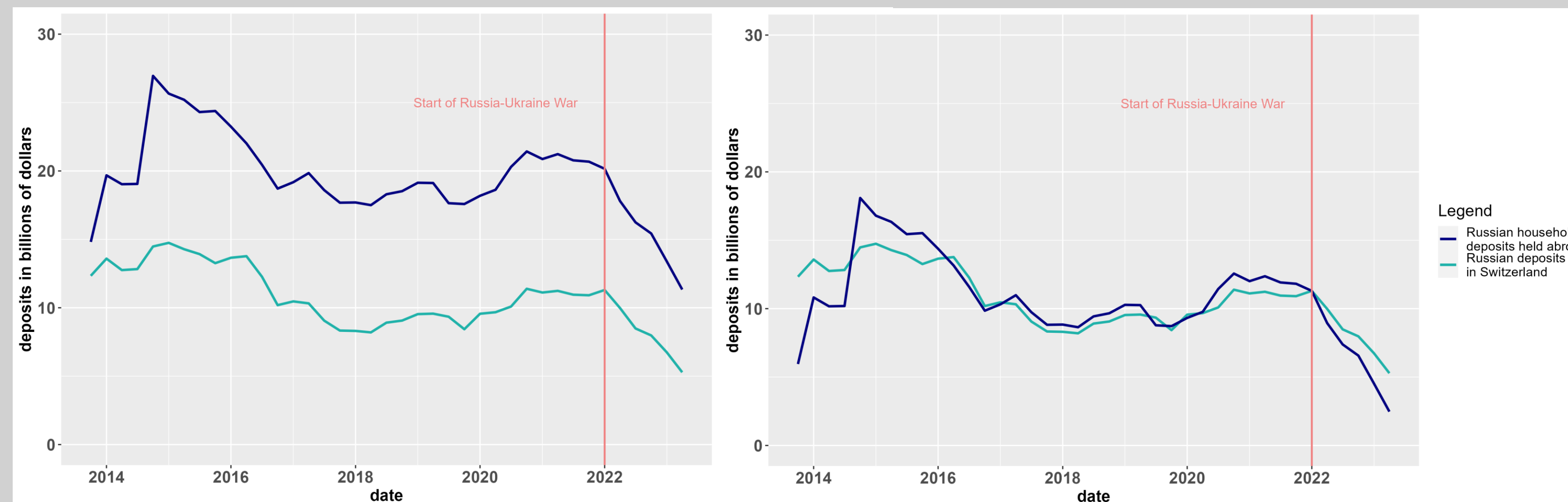
### Spike in Russian Loans and Deposits held Abroad by Nonbanks



