

Subject: Risk Weight Reduction (Fannie Mae and Freddie Mac)

Date: Oct 12, 2008

Proposal: Minimum Capital Ratios; Capital Adequacy Guidelines; Capital Maintenance; Capital: Treatment of Certain Claims on, or Guaranteed by, the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac)

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Comments:

Possible Solution of Global Financial Turmoil World is stunned with the current economic damage after Subprime crisis. Fall of giant investment bank Lehman Brothers & bail out of AIG has taken not only US but also financially strong Europe & Japan under severe stress. All the stock markets of the world are falling like cards. Governments are planning for this serious problem but not able to impact downward move. Some of the possible solutions of this turmoil: 1. Problem is global hence solution shall be global; all nations must work as a bunch. 2. We have to analyse where the liquidity has gone as it has a flow & it does not destroy. In free economic nations it would be difficult to cater the track of liquidity as funds might flow out of the country also. 3. After we are able to locate where large gains are placed they would be easily taxed for financing the bail out project e.g. Oil companies may be imposed windfall gain tax as oil prices went unprecedentedly to USD 150 per barrel mark & companies having margins more than decided criteria shall be taxed extra. 4. Categories of companies shall be made according to their current health, future possible recovery, time for stability, importance in the economy, impact on number of shareholders, etc. 5. Categorywise Analyse in each company the time frame in which shall be taken first in the rescue plan. 6. Give guarantee to the depositors & debar redemption for short term. 7. Cutting interest rate will have inflationary pressure it shall be at a reasonable level. 8. Message should not pass that one who has not paid doesn't have to pay. There shall be strict guidelines & time frame for repayments although relaxing but not waived. 9. Advertise & establish habit of savings within the citizens & give tax relief on bank deposit. 10. New guidelines for loan disbursements controlled by central banks shall be made particularly of unsecured loans. 11. National data base of individuals with amount of loans, credit card payment dues, etc shall be made accessible to all authorised bankers. Thanks & Regards, Saurabh Jhavar