

PERFORMANCE TRUST CAPITAL PARTNERS, LLC, AUSTIN NICHOLAS

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-C48

Submitter Information

Organization Name: Performance Trust Capital Partners, LLC

Organization Type: Organization

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Attached please find comments from Performance Trust Capital Partners



October 5, 2026

Via Electronic Submission

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

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

Dear Mr. McDonough:

Performance Trust Capital Partners, LLC ("Performance Trust") appreciates the opportunity to comment on the Board's proposed amendments to Regulations Q and MM.

Performance Trust is an independent, employee-owned investment banking firm focused extensively on community depository institutions. We partner with more than 1,000 banks nationwide to support informed decisions about capital allocation, balance sheet strategy, capital raising, mergers and acquisitions, and enterprise risk management. Through our strategic work with depository institutions and interactions with investors in banks and bank holding companies, we see both sides of the market for bank capital: the institutions seeking capital and the investors providing it.

We support the proposal's modernization of the framework for mutual banking organizations, including clearer capital treatment for qualifying mutual capital certificates ("MCCs") and special deposits, model term sheets for common equity Tier 1 ("CET1") and additional Tier 1 ("AT1") MCCs, and greater flexibility for dividend waivers. These reforms would help create a more level playing field for mutual depository institutions to access external capital sources, strengthening these key community financial institutions and enabling them to better serve their communities' financial needs.

Mutual Institutions Need Greater Capital Flexibility

The mutual depository model supports a long-term focus on customers, communities, and institutional stability, contributing to the diversity of the banking system. Yet, mutual ownership limits access to external capital, leaving retained earnings as the principal source of long-term capital and the exclusive source of permanent equity capital for most mutual banks.

The limited scale achieved across the mutual sector illustrates the significance of these constraints. As the Board itself has noted, more than 90% of mutual banking organizations have less than \$3 billion in assets; only a small number have achieved substantially greater scale, including just four mutual institutions with more than \$10 billion in assets. While many factors influence growth, limited access to external capital makes it more difficult for mutual institutions to fund sustained balance-sheet growth, strategic combinations, technology investment, and other initiatives while preserving mutual ownership.

Currently, the only market-tested sources of external capital for mutual banks are:

- a mutual-to-stock conversion, which requires mutuals to fundamentally change their ownership structure and become stock (or partial stock) banks; and
- subordinated debt, which provides only Tier 2 capital at the issuing level.

We note that asset sales and sale-leaseback transactions may generate capital in particular circumstances but do not provide repeatable access to the capital markets and have other franchise considerations.

Subordinated debt is a proven and valuable capital planning tool with an established investor base thanks, in large part, to the regulatory clarity governing capital qualification. Since the Federal Reserve approved the Basel III capital rule in October 2013, banks and bank holding companies have raised over \$60 billion in Tier 2 qualifying subordinated debt. While this has benefited regional and community banks tremendously, its utility for mutual banks is limited in key ways.

A mutual savings bank with a mutual holding company can downstream subordinated debt raised at the mutual holding company to the mutual bank as CET1 capital but must stay within policy statement debt-to-equity conditions and market limitations on double leverage. Any mutual holding company with \$3 billion or more in assets that does not qualify under the Board's Small Bank Holding Company and Savings and Loan Holding Company Policy Statement is also subject to the consolidated capital requirements. As a result, the mutual holding company can issue subordinated debt to raise Tier 2 capital only, not Tier 1 or CET1 capital.

Likewise, a stand-alone mutual institution without a mutual holding company can issue subordinated debt out of the mutual to raise Tier 2 capital only; it cannot raise CET1 or Tier 1 capital directly from the mutual today without further action. And, according to S&P Capital IQ Pro bank regulatory data as of June 30, 2026, approximately 60% of mutual institutions operate without a holding company.

Mutual institutions should have clear, practical guidelines for raising external CET1 or AT1 capital while preserving mutual ownership and member governance to support prudent growth, technology investment, strategic combinations, and resilience.

Establish a Predictable Path to Capital Recognition

We encourage the Board to finalize the CET1 and AT1 model term sheets and confirm that conforming instruments satisfying all applicable eligibility criteria qualify for the corresponding capital category. Clear submission requirements, standardized documentation, and predictable review timelines for these issuances would reduce execution costs and uncertainty while preserving appropriate supervisory review.

We also encourage the Board to coordinate with the OCC, FDIC, and state banking authorities on consistent capital recognition across mutual charters and organizational structures, subject to applicable law.

Regulatory Clarity is Critical to Investor Receptivity

A functioning capital market requires both willing issuers and willing investors. Regulatory clarity around the terms and process for capital qualification is critical to the ability of issuers to access investors and the capital markets. Performance Trust has participated in several discussions about potential MCC investors, including institutional investors and banking organizations, and the factors



that would support their participation. These discussions have highlighted the importance of clarity around capital treatment, potential liquidity, and MCC holders' economic and voting rights.

We encourage the Board, in coordination with other relevant regulators, to address both issuer capital recognition and the factors affecting investor participation, including investment eligibility, the regulatory treatment of investor holdings, transferability, and potential liquidity. Addressing these considerations would help reduce barriers to investment and support a viable MCC market.

Clarify Liquidity and Investor Communications

MCCs must provide genuine permanence and loss-absorbing capacity, and holders cannot require redemption. Clear rules for secondary transfers among eligible investors could improve marketability, particularly for smaller issuances reliant on negotiated institutional transfers. We also support disclosure of nonbinding target distribution rates, with clear notice that distributions remain discretionary, noncumulative, nonmandatory, and subject to prior regulatory approval.

For AT1 MCCs, published review criteria, consistent documentation requirements, and a streamlined process for eligible issuer-initiated calls would improve predictability.

We also encourage the Board to clarify how capital recognition would continue through mergers, mutual holding company combinations, recapitalizations, charter conversions, and holding company reorganizations, subject to continued satisfaction of applicable eligibility criteria.

Dividend Waiver Relief

Finally, we support the proposed dividend-waiver relief, allowing mutual holding companies to waive dividends from their stock subsidiaries with fewer procedural burdens. This can support competitive dividends to minority investors and strengthen access to external capital while preserving mutual control and capital within the organization.

Conclusion

We encourage the Board to finalize a clear, standardized framework that reduces uncertainty, expense, and delay in raising mutual capital. Greater clarity would help strengthen confidence among issuers and investors, supporting a durable MCC market that promotes growth, independence, and community service while preserving mutual ownership. We appreciate the Board's leadership on this important matter and its consideration of our comments.

Respectfully submitted,

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