Agency Name: Board of Financial Institutions

Statutory Authority: 34-26-210

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Subject: Declaration of Dividends by State-chartered Credit Unions

History: 5286

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- 01/14/2025 Received President of the Senate & Speaker 01/18/2026

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S 03/04/2025 Resolution Introduced to Approve 414

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**STATE BOARD OF FINANCIAL INSTITUTIONS**

CHAPTER 15

Statutory Authority: 1976 Code Section 34‑26‑210

15‑50. Declaration of Dividends by State‑chartered Credit Unions.

**Synopsis:**

The State Board of Financial Institutions (BOFI) proposes to amend Regulation 15‑50 to incorporate languages that clarifies the meaning of Section 34‑26‑710 regarding the declaring and paying of dividends by a credit union.

The Notice of Drafting was published in the *State Register* on June 28, 2024. The Proposed Regulation was published in the *State Register* on August 23, 2024.

**Instructions:**

Amend the regulation as follows.

~~Indicates Matter Stricken~~

Indicates New Matter

**Text:**

15‑50. Declaration of Dividends by State‑chartered Credit Unions.

~~(Statutory authority: 1976 Code Section 34‑1‑110.)~~

 ~~The Board of Directors of a state‑chartered credit union may declare dividends at different rates on different types of accounts (share, share draft, and share certificate accounts) to be paid at any interval authorized by the Board of Directors from undivided surplus remaining after the deduction of all expenses and amounts to be set apart as a guaranty fund. However, all dividend rates declared and paid shall be the same for all accounts that are equal in amounts and terms and have previously been approved by the Board of Directors.~~

 (1) For purposes of declaring and paying dividends in accordance with S.C. Code Section 34‑26‑710, the following definitions shall be applied:

 (a) “Current Earnings” is defined as fiscal year‑to‑date Net Income (after the payment of prior dividends during the current fiscal year) less any transfers to the Regular Reserves that a credit union must fund through year‑to‑date income.

 (b) “Undivided Earnings” is defined as the post‑closing balance of the Undivided Earnings account as of the end of the prior fiscal year and adjusted for any decreases during the current year that were funded by Undivided Earnings.

 (2) A credit union may declare a dividend that is to be paid from Undivided Earnings without making a written request to the Commissioner of Banking for a prior approval if:

 (a) after the dividend payment, the credit union will have a net worth ratio (as defined by 12 C.F.R §702.2) of at least 8%;

 (b) the credit union’s rating is a 1 or a 2; and

 (c) it has adequately provided for loan losses.

In such a case, the credit union may pay the dividend. However, the credit union must within 30 days of paying the dividend send a letter to the Commissioner of Banking identifying the amount and date of the dividend paid and certifying that the credit union met the three requirements of this regulation at the time the dividend was paid.

Provisions of a formal or informal enforcement action may limit a credit union’s ability to pay a dividend that would otherwise be permissible as described in this regulation.

**Fiscal Impact Statement:**

There will be no cost incurred by the State or any of its political subdivisions.

**Statement of Rationale:**

15‑50 establishes rules for credit unions declaring dividends. The proposed amendments define terms in Section 34‑26‑710 addressing credit union dividends, including the definition of “current earnings” and “undivided earnings,” as well as clarify the circumstances under which a state‑chartered credit union may declare dividends.