

READING COOPERATIVE BANK, JULIEANN THURLOW

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-C44

Submitter Information

Organization Name: Reading Cooperative Bank

Organization Type: Company

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Attached please find the Reading Cooperative Bank comment letter on the Regulatory Modernization and Relief for Mutual Holding Companies Rulemaking Proposal.



October 5, 2026

Via Electronic Submission

Benjamin McDonough
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Re: Support for **Regulatory Modernization and Relief for Mutual Holding Companies;**
Docket No. R-1895; RIN 7100-AH26

Dear Mr. McDonough:

Reading Cooperative Bank (RCB), a Massachusetts chartered Mutual Co-operative Bank and Federal Reserve Member Bank is pleased to submit feedback to the above referenced regulatory modernization proposal. We want to express our appreciation to the Board of Governors of the Federal Reserve System's for the proposed amendments to Regulations Q and MM and for the level of clarity provided in the proposed modernization including clear regulatory capital treatment for both mutual capital certificates and special deposits. The proposal as written appropriately recognizes the distinct ownership structure of mutual banks and the need for qualifying mutual capital instruments and the removal of outdated or unnecessarily burdensome requirements related to the same to ensure capital access is maintained for these non-public banks.

Founded in 1886 through community issued serial share deposit investments, RCB is now a \$1.2B asset size bank approaching our 140th year as a mutual community bank. We are wholly owned by our depositors, and as such recognize our responsibility to the economic prosperity of the communities, businesses and customers we serve. Over my career, there have been numerous mutual combinations, stock conversions, mergers and consolidations. At the height of the Massachusetts cooperative movement there were over 200 locally capitalized co-operative banks (nearly one in every town); there now exist only 29 and the last mutual bank was founded in 1955.

RCB strongly supports the proposed changes and clarity proposed for Mutual Capital Certificates as reliance on retained earnings alone forces mutual banks to restrict growth and investments to maintain capital levels. Having easily accessible capital improves the Capital Planning toolbox for Mutual banks. Clarity on the issuance of Mutual Capital Certificates and Special Deposits as loss-absorbing capital with a well-designed framework for dividends and redemptions can promote community capital raising opportunities for local mutual banks ensuring their preservation and flexibility to grow and thrive.

We believe the Proposal can serve as a foundation for broader reform. In particular, the Board's proposed treatment of mutual capital certificates provides a useful template for all mutual bank regulators to develop clear, consistent, and predictable standards for special deposits and other instruments that share the essential characteristics of mutual capital certificates. A broader framework that recognizes multiple forms of permanent, loss-absorbing mutual capital would give mutual institutions greater flexibility to strengthen their balance sheets, support responsible growth, and meet the needs of their communities without sacrificing the mutual form. We concur with the Board that these reforms are also important to ensure that mutual banks can compete effectively for customers and capital with credit unions and other financial institutions that operate under different structural, tax, and regulatory frameworks.

Responding to particular elements of the proposal, RCB supports the following:

1. Finalizing the model term sheets and confirm that conforming mutual capital certificates are eligible for the corresponding regulatory capital category.
2. Recognize specific characteristics of instruments, paid-in nature, permanence, subordination, distribution discretion, and ability to absorb losses on a going-concern basis.
3. Creating a clear path for repeatable capital recognition for certificates conforming to the model terms through settled eligibility terms.
4. While distributions remain fully discretionary, non-cumulative and nonmandatory, permit the establishment of target distribution rates and target timeframes while continuing redemption safeguards, including prior regulatory approval and, for AT1 calls, replacement-capital or post-redemption capital adequacy requirements.
5. Subordination is an essential feature distinguishing regulatory capital from ordinary liabilities. The proposed CET1 instruments meets this requirement as they would rank behind all liabilities and other obligations. They would be unsecured, unguaranteed, and free from any arrangement that legally or economically enhances their seniority. Likewise, the proposed AT1 instruments would be subordinated to depositors, general creditors, and subordinated debt holders in payments and in receivership, insolvency, liquidation, or similar proceedings.
6. Clarify treatment in reorganizations and combinations so that certificates or special deposits continue according to their terms and do not lose capital eligibility solely because of a merger, recapitalization, charter conversion, or holding-company reorganization.
7. Coordinate with the OCC, FDIC, and state regulators to secure consistent recognition across mutual charters, organizational structures, and jurisdictions.
8. Waive the annual member vote for Legacy Waiver MHC's as requiring a member vote every year does not materially enhance these protections.
9. Eliminate unnecessary paper mailings and permit electronic delivery – the final rule should remove the requirement of outdated and burdensome postal mail delivery and permit notices and other materials to be delivered and posted electronically.

RCB views mutual capital certificates and other similar instruments as a tool that serves the purpose of delaying and even preventing mutual bank conversions to public form and diluting local capital and member control. The appropriate regulatory question is whether an instrument's substantive terms provide the permanence, subordination, distribution flexibility, and loss absorption expected of the relevant capital category for which the Board appears to have accomplished.

RCB believes that properly structured mutual capital certificates and special deposits are genuine loss-absorbing capital. Their paid-in nature, duration, subordination, and discretionary redemption and distributions ensure that funds remain available to absorb losses and support an institution through periods of stress. These features satisfy the prudential purposes underlying Tier 1 capital and align with the Basel framework's emphasis on high-quality going-concern loss absorption.

The proposal provides a foundation for a uniform mutual capital instrument – we encourage the Board to work with other federal and state banking regulators to establish similar treatment across mutual charters nationwide as a standardized and recognized instruments will strengthen the safety and soundness and increase capital tools and access for all mutual banking organizations preserving charter diversity and ensuring mutual banks' ability to serve their member owners and communities in their mutual form in perpetuity.

Thank you for considering our comments.

Respectfully submitted,

Julieann Thurlow
President & CEO
Reading Cooperative Bank