

Subject: Regulation H and Y

Date: Sep 16, 2008 Proposal: Risk-Based Capital Guidelines; Capital Adequacy Guidelines; Standardized Framework Document ID: R-1318 Document Version: 1 Release Date: 07/29/2008 Name: Hugh Ching Affiliation: Post-Science Institute Category of Affiliation: Commercial Address: xxxxx City: Fremont State: CA Country: UNITED STATES Zip: 94536 PostalCode: Comments: A Fundamental Comment on draft interagency proposed rule to permit a banking organization to reduce the amount of its goodwill deduction from tier 1 capital by any associated deferred tax liability: Any rational decision must be based on correct valuation. The patch up jobs can no longer stop the big economic wave caused by the incorrect valuation in the housing market. For example, mortgage insurance by Fannie Mae and Freddie Mac must be DIRECTLY based on correct valuation. Based on its valuation system, Post-Science Institute has consistently predicted the recent financial crises since the Savings and Loan Crisis of the late 1980s and the early 1990s. From the point of view of post-science, knowledge beyond science, the severity and the urgency of the current Credit Crisis brought about by the Subprime Woe is forcing the US government to face the fundamental question of man-made policies versus non-violable laws of nature in social science. For example, the approximate time-invariance of the velocity of circulation of broad money supply is a non-violable law of nature in social science, as gravitation is a non-violable law of nature in physical science. The late Dr. Milton Friedman is the key advocate of this law. Chairman Ben Bernanki is one of the major followers of this law, particularly, in the avoidance of future economic great depression. Post-Science Institute believes that, in addition to the coarse adjustment based on Dr. Friedman's monetary concept, the current economy needs the fine-tuning of a correct method of valuation to guide ALL the short-term and long-term policies changes. The solution of valuation simply relates mathematically the price to the rate of return and is a non-violable law of nature; it calculates one when the other is picked and is a non-violable constraint on our investment behavior. Almost all the recent financial crises are caused by and predictable based on the non-observance of these non-violable laws of nature. Thank you for your attention.