From: Raman Thakker

Proposal: 1356 Reg Y - Capital Adequacy Guidelines; Small BHC Policy Statement (Version 2)

Subject: Capital Adequacy Guidelines

Comments:

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Proposal: Capital Adequacy Guidelines
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Name: Raman Thakker
Affiliation:

Comments:
Capital adequacy guideline must lift restriction on payment of dividend.It may be restricted to the yield no greater than 10 year treasury. (please see attached.) Dear Mr. Bernanke & member of FOMC I am not an economist, but I am an individual market participant. I do follow very closely FOMC. Since collapse of market in 2008, FOMC has embarked on QE1, QE2 and other measures such as opening fed window, low interest policy Etc. Also in order to protect too big to fail several regulations were created. One of which to bar Bank s who received TARP money, to not pay dividend to common equity. I will talk about it little later. QE1 This program was very successful as design to create liquidity for the banking system and market. However ,as part of this plan, FOMC in concert with treasury should have lifted restriction on the non-payment of dividend requirement for the TARP recipients' (allow bank to pay dividend in the amount equal to 10 year treasury). In my opinion ,this would have
not only raised the valuation of the financial institution and not the raising price of commodities and gold. The money flow would have also benefited fixed income earner, established faith in banking system and forced banks to lend in order to maintain future dividend payout. This would have also move the capital to the main street.via dividend, loans to small businesses, better environment for mortgage modification thereby reducing defaults. QE2 Even with the best of the intention to fight of deflationary pressure, it only was able to accelerate commodity prices, creating fear of inflation at main street level and pushed people to hoard gold and other common commodities such as cotton, corn, wheat etc. This did not helped market and soured mood and introduced fear of financial instability. It would not have been too late to allow bank to pay dividend in the amount equal to 10 year treasury. I believe this would have pushed capital flow from seeking safety going into treasury to the financial institutions ,thereby increasing market cap for the financial, reducing need for capital, faith in capacity of these institution to meet loses caused due to tremendous amount of mortgage default and future legal liabilities. I am certain the current loss reserve set aside by these institution are enough but do not generate confidence. Primarily these liabilities are not immediate due , under best of scenario it will be about 5 to seven years. In my opinion these liabilities do not add statutory interest as none of the these cases are settled by court. Secondly with delay in settlement the prices of this mortgages will increase thereby reducing

calculable losses. This will free up lot of set aside reserve and cover dividend payments. Also if financials are stable it will generate market confidence and faster recovery. This will also create consumer confidence and more demand and therefore reduction in unemployment rate. In final analysis , by choking of
dividend payment by the financial institution under TARP Is a bad idea and cause of slower pace of recovery.