

WEST VIRGINIA LEGISLATURE

REGULAR SESSION, 1945

ENROLLED

SENATE BILL No. 44

(By Mr. Ellison, By Request

PASSED February 20 1945

In Effect From Passage



44

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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*
2 *Loans to Officers and Employees of Banks and Banking*
3 *Department; Valuation of Securities.*—The total liabilities
4 to any banking institution of any persons, firm or cor-
5 poration, for money borrowed by note, bond, certificate of
6 indebtedness, or other device, including, in the liabilities
7 of the firm the liabilities of the several members thereof,
8 including in the liabilities of any corporation an invest-
9 ment by such banking institution in the stock of such cor-
10 poration, shall at no time exceed ten per cent of the un-
11 impaired capital stock, including debentures and surplus
12 fund of such banking institution: *Provided, however,* The
13 foregoing limitation of ten per cent shall be subject to the
14 following exception, that is to say—obligations of any per-
15 son, co-partnership, association, or corporation in the
16 form of notes secured by not less than a like amount of
17 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

39 reference has hereinbefore been made, may be increased
40 to twenty-five per cent when the market value of such
41 staples securing such obligations is not at any time less
42 than one hundred fifteen per cent of the face amount of
43 such obligations, and may be increased up to fifty per
44 cent of such unimpaired capital stock, including de-
45 bentures and surplus fund, with a corresponding increase
46 in market value of such staples securing such obligation
47 up to not less than one hundred forty per cent of the
48 face amount of such additional obligation, but this ex-
49 ception shall not apply to obligations of any one person,
50 firm or corporation arising from the same transaction
51 or secured upon the identical staples for more than ten
52 months. This section shall not apply to the obligations
53 of the United States or general obligations of any state
54 or political subdivision thereof (when there has been no
55 default in the payment of interest or principal in respect
56 of the general obligations of any state or political sub-
57 division thereof within ten years prior to the purchase
58 of such obligations), bonds or obligations issued under
59 the authority of the West Virginia bridge commission or

60 the state road commission, commonly known as bridge
61 revenue bonds, or obligations issued under authority of
62 the federal farm loan act, as amended, or issued by the
63 federal home loan bank, or the home owners' loan cor-
64 poration, or any loan or obligations to the extent that they
65 are secured or covered by guaranties, or by commitments
66 or agreements to take over or to purchase the same, made
67 by any federal reserve bank or by the United States or
68 any department, board, bureau, commission or establish-
69 ment of the United States, including any corporation
70 wholly owned directly or indirectly by the United States.
71 Neither shall this section apply to the obligations of a
72 corporation owning the building in which the banking
73 institution is located, when such banking institution has
74 an unimpaired capital and surplus of not less than one
75 million dollars, or when approved in writing by the
76 commissioner of banking. Nothing herein shall be con-
77 strued to forbid the sale upon credit of a bank building
78 owned by a banking institution at the time this act takes
79 effect.

80 No officer, director, clerk or other employee of any
81 banking institution or the commissioner of banking or
82 any employee of the department of banking shall bor-
83 row, directly or indirectly, from the banking institution
84 with which he is connected, or is subject to his examina-
85 tion, any sum of money without the written approval of
86 a majority of the board of directors or discount committee
87 thereof filed in its office, or embodied in a resolution
88 adopted by a majority vote of such board, exclusive of
89 the director to whom the loan is made. If an officer,
90 clerk or other employee of any bank shall own or con-
91 trol a majority of the stock of any other corporation, a
92 loan to such corporation shall, for the purpose of this
93 section, constitute a loan to such officer, clerk or other
94 employee.

95 Securities purchased by a banking institution shall be
96 entered upon the books of the bank at actual cost, but
97 may be carried thereafter at market value. For the pur-
98 pose of calculating the undivided profits applicable to the
99 payment of dividends, securities shall not be estimated

100 at a valuation exceeding their present cost as determined
101 by amortization; that is, by deducting from the cost of a
102 security purchased at a premium, and charging to profit
103 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 C. Morris
Chairman Senate Committee

J. Allen Smith
Chairman House Committee

Originated in the

Senate

Takes effect

From

..... passage

Thomas H. Egan
Clerk of the Senate

W. H. Riffe
Clerk of the House of Delegates

Donald M. Dickerson
President of the Senate

John E. Canale
Speaker House of Delegates

The within

Approved

this the

22nd

day of

February

, 1945.

Boonville
Governor.

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

Wm. S. O'BRIEN,
Secretary of State