WEST VIRGINIA LEGISLATURE
REGULAR SESSION, 1945

ENROLLED

SENATE BILL No. 44

(By Mr. Ellison, By Request)

PASSED February 20, 1945

In Effect From Passage
AN ACT to amend section eighteen, article eight, chapter thirty-one of the code of West Virginia, one thousand nine hundred thirty-one, as amended, relating to limitations of loans by a banking institution, the authorization of loans to officers and employees of a bank and banking department, and the valuation of securities, and making provisions as to loans secured by certain bonds, notes, certificates of indebtedness, treasury bills of the United States or obligations guaranteed by the United States.
Be it enacted by the Legislature of West Virginia:

That section eighteen, article eight, chapter thirty-one of the code of West Virginia, one thousand nine hundred thirty-one be amended and reenacted to read as follows:

Section 18. Limitation on Loans; Authorization of
Loans to Officers and Employees of Banks and Banking
Department; Valuation of Securities.—The total liabilities to any banking institution of any persons, firm or corporation, for money borrowed by note, bond, certificate of indebtedness, or other device, including, in the liabilities of the firm the liabilities of the several members thereof, including in the liabilities of any corporation an investment by such banking institution in the stock of such corporation, shall at no time exceed ten per cent of the unimpaired capital stock, including debentures and surplus fund of such banking institution: Provided, however, The foregoing limitation of ten per cent shall be subject to the following exception, that is to say—obligations of any person, co-partnership, association, or corporation in the form of notes secured by not less than a like amount of bonds or notes of the United States issued since April 24,
18 1917, or certificates of indebtedness of the United States, 
19 treasury bills of the United States, or obligations fully 
20 guaranteed both as to principal and interest by the United 
21 States, shall be subject under this section to a limitation 
22 of fifteen per centum of such unimpaired capital stock, in-
23 cluding debentures and surplus fund, in addition to such 
24 ten per centum of such capital stock and surplus. But the 
25 discount of commercial or business paper actually owned 
26 by the person, firm or corporation negotiating the same 
27 shall not be considered as money borrowed within the 
28 limitation of this section; and the obligations of any per-
29 son, firm or corporation, in the form of notes or drafts 
30 secured by shipping documents, warehouse receipts or 
31 other such documents transferring or securing titles 
32 covering readily marketable, nonperishable staples when 
33 such property is fully covered by insurance, if it is cus-
34 tomary to insure such staples, shall be considered money 
35 borrowed within the meaning of this section, but shall 
36 be subject to the exception that with respect thereto the 
37 limitation of ten per cent of the unimpaired capital 
38 stock, including debentures and surplus fund, to which
reference has hereinbefore been made, may be increased to twenty-five per cent when the market value of such staples securing such obligations is not at any time less than one hundred fifteen per cent of the face amount of such obligations, and may be increased up to fifty per cent of such unimpaired capital stock, including debentures and surplus fund, with a corresponding increase in market value of such staples securing such obligation up to not less than one hundred forty per cent of the face amount of such additional obligation, but this exception shall not apply to obligations of any one person, firm or corporation arising from the same transaction or secured upon the identical staples for more than ten months. This section shall not apply to the obligations of the United States or general obligations of any state or political subdivision thereof (when there has been no default in the payment of interest or principal in respect of the general obligations of any state or political subdivision thereof within ten years prior to the purchase of such obligations), bonds or obligations issued under the authority of the West Virginia bridge commission or
the state road commission, commonly known as bridge
revenue bonds, or obligations issued under authority of
the federal farm loan act, as amended, or issued by the
federal home loan bank, or the home owners' loan cor-
poration, or any loan or obligations to the extent that they
are secured or covered by guaranties, or by commitments
or agreements to take over or to purchase the same, made
by any federal reserve bank or by the United States or
any department, board, bureau, commission or establish-
ment of the United States, including any corporation
wholly owned directly or indirectly by the United States.
Neither shall this section apply to the obligations of a
corporation owning the building in which the banking
institution is located, when such banking institution has
an unimpaired capital and surplus of not less than one
million dollars, or when approved in writing by the
commissioner of banking. Nothing herein shall be con-
strued to forbid the sale upon credit of a bank building
owned by a banking institution at the time this act takes
effect.
No officer, director, clerk or other employee of any banking institution or the commissioner of banking or any employee of the department of banking shall borrow, directly or indirectly, from the banking institution with which he is connected, or is subject to his examination, any sum of money without the written approval of a majority of the board of directors or discount committee thereof filed in its office, or embodied in a resolution adopted by a majority vote of such board, exclusive of the director to whom the loan is made. If an officer, clerk or other employee of any bank shall own or control a majority of the stock of any other corporation, a loan to such corporation shall, for the purpose of this section, constitute a loan to such officer, clerk or other employee.

Securities purchased by a banking institution shall be entered upon the books of the bank at actual cost, but may be carried thereafter at market value. For the purpose of calculating the undivided profits applicable to the payment of dividends, securities shall not be estimated...
at a valuation exceeding their present cost as determined by amortization; that is, by deducting from the cost of a security purchased at a premium, and charging to profit and loss a sum sufficient to bring it to par at maturity.
The Joint Committee on Enrolled Bills hereby certifies that
the foregoing bill is correctly enrolled.

Charles O. Morris
Chairman Senate Committee

Jack Griffith
Chairman House Committee

Originated in the Senate

Takes effect from passage

Homer H. Hager
Clerk of the Senate

Robert
Clerk of the House of Delegates

David R. Miller
President of the Senate

John E. Armistead
Speaker House of Delegates

The within Approved this the 22nd day of February, 1945.

Governor.

Filed in the office of the Secretary of State of West Virginia, FEB 22 1945

Wm. S. O'Brien,
Secretary of State