

WEST VIRGINIA LEGISLATURE
REGULAR SESSION, 1959

ENROLLED

SENATE BILL NO. 231

(By Mr. Beary, Mr. President)

PASSED March 14 1959

In Effect 90 days from Passage



Filed in Office of the Secretary of State
of West Virginia MAR 20 1959
JOE F. BURDETT
SECRETARY OF STATE

ENROLLED

Senate Bill No. 231

(By MR. BEAN, MR. PRESIDENT)

[Passed March 14, 1959; in effect ninety days from passage.]

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*

2 to *Officers and Employees of Banks and Banking Depart-*
3 *ment; Valuation of Securities.*—The total liabilities to any
4 banking institution of any persons, firm or corporation,
5 for money borrowed by note, bond, certificate of indebted-
6 ness, or other device, including, in the liabilities of the
7 firm, the liabilities of the several members thereof, in-
8 cluding in the liabilities of any corporation an investment
9 by such banking institution in the stock of such corpora-
10 tion, shall at no time exceed ten per cent of the unim-
11 paired capital stock, including debentures and surplus
12 fund of such banking institution: *Provided, however,* That
13 the foregoing limitation of ten per cent shall be subject
14 to the following exception, that is to say—obligations of
15 any person, copartnership, association, or corporation in
16 the form of notes secured by not less than a like amount
17 of bonds or notes of the United States issued since April
18 twenty-fourth, one thousand nine hundred seventeen, or
19 certificates of indebtedness of the United States, treasury
20 bills of the United States, or obligations fully guaranteed

21 both as to principal and interest by the United States,
22 shall be subject under this section to a limitation of fif-
23 teen per cent of such unimpaired capital stock, including
24 debentures and surplus fund, in addition to such ten per
25 cent of such capital stock and surplus. But the discount of
26 commercial or business paper actually owned by the per-
27 son, firm or corporation negotiating the same shall not
28 be considered as money borrowed within the limitation
29 of this section; and the obligations of any person, firm or
30 corporation, in the form of notes or drafts secured by
31 shipping documents, warehouse receipts or other such
32 documents transferring or securing titles covering readily
33 marketable, nonperishable staples when such property
34 is fully covered by insurance, if it is customary to insure
35 such staples, shall be considered money borrowed within
36 the meaning of this section, but shall be subject to the
37 exception that with respect thereto the limitation of ten
38 per cent of the unimpaired capital stock, including deben-
39 tures and surplus fund, to which reference has herein-
40 before been made, may be increased to twenty-five per
41 cent when the market value of such staples securing

42 such obligations is not at any time less than one hundred
43 fifteen per cent of the face amount of such obligations,
44 and may be increased up to fifty per cent of such un-
45 impaired capital stock, including debentures and surplus
46 fund, with a corresponding increase in market value of
47 such staples securing such obligation up to not less than
48 one hundred forty per cent of the face amount of such ad-
49 ditional obligation, but this exception shall not apply
50 to obligations of any one person, firm or corporation
51 arising from the same transaction or secured upon the
52 identical staples for more than ten months. This section
53 shall not apply to the obligations of the United States or
54 general obligations of any state or political subdivision
55 thereof (when there has been no default in the payment
56 of interest or principal in respect of the general obliga-
57 tions of any state or political subdivision thereof within
58 ten years prior to the purchase of such obligations), bonds
59 or obligations issued under the authority of the West
60 Virginia bridge commission or the state road commission,
61 commonly known as bridge revenue bonds, or obligations
62 issued under authority of the federal farm loan act, as

63 amended, or under the authority of the "Farm Credit
64 Act of 1933", as amended, or issued by the federal national
65 mortgage association, or the federal home loan bank or the
66 home owners' loan corporation, or any loans or obligations
67 to the extent that they are secured or covered by guaran-
68 ties, or by commitments or agreements to take over or to
69 purchase the same, made by any federal reserve bank or by
70 the United States or any department, board, bureau, com-
71 mission or establishment of the United States, including
72 any corporation wholly owned directly or indirectly by the
73 United States. Neither shall this section apply to the obli-
74 gations of a corporation owning the building in which the
75 banking institution is located when such banking institu-
76 tion has an unimpaired capital and surplus of not less than
77 one million dollars, or when approved in writing by the
78 commissioner of banking. Nothing herein shall be constru-
79 ed to forbid the sale upon credit of a bank building owned
80 by a banking institution at the time this act takes effect.

81 No officer, director, clerk or other employee of any
82 banking institution or the commissioner of banking or
83 any employee of the department of banking shall borrow,

84 directly or indirectly, from the banking institution with
85 which he is connected, or is subject to his examination,
86 any sum of money without the written approval of a
87 majority of the board of directors or discount committee
88 thereof filed in its office, or embodied in a resolution
89 adopted by a majority vote of such board, exclusive of
90 the director to whom the loan is made. If an officer, clerk
91 or other employee of any bank shall own or control a
92 majority of the stock of any other corporation, a loan to
93 such corporation shall, for the purpose of this section,
94 constitute a loan to such officers, clerk or other 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 at
100 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.

W. H. Jasper Jr.
Chairman Senate Committee

Eudora Andrews
Chairman House Committee

Originated in the Senate.

Takes effect *90 days from* passage.

Bowman Hepler
Clerk of the Senate

C. Blankenship
Clerk of the House of Delegates

Ralph Bean
President of the Senate

H. R. Parley
Speaker House of Delegates

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

Jeff Henderson
Governor

