



BOARD ACTION MEMORANDUM

TO: NCUA Board **DATE:** August 30, 2013
FROM: Office of Examination and Insurance **SUBJ:** Proposed Rule – Parts 703 and 721

ACTION REQUESTED: Approval to issue the attached proposed rule on Charitable Donation Accounts.

DATE ACTION REQUESTED: September 12, 2013.

OTHER OFFICES CONSULTED: Regions, ONES and OGC.

VIEWS OF OTHER OFFICES CONSULTED: Concur.

BUDGET IMPACT, IF ANY: None.

SUBMITTED TO INSPECTOR GENERAL FOR REVIEW: Yes.

RESPONSIBLE STAFF MEMBERS: Rick Mayfield, Senior Capital Markets Specialist, Office of Examination and Insurance, and Steven W. Widerman, Senior Staff Attorney, Office of General Counsel.

SUMMARY: The Federal Credit Union Act provides that a federal credit union (“FCU”) may “exercise such incidental powers as shall be necessary or requisite to enable it to carry on effectively the business for which it is incorporated.” Under this authority, the Board has long recognized that making charitable contributions and donations is among an FCU’s incidental powers. The proposed rule would establish creation and funding of a Charitable Donation Account (“CDA”) as a preapproved incidental powers activity for FCUs, provided the account is primarily charitable in nature and meets other regulatory conditions and limitations. The purpose of the proposed rule is to establish safe and sound parameters and facilitate an FCU’s charitable activities by allowing for investments with a higher expected return.

CDA investments in the aggregate would be limited to 3 percent of an FCU’s net worth and the account would be required to make charitable donations of at least 51 percent of total return no less frequently than every 5 years.

RECOMMENDED ACTION: For the reasons summarized above and detailed in the preamble to the proposed rule, we recommend that the NCUA Board approve the proposed rule for publication in the Federal Register for a 30-day comment period.

ATTACHMENT: Proposed rule

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