

STEVEN QUINN SINGLETON

Proposal and Comment Information

Title: Regulatory Modernization and Relief for Mutual Holding Companies (Reg Q and MM), R-1895

Comment ID: FR-2026-0027-01-C02

Subject

Public Comment on Docket No. R-1895 // Regulatory Modernization and Relief for Mutual Holding Companies

Submitter Information

Name: Steven Quinn Singleton

Submitted Date: 09/06/2026

NONCONFIDENTIAL // EXTERNAL

Section 239.62(b)(1)'s current denominator gives both eligible and supplemental eligible account holders a claim to 100 percent of liquidation account funds; the proposed fraction corrects that by allocating each group its proportionate share, and the same replace-what-is-broken approach extends to member communications, swapping postal-mail and telegram requirements for electronic options. That same precision -- naming a specific mechanical defect and fixing it -- has not yet reached Sec. 239.8(d)(2)(iv), the rule's most significant remaining gap.

The preamble promises that legacy waiver MHCs will disclose dividend-waiver conflicts "at time of opening of a deposit account or loan relationship," the sole replacement offered for the annual member vote the proposal eliminates. The codified text requires only an affirmation that members "received at some prior time" a disclosure describing the waiver and the board's reasons for it -- no trigger event, no format, no deadline. A member who opened an account a decade ago and one who opened an account yesterday satisfy that language identically. Amending Sec. 239.8(d)(2)(iv) to tie the affirmation to account opening itself, matching the preamble's own description, and setting a maximum interval between opening and disclosure, would close that gap.

A second gap involves non-legacy waiver MHCs under amended Sec. 239.8(d)(4)(iii). Insider-benefiting dividend waivers would proceed on a member vote held once every ten years, requiring only a majority of votes cast rather than a majority of eligible members. Section III.D.3 of the preamble itself states that dividend waivers "tend to persist over time" and that this change "could result in a transfer of wealth to insiders who hold stock in a mid-tier holding company over time." An acknowledged risk of that kind warrants a stronger check than infrequent voting by whichever members happen to participate. A majority-of-eligible-members threshold, or a shorter voting interval, would size the safeguard to the risk the Board has already identified in its own economic analysis.

Third, amended Sec. 239.11(c) permits a subsidiary holding company to be "chartered by the Board or by any state," removing the federal-charter requirement without any floor on what a qualifying state charter must provide. Question 29 and Question 30 ask whether this invites variation in chartering standards across institutions, but the proposed text answers neither question with a substantive minimum. Requiring that a chosen state charter provide member and minority-shareholder protections comparable to the existing standards under Regulation LL would close that gap directly, rather than leaving it to case-by-case Board review with no stated benchmark.

The removal of the \$5-to-\$50 pricing bounds on conversion shares in Sec. 239.59(c) raises a related gap. The preamble explains that the Board will rely on its review of the independent appraisal to guard against mispricing once the statutory floor and ceiling are gone, but the amended text does not require that the appraisal itself, or its key assumptions, be disclosed to members before pricing is finalized. Requiring disclosure of the appraisal methodology alongside the offering circular, or retaining a modest floor and ceiling, would preserve most of the flexibility the proposal seeks while giving members a check on price independent of the Board's own review.

Finally, Sec. 239.16(b) replaces "advisable" and "best for all concerned" with "appropriate under the circumstances," trading one undefined term for another that is equally open-ended. The same proposal supplies four specific factors -- corporate governance structure, the ability to vote on a future conversion, supervisory condition, and cost -- for the comparable member-vote determination in Sec. 239.7(a)(2)(iv). Extending an equivalent factor list to the dissolution standard would give institutions and Reserve Banks the clarity the Board seeks without abandoning case-by-case judgment where it is actually needed.

These points identify specific drafting gaps rather than opposition to the proposal's direction. Reducing regulatory burden on mutual banking organizations and clarifying capital treatment for mutual capital certificates are worthwhile goals, and the mediation requested here would help the final rule deliver the protections its own preamble already describes.

Submitted by: Steven Quinn Singleton