### Spike in Russian Loans and Deposits Held Abroad by Nonbanks – Sector Breakout by Nonbank Subsectors

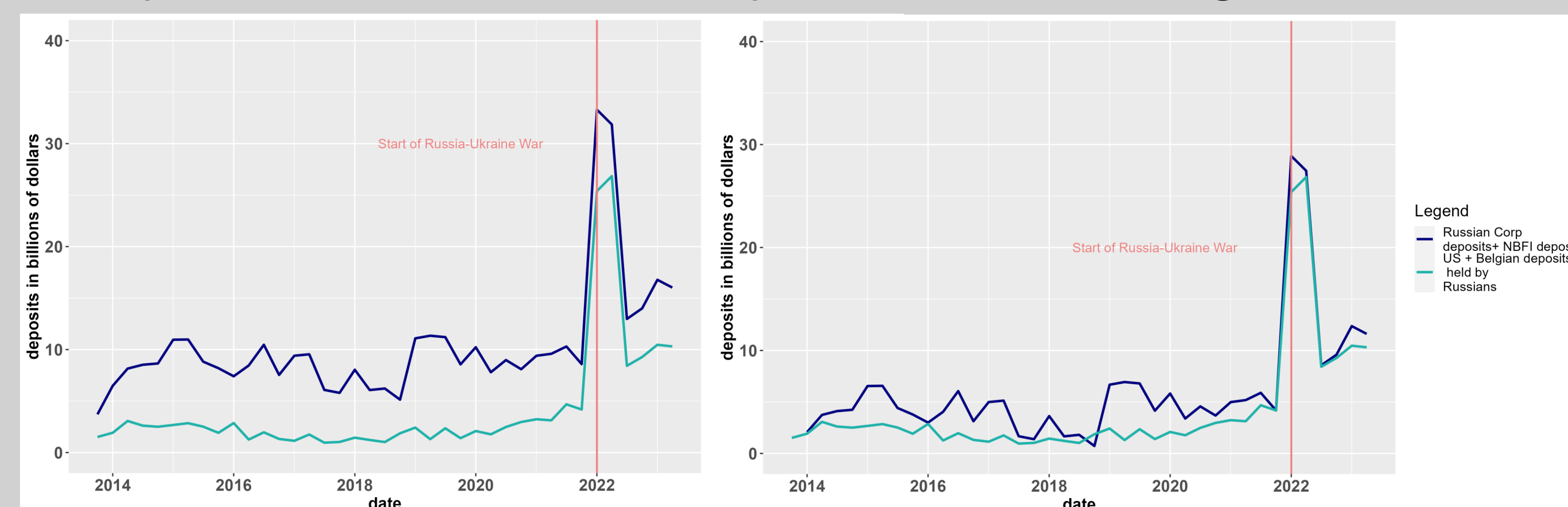


## Declining Russian Loans and Deposits Held in Switzerland and Declining Russian Household Loans and Deposits Held Abroad



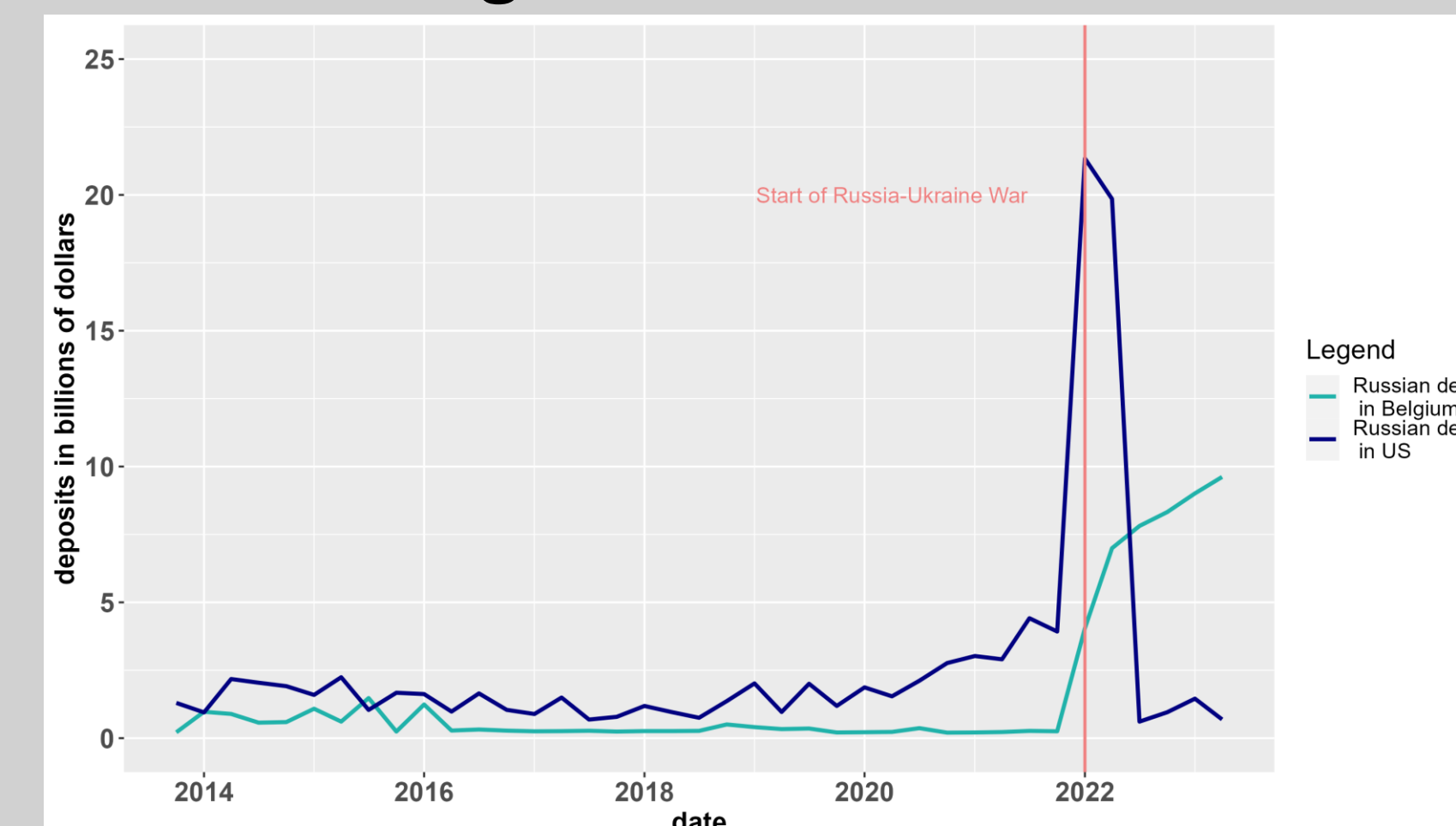
Second graph adjusted so values are equal at Q1 2022

