WEST VIRGINIA LEGISLATURE
REGULAR SESSION, 1959

ENROLLED
SENATE BILL NO. 231
(By Mr. [Signature])

PASSED March 14, 1959

In Effect [Number of Days] from Passage

Filed in Office of the Secretary of State of West Virginia
MAR 20 1959
JOE F. BURDETT
SECRETARY OF STATE
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 amended, relating to limitations of loans by a banking institution, the authorization of loans to officers and employees of a bank and banking department, 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, as amended, 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, That* the foregoing limitation of ten per cent shall be subject to the following exception, that is to say—obligations of any person, copartnership, 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 twenty-fourth, one thousand nine hundred seventeen, or certificates of indebtedness of the United States, treasury bills of the United States, or obligations fully guaranteed
both as to principal and interest by the United States, shall be subject under this section to a limitation of fifteen per cent of such unimpaired capital stock, including debentures and surplus fund, in addition to such ten per cent of such capital stock and surplus. But the discount of commercial or business paper actually owned by the person, firm or corporation negotiating the same shall not be considered as money borrowed within the limitation of this section; and the obligations of any person, firm or corporation, in the form of notes or drafts secured by shipping documents, warehouse receipts or other such documents transferring or securing titles covering readily marketable, nonperishable staples when such property is fully covered by insurance, if it is customary to insure such staples, shall be considered money borrowed within the meaning of this section, but shall be subject to the exception that with respect thereto the limitation of ten per cent of the unimpaired capital 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 under the authority of the "Farm Credit Act of 1933", as amended, or issued by the federal national mortgage association, or the federal home loan bank or the home owners' loan corporation, or any loans or obligations to the extent that they are secured or covered by guarantees, 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 establishment 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 construed 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 officers, 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 pur-
pose 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.

Wm. Jasper
Chairman Senate Committee

Eudene Andrews
Chairman House Committee

Originated in the Senate.

Takes effect 90 days from passage.

 Clerk of the Senate

C.A. Blankenship
Clerk of the House of Delegates

Ralph Brawner
President of the Senate

J. W. Fauble
Speaker House of Delegates

The within approved this the 20th
day of March, 1959.

Governor