Risk-Based Capital Requirements for Banks and International Trade: Evidence from Basel 2 Implementation in Turkey

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Abstract

We use a natural experiment – the implementation of Basel 2 banking standards in Turkey in 2012 – to investigate the impact of the new regulations on Turkish exports. In particular, the capital that banks had to put aside while issuing letters of credit (L/Cs) for trade to the highest rated countries has decreased. Correspondingly, we find an increase in exports on L/C terms to highly rated destinations relative to others after the implementation of Basel 2.

JEL: F13 (?), F14, G21, G28

Keywords: commercial letters of credit; international trade finance; exports; risk-weights;XX ???

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