## Spike in Russian NBF & Corporate Loans and Deposits Held Abroad and Spike in Russian Loans and Deposits held in US + Belgium

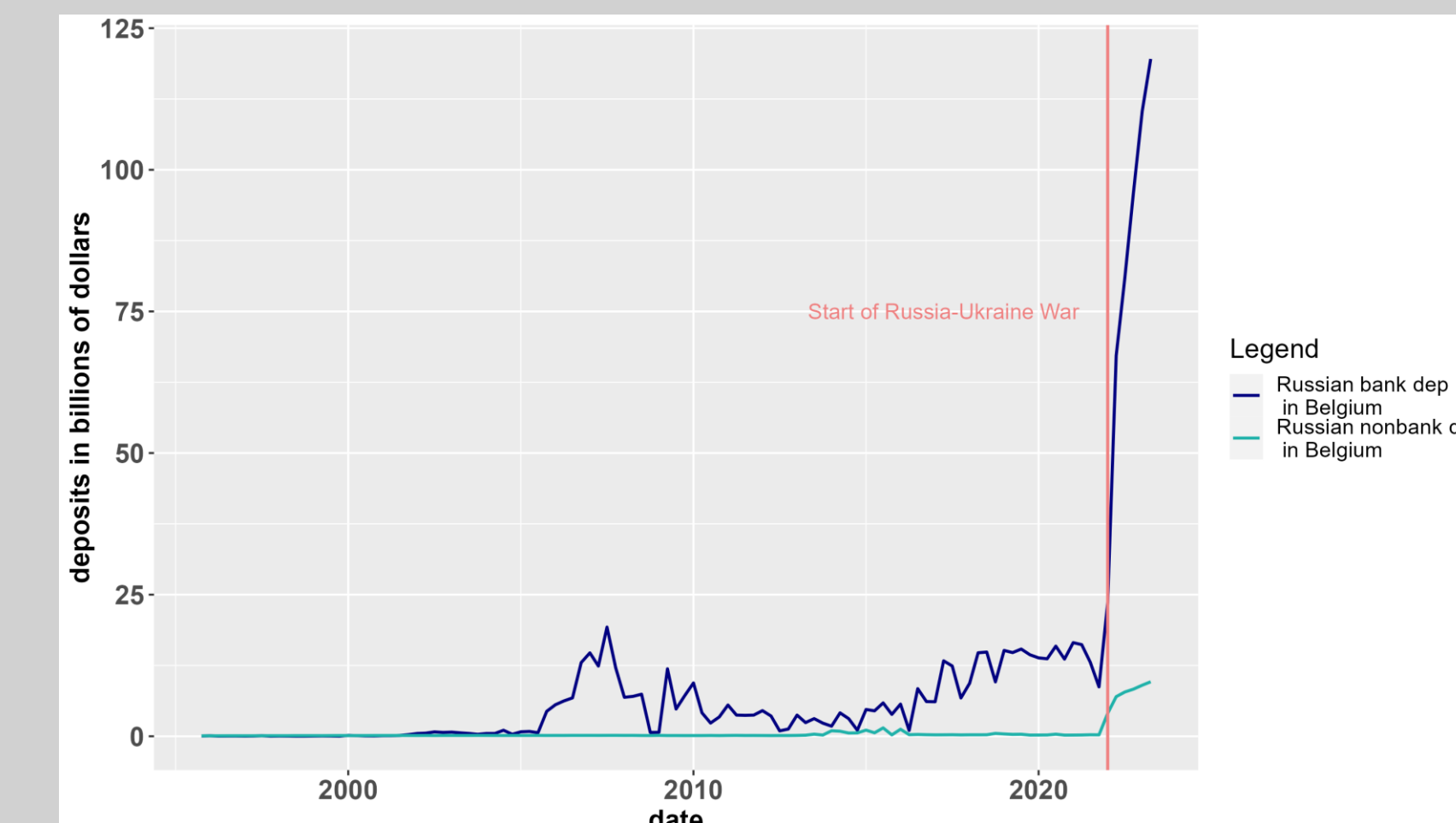


Second graph adjusted so values are equal at Q1 2022

### Nonbank Russian Loans and Deposits in the US + Belgium



### Russian Assets in Belgium Showing Seized Russian Assets held in Euroclear



## Conclusion

This research demonstrates abnormal behavior in Russian loans and deposits held abroad coinciding with the start of Russia's war with Ukraine. Based on the data, I find evidence of an increase in cross-country positions by Russian nonbanks vis-à-vis the US, behavior which is consistent with the liquidation of Russian subsidiaries of multinational corporations based in the US. I find that much of the residual behavior can be explained by Russian nonbank assets being held in Euroclear in Belgium. There is room for more research in this area, especially with regard to countries that are common places for the incorporation of Russian shell companies such as Cyprus.

## Results

I observe a rapid increase and subsequent drop in Russian deposits held abroad coinciding with the start of Russia's war with Ukraine. The war started on February 24<sup>th</sup>, 2022. I am able to exploit the BIS data to show the Russian spike broken out by counterparty sector. I discover that there are multiple trends responsible for the overall spike observable in Russia:

1. A fall in deposits held abroad by Russian households, driven mostly by a fall in Russian deposits held in Switzerland.
