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WEST VIRGINIA LEGISLATURE

REGULAR SESSION, 1935

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ENROLLED

HOUSE BILL No. 254

(By Mr. Martin)

—●—

PASSED February 25, 1935

In Effect from Passage

254

**ENROLLED**  
**House Bill No. 254**

(BY MR. MARTIN, of Jefferson)

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[Passed February 25, 1935; in effect from passage.]

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AN ACT to amend and reenact section eighteen, article eight, chapter thirty-one of the code of West Virginia, one thousand nine hundred thirty-one, as last amended and reenacted by chapter six, acts of the Legislature of West Virginia, first extraordinary session, one thousand nine hundred thirty-three, relating to limitations on loans by banking institutions and to the valuation of securities purchased by them.

*Be it enacted by the Legislature of West Virginia:*

Section 18. The total liabilities to any banking institution  
2 of any person, firm or corporation, for money borrowed by  
3 note, bond, certificate of indebtedness or other device, including  
4 in the liabilities of the firm, the liabilities of the several mem-  
5 bers thereof, including in the liabilities of any corporation an

6 investment by such banking institution in the stock of such  
7 corporation shall at no time exceed ten percent of the unim-  
8 paired capital stock, including debentures and surplus fund  
9 of such banking institution: *Provided, however,* That such lia-  
10 bilities to a banking institution in excess of the maximum herein  
11 provided, outstanding at the date this act takes effect, but not  
12 exceeding twenty percent of the unimpaired capital stock, in-  
13 cluding debentures and surplus fund of such banking institu-  
14 tion, may be renewed, refunded or extended until December  
15 thirty-first, one thousand nine hundred thirty-six; at such time  
16 the limit of such liabilities to such banking institution shall be  
17 reduced to fifteen per cent of such unimpaired capital stock,  
18 debentures and surplus fund of such banking institution and  
19 such limit may continue until December thirty-first, one thou-  
20 sand nine hundred thirty-seven; after which time such limit  
21 shall be reduced so that it will not exceed ten per cent of such  
22 unimpaired capital stock, debentures and surplus fund of such  
23 banking institution. But the discount of commercial or business  
24 paper actually owned by the person, firm or corporation nego-  
25 tiating the same shall not be considered as money borrowed  
26 within the limitation of this section; and the obligations of any

27 person, firm or corporation, in the form of notes or drafts  
28 secured by shipping documents, warehouse receipts or other such  
29 documents transferring or securing title covering readily mar-  
30 ketable nonperishable staples when such property is fully cov-  
31 ered by insurance, if it is customary to insure such staples, shall  
32 be considered money borrowed within the meaning of this section  
33 but shall be subject to the exception that with respect thereto  
34 the limitation of ten per cent of the unimpaired capital stock,  
35 including debentures and surplus fund, to which reference has  
36 hereinbefore been made, may be increased to twenty-five per cent  
37 when the market value of such staples securing such obligations  
38 is not at any time less than one hundred and fifteen per cent of  
39 the face amount of such obligations, and may be increased up  
40 to fifty per cent of such unimpaired capital stock, including  
41 debentures and surplus fund, with a corresponding increase in  
42 market value of such staples securing such obligation up to not  
43 less than one hundred and forty per cent of the face amount of  
44 such additional obligation, but this exception shall not apply to  
45 obligations of any one person, firm or corporation arising from  
46 the same transaction and/or secured upon the identical staples  
47 for more than ten months. This section shall not apply to the

48 obligations of the United States or general obligations of any  
49 state or of any political subdivisions thereof, or obligations is-  
50 sued under authority of the Federal Farm Loan Act, as  
51 amended, or issued by the Federal Home Loan Bank, or the  
52 Home Owners Loan Corporation. Neither shall this section  
53 apply to the obligations of a corporation owning the building  
54 in which the banking institution is located, when such banking  
55 institution has an unimpaired capital and surplus of not less  
56 than one million dollars, or when approved in writing by the  
57 commissioner of banking. Nothing herein shall be construed to  
58 forbid the sale upon credit of a bank building owned by a  
59 banking institution at the time this act takes effect.

60 Indebtedness to a banking institution in excess of the maxi-  
61 mum prescribed in this section, outstanding at the date this act  
62 takes effect, shall not be renewed, refunded or otherwise ex-  
63 tended for a period longer than the limitation provided by this  
64 section. Not later than May first, one thousand nine hundred  
65 thirty-seven, every banking institution shall proceed to collect  
66 such indebtedness by appropriate proceedings to enforce security  
67 of personal liability. Violation of this section shall be a misde-  
68 meanor and shall be punishable under the provisions of section

69 thirty-nine of this article.

70 No officer, director, clerk or other employee of any banking  
71 institution or the commissioner of banking or any employee of  
72 the department of banking shall borrow, directly or indirectly,  
73 from the banking institution with which he is connected, or  
74 is subject to his examination, any sum of money without the  
75 written approval of a majority of the board of directors or  
76 discount committee thereof filed in its office, or embodied in a  
77 resolution adopted by a majority vote of such board, exclusive  
78 of the director to whom the loan is made. If an officer, director,  
79 clerk or other employee of any bank shall own or control a  
80 majority of the stock of any other corporation, a loan to such  
81 corporation shall, for the purpose of this section, constitute a  
82 loan to such officer, director, clerk or other employee.

83 Securities purchased by a banking institution shall be entered  
84 upon the books of the bank at actual cost but may be carried  
85 thereafter at market value. For the purpose of calculating the  
86 undivided profits applicable to the payment of dividends, securi-  
87 ties shall not be estimated at a valuation exceeding their present  
88 cost as determined by amortization; that is, by deducting from

89 the cost of a security purchased at a premium, and charging to  
90 profit and loss a sum sufficient to bring it to par at maturity,  
91 or adding to the cost of a security purchased at a discount,  
92 and crediting to profit and loss a sum sufficient to bring it to  
93 par at maturity.

The Joint Committee on Enrolled Bills hereby certifies that the foregoing bill is correctly enrolled.

*Chas. F. Howard*  
 Chairman Senate Committee

*David M. Dickson*  
 Chairman House Committee

Originated in the

*Senate of Delegates*

Takes effect

*from*

passage.

*Almon R. Miller*  
 Clerk of the Senate

*Wm. S. Hall*  
 Clerk of the House of Delegates

*Chas. E. Hedges*  
 President of the Senate

*John J. Butler*  
 Speaker House of Delegates.

The within *is approved* this the *28<sup>th</sup>*

day of *February*, 1935.

*H. S. Kump*  
 Governor.

Filed in the office of the Secretary of State  
 of West Virginia. MAR 2 - 1935

*Wm. S. O'Brien*  
 Secretary of State