

# WEST VIRGINIA LEGISLATURE

REGULAR SESSION, 1959

## ENROLLED

SENATE BILL NO. 231

(By Mr. Beay McResident)

PASSED March 14 1959

In Effect 9 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)

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[Passed March 14, 1959; in effect ninety days 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 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  
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. Pauley  
Speaker House of Delegates

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

W. H. Underwood  
Governor