2. A spike and complete reversion in deposits held by Russian Corporations held abroad, mostly explained by a combination of Russian deposits in the US and Russian deposits in Belgium.
3. A spike and partial reversion in deposits held abroad by Russian Nonbank Financial Institutions (NBFIs) driven by a combination of Russian deposits in the US and Russian deposits in Belgium.

### Important Trends For Explaining the Spike:

- Seized Russian assets Being stored in the Belgian clearinghouse Euroclear (Jones and Strupczewski) and a rapid rise in Russian Assets Held in Belgium in the BIS statistics.
- Rapid spike and complete reversion of Russian loans and deposits held in the US coinciding with the withdrawal of 1028 multinational corporations from Russia, 32% of which are headquartered in the US (Yale CELI).
- Threat of sanctions on Russian wealth held in Switzerland as Switzerland implemented sanctions and began slowly cracking down on Russian wealth.

## Citations

BIS. (2019). *Reporting guidelines and practices for the BIS international banking statistics*. <https://www.bis.org/statistics/bankstatsguide.htm>

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Jones, M., & Strupczewski, J. (2024, March 21). Explainer: How will the West use Russia's frozen assets? *Reuters*. <https://www.reuters.com/world/europe/how-will-west-use-russias-frozen-assets-2024-03-21/>

Yale CELI List of Companies. (n.d.). Yale Companies List. Retrieved April 7, 2024, from <https://www.yalerussianbusinessretreat.com>

Zucman, G. (2014). Taxing across Borders: Tracking Personal Wealth and Corporate Profits. *Journal of Economic Perspectives*, 28(4), 121–148. <https://doi.org/10.1257/jep.28.4.121>