



National Credit Union Administration
Office of Examination and Insurance

BOARD ACTION MEMORANDUM

TO: NCUA Board

DATE: November 25, 2013

FROM: Office of Examination and Insurance
and Office of General Counsel *MM*

SUBJ: Final Rule – Charitable
Donation Accounts, Parts 703 and
721

ACTION REQUESTED: Board approval to issue the attached final rule on Charitable Donation Accounts.

DATE ACTION REQUESTED: December 12, 2013.

OTHER OFFICES CONSULTED: ONES and Regions.

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.

On September 12, 2013, the Board issued for comment a proposed rule to establish creation and funding of a Charitable Donation Account (“CDA”), a hybrid charitable and investment vehicle, as a preapproved incidental powers activity for FCUs, provided the account is primarily charitable in nature and meets other regulatory conditions and limitations. 78 FR 57539 (Sept. 19, 2013). The purpose of a CDA is to facilitate the charitable activities of FCUs by allowing for investments with a higher expected return, within safe and sound parameters the rule establishes.

As a result of comments on the proposed rule, the final rule modifies certain conditions and limitations on a CDA. It limits CDA investments in the aggregate to 5 percent of an FCU's net worth, and requires the account to make charitable donations of at least 51 percent of net total return no less frequently than every 5 years and when the account terminates.

RECOMMENDED ACTION: Board approval of the attached final rule.

ATTACHMENT: Final Rule.