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## Impacts of the Basle Capital Standard on Japanese Banks' Behavior

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### Abstract

“This paper examines how the risk-based capital standards, the so-called Basle Accord, influenced 87 major Japanese banks' behavior between 1990 and 1993. As the Japanese stock prices fell, banks' latent capital gains, which is part of tier II capital, became smaller. Empirical findings are consistent with a view that banks with lower capital ratios tended to issue more subordinated debts (tier II) and to reduce lending (risk assets).”

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